Strix
TECHNOLOGY

Innovative & Sustainable Technology

Annual report and accounts 2021

Our mission:

Innovating safety and design for a sustainable future.

Our vision:

Establishing a world-leading innovative and sustainable technology business.

About us:

Strix is a global leader in the design, manufacture and supply of kettle safety controls and other components and devices involving water heating and temperature control, steam management and water filtration.

Strix is admitted to trading on the AIM Market of the London Stock Exchange (AIM: KETL).

Operational highlights

- Production efficiency of core kettle products improved with 73% of all assembly lines now fully automated.
- Set clearly defined KPI targets to measure progress towards meeting our sustainability commitments as part of our 'Sustainable. Innovative. Dependable.' strategy.
- Industry-leading and ambitious decarbonisation target – net zero Scope 1 & 2 by 2023 – demonstrates commitment to sustainability agenda.
- New Strix.com website launched demonstrating the Company's vision of the future.
- Successfully upgraded to SAP to improve real time data and streamline internal processes.

For further operational information please see pages 8 to 11

2021 Financial highlights

Revenue
£119.4m
+25.3%

Adjusted profit before tax
£32.2m
+4.2%

Adjusted profit after tax
£31.4m
+6.4%

Adjusted EBITDA
£40.5m
+6.3%

Adjusted earnings per share
15.2p
+2.0%

Total dividend per share for the year
8.35p
+6.4%

Strategic highlights

- Remain on track to deliver medium-term targets to double the Group's revenues primarily through growth in the water and appliances categories.
- Expanded share of the global kettle controls market by a further 1% to 56% by value.
- The acquisition of LAICA continues to be successfully integrated in line with plan to achieve the identified benefits, and the trading performance has been strong over the period.
- New manufacturing operations within Zengcheng district in Guangzhou, China are now fully operational and were delivered on time, to budget and executed during a global pandemic.
- Launches of Aurora and Dual Flo as key extensions of Strix domestic appliances category, both with strong energy saving and sustainability benefits.
- Excellent progress made in Strix's water category in Asia-Pacific, Europe and North America through new distribution and private label contracts with reputable distributors, retailers and brands in those regions.

For further strategy information, please see pages 30-37

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Company overview

A global leader with **sustainable growth** from diverse revenue streams

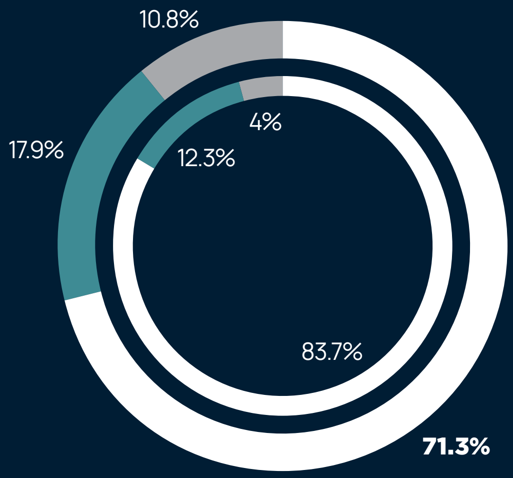
Strix's long-term vision is to diversify the revenue streams across our three core categories through the implementation of growth and sustainability strategies. The Group's emphasis on medium-term targets achieved through organic and strategic acquisitions, and commitment to providing a safer sustainable future for stakeholders, reinforces the focus in expanding revenue streams in the water and appliances categories, whilst continuing to grow market share in kettle controls.

Revenue split by category – 2021 versus 2020

£119.4m

- Kettle controls 2021: £85.1m (2020: £79.8m)
- Water category 2021: £21.4m (2020: £11.7m)
- Appliances category 2021: £12.9m (2020: £3.8m)

- 2021 (outer circle)
- 2020 (inner circle)



Sustainable

Water category

Strix continues to enhance our water filtration portfolio, with numerous product launches through our Aqua Optima, LAICA, HaloPure and astrea brands, as well as through brand and retail partners where we operate as a key OEM in the category. The Group continues to bring product manufacturing in-house to deliver superior quality and innovation, and we expect to manufacture over 80% of the water category in our own factories by the end of 2022. Strix continues to offer a multi-brand product portfolio meeting all consumer water filtration needs. Together, these brands deliver global solutions for water filtration and sterilisation needs through the delivery of water bottles, jugs, filters and other related appliances.

Given increased consumer focus on health-conscious choices and in reducing plastic waste, Strix is able to offer sustainable products that allow consumers to make healthier choices for themselves and the environment.

New products and existing product enhancements planned in 2022, detailed in our new products roadmap on page 38:

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Strix global share of kettle controls market value
56%

Number of employees
850+

Innovative
Appliances category

Strix continues to focus its innovation efforts around solving real problems and providing meaningful benefits to our customers through convenient, simple and sustainable solutions. Strix aims to excel and differentiate, applying our water, temperature and steam management technologies to relevant, value-driven consumer appliances that take the frustrations out of everyday tasks.

Strix's Research & Development team continues to focus on enhancing the efficiency of its products by developing modular solutions. This enables us to access market routes via our own brands and through key partners, which in turn enables Strix to achieve a bigger impact in terms of sustainability and commercial return. Whilst technology innovation is at the heart of the category developments, Strix is also developing a fast track sourced product approach to bolster the appliances range under LAICA and Aqua Optima brands.

New products and existing product enhancements planned in 2022, detailed in our new products roadmap on page 38:

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Dependable
Kettle controls category

Strix's core product line of safety controls for small domestic appliances (primarily kettles) continues to make up the majority of the Group's business. We remain the leader within the kettle controls market, with an estimated 56% market value share. Despite such a strong foothold in the market, we remain rigorous in our category approach with targeted initiatives across key regions, a focus on innovation within the product space and ongoing cost reduction initiatives.

As the market leader in controls and with a reputation for safety, the Group established a strong reputation for dependable products that will achieve the highest level of performance while meeting all of the relevant safety requirements. Increased emphasis has also been placed on developing products which reduce environmental wastage through minimising energy losses during in-use consumption, as well as significantly reducing the use of precious metals within the core components.

New products and existing product enhancements planned in 2022, detailed in our new products roadmap on page 38:

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Chairman's statement

Continued resilience underpinning the Group's performance despite global headwinds

'Through its robust business model and strong commitment towards meeting medium-term targets, the Group has achieved another year of growth in underlying profitability in the face of headwinds.'

Gary Lamb
Non-Executive Chairman

Introduction

2021 was yet another extraordinary year which saw the impact of the pandemic recovery result in significant economic headwinds affecting the global economies as the world adapts to the new normal. Despite these challenges, Strix was able to deliver a solid trading performance in the year which further demonstrates the Group's robust business model and its solid progress towards meeting medium-term targets of doubling revenues. Headwinds will continue to persist into 2022 which will present a challenging operating environment for the Group, however, the Board remains confident in its ability to steer through the challenges ahead as it executes its growth strategies. The Board would like to give credit and express gratitude to our people for their resilience throughout the year, as they have continued to work diligently to support all of our stakeholders.

Through the Group's prudent Capital Allocation model, Strix saw the successful completion of its new manufacturing facility in China, which was completed on time and to budget during a global pandemic, and which became fully operational in 2021. We continue to place our focus on efficiency improvements, with increased production capacity and in-sourcing at the new factory to strive for higher margins and profitability. In addition, LAICA was successfully integrated into the Group in the current year, with the Group realising the synergistic benefits of the integration through growth in its water and appliances categories. The Group will continue to actively seek value adding acquisition targets that support its medium-term growth ambitions.

Revenue	Adjusted EBITDA
+25.3%	+6.3%
2021: £119.4m	2021: £40.5m
2020: £95.3m	2020: £38.1m
2019: £96.9m	2019: £36.9m

The Group's proposal of increasing dividends in the current year, in line with its progressive dividend policy that is linked to underlying earnings, reflects the Board's confidence in the outlook for the Group.

Medium-term strategy

The Group outlined its medium-term target of doubling revenues over the next five years at the Capital Markets Day in November 2020, primarily through organic growth in its water and appliances categories.

The Group remains confident in meeting its targets as it continues to implement its divisional growth strategy across all categories, and in addition, seek out value adding opportunities in the form of new acquisitions and technologies, new product development and an increased commercialisation drive to further enhance organic growth in the water and appliances categories, while maintaining a market-leading position in global kettle controls.

The Group's sustainability commitments are vital and are therefore embedded into the business strategy in order to provide a safer, more sustainable future for our various stakeholders.

Financial performance

Revenue for 2021 grew by 25.3% from 2020 to £119.4m (28.8% growth on a constant currency basis). Adjusted gross profits for the current year was £47.4m, representing a 20.3% increase from prior year. Adjusted gross profit margin was 39.7%, diluted by 1.6% due to increases in commodity prices and freight costs recently seen in global supply chains in the wake of the pandemic recovery, further affected by adverse foreign currency movements. Adjusted EBITDA was £40.5m (2020: £38.1m), showing an increase of 6.3%. Adjusted profit after tax grew by 6.4% to £31.4m (2020: £29.5m) in line with management expectations.

Impact of COVID-19

The first half of 2021 saw continued lockdown restrictions implemented globally, mainly due to the spread of the Delta variant of COVID-19. However, Strix continued to deliver strong performance in H1 as it implemented efficiency measures and strategic initiatives to maximise on increased demand from home stays during lockdowns. The markets softened in H2 as most of the world gradually emerged out of lockdown restrictions leading to consumer spending shifting to more outdoor service sectors which had not been available due to the restrictions. The impact on the pandemic recovery towards the end of the year also brought some headwinds affecting supply chains in global markets which resulted in rising costs of commodities, labour and freight.

Despite the global macroeconomic disruptions caused by the COVID-19 pandemic and the resulting recovery, Strix has put in place, and will continue to implement, Group-specific controls to allow 'business as usual' and ensure minimal disruptions to operations throughout 2022 and beyond. The robustness of our business model, supported by strategic initiatives, gives the Board confidence that the Group will navigate the growing uncertainties ahead and deliver against medium-term targets.

Sustainability

Strix has a robust philosophy towards sustainability and our goal is to embed sustainability into our business strategy, from the way we package our products to how our consumers use them.

The Group re-examined its approach to sustainability in 2020, in order to establish a clear strategy in line with the UN Sustainable Development Goals. During 2021, we set up clearly defined baseline key performance indicators against which we can track progress and monitor improvements going forward.

Strix's approach to sustainability involves all areas and employees within the Group, and we have also integrated LAICA. The CEO is the main conduit for sustainability management, alongside key executive management, reporting to the Board with oversight by our Non-Executive Director, Richard Sells.

Dividend policy

In line with our dividend policy linked to underlying earnings, the Board is proposing a final dividend of 5.6p per share, in addition to the 2.75p interim dividend paid in October 2021, making the total dividend 8.35p per share in respect of the 2021 financial year.

The final dividend will be paid on 10 June 2022 to shareholders on the register at 13 May 2022 and the shares will trade ex-dividend from 12 May 2022.

Annual General Meeting

The Company will be hosting its Annual General Meeting on 26 May 2022 at 09.00 at our registered office at Forrest House on the Isle of Man, to which I welcome all of our shareholders, and the notice of which will be sent to shareholders in due course. Further details will be set out in the formal notice of meeting, including recommended COVID-19 preventative measures prior to, and during, attendance at the meeting.

Gary Lamb
Non-Executive Chairman

COVID-19 response

Creating '**Business as Usual**' during COVID-19

2021

Throughout 2021, Strix began to adapt to the new normal. The flexibility of our staff across all sites, moving from office to working from home and back again, meant that 'business as usual' could be maintained, supporting the business results.

COVID-19 response timeline

The year saw a number of lockdowns and restrictions across multiple jurisdictions, however, the Group implemented sufficient measures across all sites to enable working from home, thereby minimising disruptions to operations.

The work that Strix did in 2020 to support the local hospital with visors, when supplies were critically low, was recognised in the team winning an 'extraordinary islanders award'.

January 2021
There was a short circuit-break lockdown in the Isle of Man after a second wave, and staff returned to established 'work from home' protocols, until local restrictions were quickly lifted after 3.5 weeks.

March 2021
A third wave circuit-break lockdown in the Isle of Man was implemented as the latest variant spread through the community. The US saw a fourth rise in infections in mid-March. At the end of March, the situation in the UK started to improve and the stay at home order came to an end. Mass vaccination programmes were underway worldwide.

April 2021
A third wave circuit-break in the Isle of Man ended as the number of active cases reduced, but Strix maintained some controls such as daily temperature testing, segregated kitchens and screens between desks, and recommended mask wearing to reduce transmission risk. Strix USA moved into a new facility, and its new test labs then remained open through 2021. Lateral flow tests became widely available in the UK and the Isle of Man.

May 2021
Our Guangzhou operation reported that 95% of permanent staff have now been vaccinated.

June 2021
Strix UK office is reopened and staff return to office after working from home.

2022 and beyond

For 2022 and looking into the future, Strix's top priority still remains the health and safety of its employees.

As the pandemic has evolved and many countries begin to take an endemic approach, Strix has put in place, and will continue to implement, Group-specific controls to allow 'business as usual' and ensure minimal disruptions throughout 2022 and beyond.

In the latter part of 2021, the UK Government announced the reintroduction of some control measures, such as mandatory face coverings, in response to possible impact of Omicron variant. Strix UK office reverts to primarily working from home.

The year ended with the gradual lifting of restrictions in most jurisdictions in order to adapt to a 'new normal', with a few measures put in place to further limit the spread of the virus.

March 2022
COVID-19 lockdown restrictions were implemented in the whole of Shanghai, however, measures were put in place for staff to work from home with minimal disruptions, including sufficient IT and communication systems for connectivity.

April 2022
For the UK and the Isle of Man, the respective governments removed all restrictions to signal a move to treat coronavirus as an endemic disease similar to other illnesses such as flu and norovirus. Whilst there were some waves of cases in early 2022, all operations in the Isle of Man continue largely as normal with limited impact from staff isolating and/or working from home.

In Italy, COVID-19 preventive measures regarding the use of masks and access to certain places and services with Green Pass certification are gradually being relaxed, ensuring minimised disruptions to operations.

Despite some localised increases in cases in China, Strix takes an active stance to increase COVID-19 controls to minimise impact on operations, which remain fully operational.

Chief Executive Officer's statement

Delivering on our medium-term strategy and **against targets** in the face of continuing **global volatility**

'Strix has a robust business model, and disciplined execution of our strategies has underpinned the resilience of our performance throughout economic cycles, so we remain confident in our ability to navigate through the growing uncertainties ahead whilst delivering on our medium-term plan and against our targets.'

Mark Bartlett
CEO

Introduction

In 2021 we have delivered a solid trading performance which has strengthened the Group's position across its three product categories: kettle controls, water and appliances.

This performance demonstrates the resilience of Strix's business model, which benefits from geographical and product diversification, and is strengthened further by the Group's high cash generation and prudent control of its balance sheet.

The Group has expanded its market-leading value share of the global kettle controls market whilst significantly expanding the size of its water category through both organic growth and the strategically compelling acquisition of LAICA which has delivered strong revenue growth over the period.

In addition, the Group has made solid progress against its medium-term target to double Group revenues primarily through organic growth in its water and appliances categories.

Financial performance

The Group reported revenue of £119.4m, an increase of 28.8% on a constant currency basis, versus the same period in prior year, and an increase of 26.6% on a constant currency basis, versus the same period in 2019. This was driven by both organic growth and the acquisition of LAICA.

Adjusted profit after tax	Final and interim dividend per share
+6.4%	**+6.4%**
2021: £31.4m	2021: 8.35p
2020: £29.5m	2020: 7.85p
2019: £28.9m	2019: 7.70p

Adjusted EBITDA increased to £40.5m (2020: £38.1m), representing a 6.3% increase compared to the same period in prior year and an increase of 9.8% versus the same period in 2019. Adjusted EBITDA margin was 33.9% (2020: 40.0%) and adjusted gross profit margin was 39.7% (2020: 41.4%), as a result of LAICA's inclusion alongside a number of factors including the impact of a number of headwinds which continue to persist including increases in commodity prices, freight cost inflation, supply chain and adverse foreign exchange rates.

Strix has a highly cash generative model which incorporates a high ROCE and a high proportion of cash in advance payment terms limits risk of non-payment and working capital fluctuations.

Net debt (excluding the impact of IFRS 16 lease liabilities) increased to £51.2m (2020: £37.2m) to fund the LAICA acquisition, continued investment in compelling growth opportunities as well as the new manufacturing operations in China. This represents a net debt/adjusted EBITDA ratio (calculated on a trailing 12-month basis) of 1.3x compared to 1.1x at the interim stage.

Strix is in a strong financial position with significant liquidity providing flexibility to continue to deploy capital consistent with its allocation of capital priorities and is focused on investing in compelling growth opportunities – in particular on new product development and compelling acquisition opportunities that supports the medium-term growth ambition of the Group.

Given the Group's performance and confidence in the continued strength of its cash generation, the Board is pleased to propose an increased final dividend of 5.60p per share (2020: 5.25p) which would represent a total dividend of 8.35p per share (2020: 7.85p).

Kettle controls category

The kettle control category recovered significantly from losses in 2020, with growth in revenue of 6.6% to £85.1m in 2021.

The market has continued to experience strong demand in 2021. Throughout this period, Strix has grown its market-leading position further to 56% of the global kettle controls market by value and is continuing to expand both geographically and in the number of specifications using its latest platform ranges.

The first half of 2021 saw the Regulated segment grow with a strong contribution from the UK, Mainland Europe and North America. Less Regulated segments also grew in a strong first half. The Chinese market experienced some weakness during 2020, but this began to show a marked recovery in 2021 and Strix remains the leading supplier of controls in that market. However, the second half of 2021 had significant headwinds impacting demand for the full year with the total market showing a decline in value but still good growth in volume in-line with the market forecast of 3%.

Strix has also continued to focus product development on opportunities and design improvements in a sustainable way to reduce the overall manufactured product footprint within the Regulated, Less Regulated and China markets that will further strengthen Strix's position and support our market share aspirations.

Following the successful launch of the U9 Series during 2017, the Group has successfully produced over 70 million controls to date. The Group continues to develop this series with new variants launched to target the smaller size and split switch kettle appliances to further enhance the portfolio of best-in-class controls.

Continuous improvement initiatives in our manufacturing, measurement and testing processes are a key focus to enhance product performance to help our customers improve their sustainability ambitions, product quality and reduce costs. Production efficiency of core kettle products improved with 73% of all assembly lines now fully automated.

Appliances category

Overall, the appliances category reported a significant growth in revenue of 244.2% to £12.9m in 2021.

Strix seeks to use its technology and innovation expertise to develop adjacent products to solve problems in tangential markets in a sustainable way. The Group looks to develop products offering meaningful benefits to customers which can then be commercialised through existing relationships with experienced and trusted OEM's and consumer appliance specialists.

In October 2021 the Company announced the launches of Aurora and Dual Flo as key extensions of Strix's domestic appliances category, both with strong energy saving and sustainability benefits. Strix's mission within the appliances category is to develop products that allow consumers to live a safer, more convenient and sustainable life at home.

Aurora is powered by Strix's Instant Flow Heater technology, delivering auto-dispensed hot, boiled and chilled filtered water at the touch of a button. The Aurora Hot was launched in Q4 2021 and is now listed and selling well on Amazon, while the Aurora Chilled is on track to be in the market in the second quarter of 2022. Aurora products have numerous environmental and energy saving advantages. The Aurora has recently been awarded the Quiet Mark award which is an industry accreditation aimed at encouraging companies

Chief Executive Officer's statement continued

worldwide to prioritise noise reduction within product design. Strix recently organised a virtual press event for the Aurora product to demonstrate the product and the consumer insights behind it as well as to raise retail awareness of Strix's recent new product development activity.

The Visione induction kettle launched in December with a focused marketing campaign planned to increase awareness and sales this year. It has also recently been awarded both the German Design Award 2022 and the Red Dot design award – two prestigious awards in the industry.

Water category

Overall, the water category reported a significant growth in revenue of 82.3% to £21.4m in 2021 with the combined contribution of LAICA and HaloPure technology and has continued to develop its product base and progressed towards our category growth aspirations.

LAICA has a considerable global presence, an established product range and an advanced new product roadmap. The acquisition continues to be successfully integrated in line with plan to achieve the identified benefits and the trading performance has been strong over the period. It is already providing some strategic consolidation opportunities in the water treatment range, driving efficiencies and a comprehensive portfolio of products for the Group globally.

The HaloPure technology also continues to gain wider recognition by the market and has now secured 14 contracts, which demonstrates the continued focus on commercialising this important product.

Strix previously highlighted that it had secured contracts at a regional government-owned livestock company in China. More recently the preliminary result from new product development shows a significant breakthrough to apply the HaloPure technology onto smaller sized livestock farms which will enlarge the target addressable market. The prototype is currently undergoing field testing.

Excellent recent progress has been made in Strix's water category in Asia-Pacific, Europe and North America through new distribution and private label contracts with reputable distributors, retailers and brands in those regions.

In South-East Asia, Strix recently entered into a significant distribution agreement with a global consumer electronics manufacturer, under which its water filtration technology and products will be introduced to local Asian markets in Q2 2022.

In Europe, Strix has secured the supply of its water filtration technology and products to one of Europe's largest consumer electronics retailers. Strix has also appointed a new distributor for Denmark who will take a range of Aqua Optima jugs and filters.

Additionally, new retail listings for the Aqua Optima range have also been won across the UK and Ireland growing the brand's presence across the region with more than 200 additional store listings across well-known high street and independent retailers. Strix now also has a presence in the hardware and garden centre market in the UK with listings of its Aqua Optima jugs and filters.

In the US, the Company has recently appointed an additional distributor for the North American region. The distributor has an excellent track record in supplying major consumer electronics brands.

New product development

New product development remains a fundamental driver in the Group's core business strategy, with specific focus on the identification of cross-category opportunities. The Group has made significant headway having delivered on the targets outlined in the product development roadmap with the launch of multiple new products. The Group has also refocused its commercialisation strategy, optimising cross-category synergies within both our higher value appliances and water categories.

Throughout 2021, in line with its medium-term growth ambitions, Strix had multiple new product launches. The Group will continue to focus its highly skilled engineering resource towards enhancing our core technologies and innovating into new commercial markets in a sustainable manner.

Operations review

The new manufacturing operations within Zengcheng district in Guangzhou, China are now fully operational and were delivered on time and to budget during a global pandemic. The new factory will double the Group's current manufacturing capacity enabling it to grow the business and deliver its stated medium-term strategy of doubling revenues. Efficiencies and further in-sourcing arising from the new manufacturing facility are expected to have a positive effect on margins.

Additionally, in light of the recent lockdowns in China, Strix is holding finished stock in different districts in order to minimise any disruption and continues to take proactive measures above the governmental regulations being implemented globally.

Barriers to entry and defence of intellectual property

Strix constantly assesses the risks posed by competitive threats and sees the real benefits of market disruption which drives its determination to constantly evolve its innovative technologies in a sustainable way by investing in its portfolio of intellectual property to protect its new products.

The Group actively monitors the markets in which its operates for violation of our intellectual property rights. Strix has unique relationships with its brands, OEMs and retailers and provides its support across the value chain and throughout the product lifecycle, including product design and advice on specification and manufacturing solutions. These value-added services and existing strong relationships ensure brands, OEMs and retailers continue to rely on Strix's components and support.

Strix remains committed to consumer safety and continues to prompt regulatory enforcement authorities to remove unsafe and poor quality products from our major markets. Nine such actions were undertaken in 2021 resulting in product recalls and withdrawal of kettles from Bulgaria. Defence of intellectual property and regulatory enforcement remain core activities of our business and there have now been 66 actions undertaken in total since 2017.

Sustainability

In 2020, the Group reassessed its approach to sustainability with a view of integrating a sustainability strategy within core business activities to align ourselves with the UN's Sustainable Development Goals ('SDGs'). In 2021, we moved a step further in our 'Sustainable. Innovative. Dependable.' strategy by clearly defining KPI targets against which we can keep track of progress in order to meet our commitments as stated in our latest sustainability report.

An internal management and reporting structure has been put in place to ensure inclusion, responsibility and accountability from the shop floor to the boardroom. Strix has developed metrics of sustainability measures which have been standardised and are being rolled out across the organisation. The Group's latest and highly ambitious step sees the externalisation of our sustainability key performance indicators ('KPIs') as set out in the sustainability report available at: https://www.strixplc.com/sustainability.html. Measuring, committing and reporting on progress will ensure that these factors will be a key driving force in the direction of the business.

Strix has focused on climate change and carbon emissions as a key KPI for 2022. Our Scope 1 & 2 emissions emanate primarily from our manufacturing plants, especially the new facility in China which has been commissioned. Strix has set an ambitious target for net zero Scope 1 & 2 emissions by 2023. The Group believes this to be 'best-in-class' and far in excess of the Paris Agreement's 1.5°C scenario requirements.

In addition, our goal is to achieve over 97% of this through reduction of our own emissions with less than 3% from carbon offsets. To achieve this ambitious target, the Group has invested over £0.6m into a solar array at our new Chinese manufacturing site which will provide over 10% of the required electricity, with the remainder due to be switched to renewable electricity in 2022.

Diversity is important to Strix as a business and 60% of the workforce is female, 40% at the C-suite level and 27% at the senior management level. The target is to further embed diversity thinking throughout the organisation and work to promote gender diversity of the Group's senior management.

LAICA is also targeting a combination of solar and renewable electricity, although with the integration currently at the fore this is expected to be implemented through 2022. Strix is also developing a range of programmes to reduce our emissions, for instance China and now the Isle of Man has started to move to electric cars. The Isle of Man will take the lead on alternative offsetting of our 'hard to remove' emissions using the Science-Based Targets initiative's mitigation hierarchy.

Our other sustainability KPIs are taken from key operating practices already embedded into our culture. Promotion of the sustainability agenda and KPIs is generating renewed emphasis on these activities. This has included additional planning and pathways to improvement and, where applicable, setting of ambitious future targets. Strix expects to enunciate further on these plans in the coming year. These KPIs are important but the Group also remains committed to other areas of our sustainability agenda. This is highlighted in our community engagement where we have an aspiration to increase volunteer hours by 10% a year.

The next few years will see significant planning and project execution as Strix looks to advance the KPIs and set ever ambitious goals but this is a critical aspect of Strix's vision of establishing a world-leading innovative and sustainable technology business.

Dividend policy

Given the Group's performance and confidence in the continued strength of its cash generation the Board proposes an increase in the final dividend to 5.60p per share (2020: 5.25p) which would represent a total dividend of 8.35p per share (2020: 7.85p). The Board reiterates its intention to implement a progressive dividend policy that is linked to underlying earnings.

The final dividend will be paid on 10 June 2022 to shareholders on the register at 13 May 2022 and the shares will trade ex-dividend from 12 May 2022.

Financial position

Strix is in a strong financial position with significant liquidity providing flexibility to continue to deploy capital consistent with its allocation of capital priorities and is focused on investing in compelling growth opportunities, in particular on new product development and commercialisation strategy that supports the medium-term growth ambition of the Group.

The Company also continues to seek the acquisition of technologies that will add further strategic value across the Group and has a buoyant pipeline of opportunities it is tracking closely. Following the successful integration of LAICA, the Group is now actively considering a number of potential acquisition targets.

Outlook

The Group reported revenue increase of 28.8% on a constant currency basis, versus the same period in prior year and an increase of 26.6% on a constant currency basis, versus the same period in 2019. This was driven by both organic growth and the acquisition of LAICA which has delivered strong revenue growth over the period.

Strix has successfully implemented price increases on some of its legacy products in both kettle controls and water categories and will also be implementing further increases across the wider range with effect from 1 May 2022, which alongside a range of other efficiency measures and foreign exchange rate and commodity hedging arrangements will help to minimise the impact of any cost inflation.

Notwithstanding the positive demand backdrop, there are a number of headwinds which continue to persist including increases in commodity prices, freight cost inflation, supply chain and adverse foreign exchange rates which implies the Group will continue to face a challenging operating environment.

The Group also has no direct sales into Russia and any products sold into that region are typically from a Chinese-based OEM which equated to total revenues of c.£3m in 2021.

Strix has a robust business model and disciplined execution of our strategies have underpinned the resilience of performance throughout economic cycles. It remains confident in its ability to navigate the growing uncertainties ahead and remains confident of delivering on the medium-term strategic plan and delivering against its targets.

Mark Bartlett
CEO

Strix rebranded

Strix
TECHNOLOGY

As Strix continues its growth towards a world-leading innovative and sustainable technology business, now is the time to elevate and showcase the breadth of technologies and products that exist within the Group.

While still maintaining a dedication to our core business of kettle safety controls, where we maintain a 56% global market share, our focus is renewed in our efforts to double the size of our business through investments in our appliances and water categories through our own brands, and through our network of world-leading consumer brands around the world. Our new branding reflects our commitment to growth and innovation in new and exciting categories, as well as our commitment to sustainability through our technologies and manufacturing footprint.

Brands around the world use 'Powered By Strix' as a key consumer indicator of quality and safety on their products and in their marketing communications. Through our new branding we've developed a standardised approach to maintain consistency and quality of the 'Powered by Strix' badge and message to build global consistency and brand equity that allows us to better support our OEM and brand partners in driving success in their markets.

The power and significance of the 'Powered By Strix' mark also allows us to build immediate consumer connection across our own range of branded consumer products. Following the acquisition of LAICA, the Group now boasts a wide range of branded consumer products, and with the recent launch of our Aqua Optima Aurora Collection we now have our own branded products that are powered by Strix.

With a refreshed Strix Technology we are in a strong position to enable our global partners to grow and with our own portfolio of consumer brands this allows us to deliver to consumers around the world the innovation, safety and sustainable impact they have come to expect from Strix.

We are ready to continue innovating safety and design for a sustainable future.

Trustworthy

We have a long standing reputation for our credibility and transparency to our customers. We are experienced and knowledgeable experts in our field, creating market-leading and dependable solutions.

Authoritative

With a rich history of 50 years, we are a global leader in the innovation, design, manufacture and supply of kettle safety controls, heating and temperature controls, steam management and water filtration technologies.

Professional

We are trusted experts in our field and pride ourselves on our ability to consistently and efficiently deliver quality products.

Confident

We're confident in our ability to push the boundaries, creating positive solutions that constantly exceed expectations.

Dedicated

We are always innovating and always moving forward. We keep high standards and strive for better each day.

Forward thinking

As a company, we are progressive and dynamic in our approach to creating solutions that everyone can benefit from.

Helping shape a sustainable future through innovative and safe technology.

Strix investment case

Strix offers an attractive investment case with our market-leading kettle controls position as well as significant growth opportunities in the water and appliances categories, strongly underpinned by the Group's focus on ESG and sustainability.

1. Dominant market position in global kettle controls with high barriers to entry

- Expanded our global market value share of the kettle controls market from c.55% to c.56% as the Group retained dominance in the market, and in line with our medium-term target to grow market share to c.57%.
- Regulated segments market increased as the North American market continued to show steady growth, slightly offset by declines in the UK and mainland Europe which saw growth flatlining in the second half of the year.
- Less Regulated segments slightly underperformed the normal average CAGR growth levels due to declines in Russia and South Africa, mainly as a result of the remnant effects of COVID-19.
- The Chinese market grew from last year as it partially recovered losses seen in 2020 which had resulted from COVID-19.
- Patent portfolio underpins Strix technologies with successful campaigns globally (including China) to remove infringing products and initiate regulatory enforcement actions.

2. Significant growth opportunities in water and appliances categories

- Forecasting revenue CAGR of over 25% in both categories over the next five years delivering a doubling of Strix Group revenue.
- Transformational acquisition of LAICA in October 2020 is now fully integrated and the Aqua Optima brand is delivering record sales for yet another year.
- Recent contract wins for HaloPure technology in China and the evolution of this technology to farming solutions for clean drinking water is likely to result in significant incremental business opportunities.
- Strong progress on five year strategy in appliances, in particular through the launch of own brand products which are selling well through Amazon.

3. Strong ESG credentials with structural growth tailwinds

- Comprehensive Board-led sustainability strategy embedded within core business activities and aligned with key and relevant UN Sustainable Development Goals.
- Range of initiatives that focus on the full spectrum of environmental, social and governance with baselines established to track improvements and to clearly monitor progress year-on-year.
- Committed to achieve net zero for Scope 1 & 2 emissions by the end of 2023 predominantly through solar or other renewable energy.
- Focus turning to reducing Scope 3 emissions.

4. Strong free cash flow generation with unique working capital cycle

- Customers typically pay in advance, reducing non-payment risk and increasing cash conversion cycle.
- Low requirement for maintenance capex (excluding investment in new factory that completed in August 2021).
- Operating free cash flow (before financing and tax and exceptional factory capex) to EBITDA conversion of 70%, despite one-off working capital outflow from increased stock holdings and forward commodity purchases.

5. Market-leading adjusted EBITDA margin

- Significant investment in automation, as well as ongoing focus on other efficiency measures and strategic initiatives underpinning EBITDA margin uplift.
- Increasing the appliance product mix further boosts margins as these are typically more complex technologies that can command a higher price point.
- Increased capacity at the new factory allows for in-sourcing of additional products and components with margin benefit.
- Extensive patent portfolio and safety actions underpin margins, with campaigns to report infringements and remove copyist products from the market.

6. Low leverage with disciplined Capital Allocation Framework

- The Group has a conservative balance sheet which provides significant flexibility.
- Investment in compelling growth opportunities with particular focus on new product development and commercialisation strategy that support our medium-term growth ambitions.
- The Board continues to seek strategically compelling acquisition opportunities which further complement its existing product portfolio and R&D capabilities.
- Progressive dividend policy linked to underlying earnings has been maintained reflecting the Board's confidence in the outlook for the Group.

Key performance indicators

We use financial and non-financial key performance indicators ('KPIs') to track and measure our progress over time. In addition, during 2021 we established clear ESG KPIs to track our improvements in line with our key sustainability pillars.

Financial KPIs

Kettle controls category revenues (£000)

85,117

6.6%

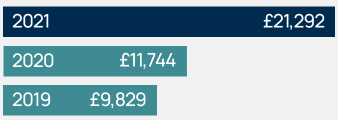
Definition
Value of items sold during the year within the kettle controls category.

2021 performance
The increase in revenue was due to an expansion of Strix's global market value share in regulated segments.

Water category revenues (£000)

21,292

81.3%



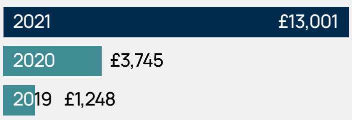
Definition
Value of items sold during the year within the water category.

2021 performance
Revenues in this category grew with the inclusion of LAICA's full year results, and recent contract wins for HaloPure technology in China which is likely to result in significant incremental business opportunities.

Appliances categories revenues (£000)

13,001

247.2%



Definition
Value of items sold during the year within the appliances category.

2021 performance
Revenues have more than doubled in this category in the current year due to a combination of record sales for the Aqua Optima brand realised from new products launched and selling well on Amazon, and integration of the full year results of LAICA. There is continued market penetration, and new innovative projects and launches within the appliances categories.

1. Adjusted results exclude exceptional items, which include share-based payment transactions, other reorganisation and strategic project costs. Adjusted results are non-GAAP metrics used by management and are not an IFRS disclosure. A table which shows both Adjusted and Reported results is included in the Chief Financial Officer's review.
2. EBITDA, which is defined as earnings before finance costs, tax, depreciation and amortisation, is a non-GAAP metric used by management and is not an IFRS disclosure.

For further strategy information pages 30 to 37

For further risk information pages 48 to 54

Adjusted EBITDA[1,2] (£000)

40,540

6.5%

Definition

Adjusted EBITDA highlights the underlying operational performance of the Group after adjusting for exceptional costs, the impact of financing decisions, and depreciation and amortisation.

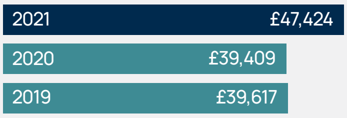
2021 performance

Adjusted EBITDA increased by 6.5% to £40.5m, with LAICA bringing in a full year's worth of results. Despite the increase, adjusted margins were diluted as a result of a number of headwinds which continue to persist including increases in commodity prices, freight cost inflation, supply chain and adverse foreign exchange rates.

Adjusted gross profit[1] (£000)

47,424

20.3%



Definition

Adjusted gross profit is the profit generated from our sales, after deducting the costs associated with making and selling our products, adjusting for exceptional costs.

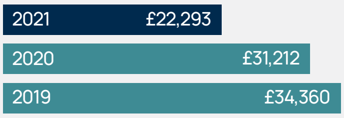
2021 performance

Adjusted gross profit increased by 20.3% to £47.4m, driven by LAICA gross profits as the Group realised its full year results, and growth in appliances market share due to sales which were 59.9% higher up on the prior year, realised from new products launched in this category and selling well on Amazon, with more sales expected in FY 2022 in anticipation of increased demand and further planned new product listings.

Net cash generated from operating activities

22,293

-28.6%



Definition

Net cash generated from operating activities is a measure of the cash generated by our operating activities, excluding the cash impacts of longer-term financing and investing activities.

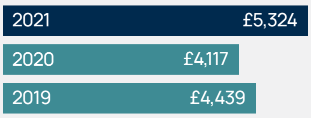
2021 performance

Net cash generated from operating activities decreased to £22.3m (FY 2020: £31.2m) mainly due to the Group's investment in net working capital shown through increased stock holdings at year end as a result of forward procurement of commodities to secure future profits, and increased debtors in line with an increase in the top line and due to a VAT receivable due to the new factory, to be reclaimed in FY 2022/23.

Total R&D expenditure (£000)

5,324

(4.5% of net sales)



Definition

Total R&D expenditure (including capitalised costs) as a percentage of reported revenue, which supports our investment in future technologies and products.

2021 performance

Fairly constant R&D to net sales ratio of 4%-5% year on year in line with the medium-term goals.

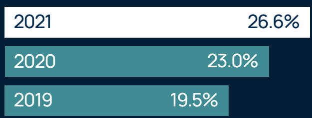
Key performance indicators continued

Non-Financial KPIs

Gender diversity

26.6%

3.6%



Definition

This refers to the number of women in management roles expressed as a percentage of all management-level employees.

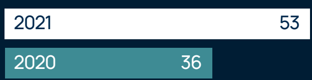
2021 performance

Our percentage of women in management roles across the Group was 26.6% (2020: 23.0%), a further increase from 2020. This compares favourably with the UK statistics based on a 2009 to 2019 survey indicating that women in management roles across all science, engineering and technology roles increased slightly from to 13% in 2009 to 14% in 2019[1].

Energy usage per head (Oil)

53

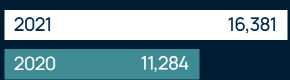
47.2%



Energy usage per head (Electricity)

16,381

45.2%



Definition

Electricity and oil usage is expressed in units used per head per year. We monitor our energy usage on a monthly basis in order to ensure the environmental impact of our usage is minimised.

2021 performance

Energy usage per head increased during the year mainly due to the operations being run in parallel at the two manufacturing sites in China as the Group finalised the construction and prepared for the move to the new factory. Consumption increased also due to increased capacity at the new factory. This year's metric has been calculated to include all sites with significant manufacturing operations, i.e. China, Italy and the Isle of Man.

Business travel

11

-38.9%

Definition

Business travel is expressed in miles per head per year. We monitor our consumption of fossil fuels in order to ensure our business travel emissions are minimised.

2021 performance

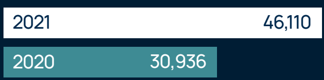
Business travel emissions decreased mainly due to limited travel from COVID-19 lockdowns and travel restrictions implemented in various jurisdictions.

1. https://www.wisecampaign.org.uk/statistics/2019-workforce-statistics-one-million-women-in-stem-in-the-uk/

Water usage (m^3)

46,110

49.0%



Definition

Water usage is expressed in cubic meters. We monitor our water usage on a monthly basis to ensure minimal wastage through recycled use.

2021 performance

Water consumption increased by approximately 49%, mainly due to the operations being run in parallel at the two manufacturing sites in China as the Group finalised the construction and prepared for the move to the new factory. Consumption rose also due to increased capacity at the new factory.

Water intensity (m^3/£m)

384

18.2%

Definition

Water intensity is a measure of the water usage per £1 overhead spend. We monitor our water usage on a monthly basis to ensure minimal wastage through recycled use.

2021 performance

Water intensity and usage rose mainly due to mainly due to the operations being run in parallel at the two manufacturing sites in China as the Group finalised the construction and prepared for the move to the new factory. Consumption rose also due to higher capacity at the new factory.

Total lost time accidents

13

-31.6%

Definition

This refers to the total number of accidents recorded that resulted in employees missing work due to injury, expressed per 1,000 employees.

2021 performance

Total accidents have decreased from last year and this is attributable to the benefits of further automation of assembly lines and strong emphasis on prioritising the health and safety of employees.

Lost time hours

0.20

-23.1%

Definition

This refers to the total number of hours lost due to accidents resulting in injury, expressed per 1,000 hours worked.

2021 performance

Total lost time fell, reflective of the decrease in accidents recorded, and also attributable to benefits from further automation of assembly lines.

Our people

What does HR at Strix mean?

As a Company, Strix prides itself on the quality and safety of our products, and whilst the Company continues to introduce automation, fundamentally, the delivery of this is down to the dedication and commitment of its well-trained people.

To this end, 'HR' at Strix is not just about the work of the dedicated and professional team that Strix has in the function; it is about the quality of the thousands of human interactions that occur every single day in the business. It is about hiring the very best people, and then helping them to become even better. Our people are given the freedom and mechanisms to share their ideas about how to keep improving the business. We also reward excellence, commitment and innovation; and celebrate the rich diversity that the Company has in its multi-national workforce.

Diversity at Strix

The Company recognises that to achieve a diverse workforce, a working environment that empowers all of our employees to thrive and achieve their potential is essential. The employee population benefits from bringing to bear a wealth of cultures, languages and experiences. Whilst this diversity is rich and celebrated, underpinning it all is a set of shared values that are seen being upheld across all areas of the business every day.

As a global employer, spanning across multiple continents, we pride ourselves on the gender make up of its workforce where 60% of its employees are female, and women have a 26.6% management representation.

Similarly, a wide range of ages are represented throughout the business. In a company which creates millions of products each year, age really is 'just a number'. That said, in response to the recognised challenges faced by those people newly entering the workforce, Strix is a big advocate of paid internships and apprenticeship programmes. Being headquartered on the Isle of Man, the Company actively participates in the Island STEM committee that focuses on creating opportunities for school leavers and university graduates interested in careers in engineering. We are also very active participants in the Island's Junior Achievement programme, providing mentors and tutors, as well as sponsorship.

> 'Whilst this diversity is rich and celebrated, underpinning it all is a set of shared values that are seen being upheld across all areas of the business every day.'
>
> **Emma Cox, Group HR Director**

Our Human Capital strategy

Gender diversity

Female management
26.6%

Female Board members
20%

Overall female workforce
60%

Employee engagement

The Group operates a culture of open communication through a range of mediums including: a global intranet platform; newsletters; Town Hall meetings; 'Pulse of the Business' lunches with the CEO; and employee surveys (with follow-up actions being taken from the results).

In 2021, the employee survey had a healthy response rate of 74%. Positive changes from the survey included introduction of an e-learning platform to cover training solutions on subjects ranging from compliance and health and safety to leadership, coaching, performance management and personal effectiveness.

A new, more transparent job grading system for all employees has been designed to better reflect current and future needs and provide clarity on progression and/or vary their careers within the organisation. Acknowledging the proven benefits of having a vibrant workplace in which people feel fully engaged, we are actively 'creating a buzz' at Strix, inviting ideas from employees to have fun and give back.

The Group also relaunched its 'Think Twice' scheme in 2020 to encourage ideas from all employees about how to maintain a culture and way of working for continuous improvement in all areas of the business.

Whilst introducing new talent into the workplace is about making sure they are comfortable and confident to do their job, and have all the information and tools that they need, it is not about assimilation. It is about making sure we gain the diverse opinions and ideas of our new talents. Fresh eyes are a gift in respect of bringing new and innovative solutions to problems. New starters also bring with them market intelligence, whether it is about products, processes or systems. These insights are invaluable to Strix.

Our people continued

People development

Strix's HR function, led by Group HR Director Emma Cox, is guided by the following mission:

> 'Our role is to ensure that Strix has the right people in the right place at the right time, doing things in the right way to get the right results.'

Underpinning this mission is a strategy that is focused on value-added people development which includes: intensive new starter orientation programmes where new joiners are introduced to the Strix culture, policies and procedures, and product information. There is continuous training for line leaders to ensure they have the right skills to coach, mentor and supervise new and existing staff as well as a new online-based learning platform called Kallidus and a new performance management process ('PMP') which was introduced in 2021 along with the transparent job grading scheme.

The PMP process is designed to give people a clear line of sight as to how they can progress their careers within Strix and it facilitates quality discussions between employees and their managers as to how to achieve their ambitions, whilst also ensuring that they have stretching objectives that are clearly aligned to the Company strategy. Through the new e-learning platform, employees have access to a wide range of mandatory and other best practice and self-development learning and training courses which enhance their skills and awareness to ensure they deliver quality service in the various roles and are kept up to date on developments in their relevant fields.

Employee wellbeing

As well as having the right people doing the right things, Strix is committed to ensuring that our people feel right physically, mentally and financially. In the West, private health care is provided to all employees, regardless of their job role, and with this also comes the Employee Assistance Programme. This is an advice service that is available 24/7 for employees and their family members, covering concerns about mental and physical health, financial planning or legal matters. Additionally, many employees are shareholders in the Company which not only provides them with a financial benefit, but a vested interest in contributing to the success of the organisation.

The long-term people strategy

Strix has ambitious growth plans, which includes diversifying our product range and routes to market. In some instances, this requires recruiting for or developing new skills sets, and the longer-term people strategy for the Group is very much focused on this. Talent retention and acquisition is key for an organisation growing and innovating at the pace Strix is, and the wider strategy reflects this, with emphasis on learning and development, succession planning and flexible remuneration models that meet the diverse needs and interests of our people.

Business model

Strix, as a service provider across the value chain, provides components and value-added services to OEMs, brands and retailers, who utilise these and other components to produce market-leading products for consumers across the globe.

Kettle controls category

Our USP

Strix is unique in that it has direct relationships with OEMs, brands and retailers within the kettle safety control supply chain. Using Strix's extensive market intelligence, stakeholders regularly seek advice on product design, specification and manufacturing solutions. This position helps us to build and maintain market share and acts as a barrier to entry for competitors by ensuring that Strix controls are specified. Strix continues to enhance consumer safety through its involvement with standard-setting bodies and uses in-house independently accredited stage 3 Customer Test Facility to streamline the kettle control accreditation process.

Long-term growth

Strix still holds a strong market-leading position in the kettle controls market, however, the Company believes there is still room for growth. We aim to achieve this by adopting a split strategy approach across our three market segments: Regulated, Less Regulated and China. Within Regulated markets, our goal is to increase our share and average selling price through developing innovative new products with features our customers value. Strix has over two times more share in Regulated markets than the more fragmented Less Regulated segment, hence Strix aims to grow aggressively in this area. We will achieve this through leveraging our established partnerships with our OEM base, and by further expanding our StrixVQ product range and brand. Whilst the China market is maturing, there is still growth potential in volume and in diversity with consumers demanding new solutions in a marketplace where traditional products are being left behind. With this considered, alongside the ever more competitive market, we intend to grow through a rigorous value-based approach to product development and commercial execution with products based on trends at extremely competitive pricing. Strix believe its strategic investment in automation and process improvements will continue supporting its competitive advantage by increasing production efficiency, and quality management throughout the manufacturing lifecycle, and mitigating the risk of rising labour costs.

Water category

Our USP

Strix continues to expand its portfolio of product offerings as it operates as an OEM, technology provider and consumer products business across our portfolio of brands. This has been achieved through both in-house developed brands such as Aqua Optima, and synergistic acquisitions in the last two years of key brands such as HaloPure, astrea and LAICA. The acquisitions further complement Strix's existing product portfolio and bolsters the Group's product innovation, with chemistry and engineering expertise in China, the US and Italy. The addition of LAICA further expands the Group's reach into the category, with the addition of new product ranges such as tap filters, and robust existing distribution channels.

The water category continues to benefit from trade brand agreements with multiple large UK retailers and brands. The Group has driven increased consumer recognition for its four consumer brands through investment in consumer marketing, building direct consumer engagement across the digital landscape. The category benefits from a diverse range of products and distribution channels including a global e-commerce footprint that further accelerates its branded route to market. The HaloPure brand continues to penetrate the livestock farming industry with innovative drinking water solutions through successful pilots within the year.

Long-term growth

Strix aims to strengthen its competitiveness by leveraging our R&D and manufacturing capabilities to bring innovative and sustainable products to the market. Furthermore, the Group intends to expand its reach into new markets fuelled by our portfolio of new products and technologies, taking advantage of a wider market outreach gained through these strategic acquisitions, which will drive future category growth.

Strix continues to invest in the growing trade brand and OEM segment, developing product propositions for leading brands and retailers. The Group looks to expand our position in this area with brands and partners in key growth markets in the US, China, and across Europe.

The Group is also actively seeking acquisition opportunities within our core competencies that will add value across any and all parts of the Group.

Appliances category

Our USP

Our mission within the appliances category is to develop products that allow consumers to live a safer, more convenient, sustainable life at home. Our portfolio across LAICA and Aqua Optima brands spans various price points to target consumer needs across hot water on demand, baby care, beverage and breakfast, living and health and wellness. Strix continues to invest in developing core technologies which will help us drive differentiation and growth within our markets; building on the success of the Tommee Tippee Perfect Prep machine and recent Aurora and Dual Flo launches.

Long-term growth

The consumer is at the heart of our appliance and technology developments with a focus on innovating around real consumer problems. The successful integration of LAICA within the appliances category, alongside our continued investment in R&D has resulted in significant growth in 2021 and ongoing initiatives give the Group confidence in sustainable growth over the coming years. Having successfully launched the Aurora range and Dual Flo products and bolstered our position within the hot water on demand category, we are quickly moving to expand our product mix to offer our customers a coherent product range underpinned by sustainability, strong design and thoughtful user experience.

How we create value

Strix

Our business model allows us to make long-term, strategic decisions due to the strength of our core business and its ability to generate predictable cash flows. The strength of our customer relationships allows us to pursue our passion for research and innovation to deliver high-quality, safe products to our customers.

Investors

Our business model helps us to achieve strong cash inflows together with sustainable profits, allowing us to make strategic acquisitions and deliver an attractive return to our investors. Our global market coverage and number of product lines also provide a buffer against geopolitical events, such as those experienced in 2021 and onwards into 2022.

Customers

We share our knowledge and understanding of the kettle and water filtration markets to help our customers achieve faster product releases and to design products which are in line with market trends. The value in these customer relationships is demonstrated by the number of customers who have traded with us for ten years or more.

Employees

We treat our employees with respect and provide them with an environment in which product innovation can thrive. We reward our employees appropriately, no matter where they work in the world, and ensure they are acknowledged for their contribution to the Group's success. In turn, this encourages our employees to strive for success and maximise their potential.

Suppliers

We work closely with our suppliers to build strong relationships that make doing business with us a long-term goal which brings value to both parties. We listen carefully to feedback from our suppliers and work with them to devise solutions to any problem. We also support our suppliers in achieving compliance with their own requirements, such as supplier audits.

Market review

A real opportunity for future growth

Strix's growth ambitions are at the forefront of all strategic decisions with a view to double the Group's revenues over the medium-term as communicated during the Capital Markets Day in 2020. This will continue to be achieved primarily through organic growth in the Group's water and appliances categories, supported by its solid market-leading position in global kettle controls.

Kettle controls category

Overview

Strix estimates that in 2021 the global market for kettle controls, including those for Chinese multi-cooker appliances, experienced a strong H1 surge, and then a softening in H2 as most countries eased out of lockdown restrictions to end the year broadly flat at c.£158m. Electric kettle penetration rates provide an indicator of potential growth, and in 2021 Strix estimates global electric kettle penetration remains around c.38% of all households.

Strix continually innovates to develop more effective kettle controls, doing so by drawing on the know-how established during over three decades in the kettle market. It is only with intricate knowledge of material properties and precision engineering that controls can be designed and manufactured to operate repeatedly and safely throughout the 12,000 cycles that a kettle experiences during its life.

Regulated kettle market

Regulated markets are those where high safety and intellectual property protection standards are in place and where those standards are rigorously monitored and enforced. Examples of Regulated markets include the UK, Western Europe, North America, Australasia, Turkey and Japan. In 2021, the Regulated kettle control market was strong in H1, and then softened in H2 as most of the world emerged from lockdowns leading to consumer spending shifting to service sectors which had not been available due to lockdown restrictions. This resulted in the Regulated market remaining relatively flat at c.£70m. The North American market continued to show steady growth, slightly offset by declines in the UK and mainland Europe which saw growth flatlining in the second half of the year.

Regulated markets:

c.75%

Market share

Strix is the key supplier to the Regulated market, where customers favour high-quality controls to meet tighter regulations. In this mature market, our market share remained flat c.75% of the kettle controls market.

Less Regulated kettle market

Less Regulated markets are those where either high safety and/or intellectual property standards are not in place, or where they are in place but less rigorously enforced. Examples of Less Regulated markets include the Commonwealth of Independent States (CIS), Middle East, South East Asia, Africa and South America. In 2021, the Less Regulated markets had longer exposures to the impacts of COVID-19, with most of these being low-income regions, therefore the kettle controls market for these segments slightly underperformed the normal average CAGR growth levels due to declines in CIS and Africa. The value of the Less Regulated market at year end sat at c.£62m.

Less Regulated markets:

c.35%

Market share

In Less Regulated markets, Strix slightly underperformed the normal average CAGR growth levels due to declines in Russia and South Africa, mainly as a result of the remnant effects of COVID-19. Market value share is sitting at c.35% of the kettle controls market.

China domestic kettle market

China is generally considered to be a Less Regulated market, but is developing quickly with improving safety standards and enforcement. In 2021, the China market recovered some of the losses suffered in 2020 that had resulted from the impacts of COVID-19, as China had a fairly normal and stable economic environment this year less affected by lockdowns. The year ended at approximately c.£27m.

China:

c.47%

Market share

The Chinese market grew in 2021 as it partially recovered losses seen in 2020 which had resulted from COVID-19. Our value share in China was sitting at c.47%.

Market review continued

'The Group plans to offer a competitive edge in the market through further launches of new innovative and sustainable products.'

Water category

Overview

The Group's strategy within the water category is to operate as OEM, technology provider and consumer products business across our portfolio of brands and partners to deliver sustainable filtration solutions that allow consumers to make healthier choices for themselves and the environment.

Strix's OEM business supplies major brands and retailers with high-quality own-label consumer products, designed and manufactured in our own factories in China and Italy. Our diverse range of filtration technologies and jug designs allow flexible product configurations to suit each market and price point. The Group will launch numerous own-label product ranges with key brands and retailers into 2022, further increasing its reach and potential in key growth markets across Europe. Further initiatives aim to target own-label opportunities in North America, within the discounter channel.

As a technology provider in water filtration, the Group continues to innovate and deploy key technologies to address water quality concerns in a range of applications. The HaloPure technology, secured in the acquisition of HaloSource in 2019 has expanded our reach into China, addressing key needs in the poultry farming space where it can help increase yield and production by eliminating water-borne illnesses. The Group also continues to develop bespoke filtration formulations that power leading coffee machine and water dispenser brands around the world, delivering an enhanced product performance and differentiated claims.

As a consumer products business, the Group operates three brands that deliver on strategic price point and performance differentiation strategy. Our Aqua Optima brand, which will relaunch with new brand positioning in H2 2022, targets young professionals with simple, fast and affordable filtration solutions to tackle everyday water problems, and curb the use of single-use plastics. The LAICA brand focuses on the family unit, reducing contaminates in water, while also preserving essential minerals to help improve health. Through a range of highly specialised filters, the LAICA family of products can also address specific water concerns for the preparation of tea and coffee, and increased mineralisation. Our astrea brand targets on-the-go wellness enthusiasts and utilises our patented HPAC filter technology, and has achieved NSF certifications for over 20+ contaminants including herbicides, pesticides and pharmaceuticals.

The Strix roadmap of new products in this category aims to further bolster our filtration credentials, with the further addition and development of new filters addressing water concerns in key markets such as the US and China. In 2022 the Group will also further expand its range of in-house manufactured jugs with a unique range, including a counter-top dispenser called 'Perfect Pour' offering elegant designs and solutions to the challenges of existing point-of-use water products.

The Group aims to further expand its reach within the Aqua Optima line with key distributor launches in China and North America in 2022, as well as further progress the expansion of the LAICA footprint in these markets.

Appliances category

Strix's mission within the appliances category is to launch products that allow consumers to live a safer, more convenient, sustainable life at home.

Our appliances category incorporates a number of sub-categories including hot water on demand, beverage and breakfast, food preparation, health and wellness and everyday living.

The hot water on demand market has grown significantly, particularly in China where a combination of increasing spending power and a consumer requirement for boiled as well as filtered water is creating buoyant demand. The Strix Instant Flow Heater ('IFH') offering, which has a unique 'true boil' USP, has proven popular with a number of our Western and Asian partner factories and brands specifying this technology within their products. We are also set to offer our 'Next Generation IFH' to partners within 2022. Strix's IFH appliance offering continues to grow aiming to capture the spectrum of consumer needs across different market price points. The first of these Aqua Optima branded products, Aurora, was well received within the market in 2021 and surpassed budget expectations, with further Aurora range extensions being launched in early 2022.

Strix innovation also continues to be showcased with the Dual Flo appliance launching in North America in 2021; this innovative twist on kettle technology provides the market with the first real kettle innovation since our variable temperature control technology – here the consumer benefits are convenience, speed, and sustainability through water and energy reduction. We will also bring this technology to the UK and Western Europe markets in 2022 under the LAICA brand.

Strix's ambition within the baby care category is to be the 'go to' technical solutions provider for leading baby care brands seeking innovative, new electrical appliances. Our core European business continues to perform well and will be supplemented with exciting new product launches across North America, Europe and Asia over the next 18 months.

Building on our core categories mentioned above, Strix has continued to define and develop the product roadmap within the 'Strix Home' category, inclusive of beverage and breakfast, health and wellness, and food preparation and waste. Our roadmap considers various modes of execution – from leveraging Strix in-house innovation for highly differentiated propositions such as Visione, Aurora or Dual Flo, to a fast track sourced product approach whereby we aim to build a highly credible, full product line up underpinned by our brand direction and values.

The LAICA brand will play a critical role in achieving our growth ambitions within the appliances category. Here we will focus on launching family focused innovation designed in line with our Italian heritage, with the overall objective to be recognised as a leader in sustainable home solutions.

The LAICA roadmap has been built with this foundation in mind; the range will expand to offer consumers more solutions that help consumers minimise waste, save energy and reduce single-use plastics. The success and growth of our vacuum range of products that helps reduce waste through optimising food storage conditions gives us great confidence in the approach and line up going forward. In parallel we will continue to improve and refresh the core LAICA appliance range throughout the coming years.

Growth strategy

Performance; Product; Process; and People

'Strix has a robust business model, and disciplined execution of our strategies has underpinned the resilience of our performance throughout economic cycles, so we remain confident in our ability to navigate through the growing uncertainties ahead whilst delivering on our medium-term plan and against our targets.'

Mark Bartlett
CEO

The Group remains on track to deliver medium-term targets to double the Group's revenues primarily through growth in our water and appliances categories. To achieve this, Strix has a divisional strategy, which is supported by our four 'P's' of Performance; Product; Process; and People. The key pillars of our strategy are:

Strategic pillar #1

Growing market share

2021 progress

Product: The Group has expanded its market-leading value share of the global kettle controls market to 56% whilst significantly expanding the size of its water and appliances categories. For kettle controls, the first half of the year was characterised by strong growth in the Regulated, Less Regulated and China markets. However, softening impacts from the pandemic recovery and some headwinds in the second half as consumer spending shifted to more outdoor service sectors, resulted in a net stable position across the market segments.

There was significant growth in Strix's water category within various regions through new distributor contracts and listings with reputable distributors, retailers and brands. Some of the notable wins include:

- Contracts with a regional government owned livestock company in China for use of Strix's Halopure technology;
- New distribution and private label contracts with reputable distributors in the North American and Asia-Pacific regions;
- The Group has secured long-term contracts with Europe's largest consumer electronics retailers for supply of Strix's water filtration technology as well as more than 200 additional new retail store listings for Aqua Optima across the UK and Ireland with well-known high street and independent retailers;
- New distributors have been appointed for the US market and for Denmark; and
- Strix now also has a presence in the hardware and garden centre market in the UK through listings of its Aqua Optima jugs and filters.

The continued successful integration of the LAICA brand has enabled the expansion of the product portfolio in line with plans to achieve the identified benefits, and the trading performance has been strong over the period. There is already a marked expansion in the water treatment range resulting from consolidation opportunities of the LAICA brand with existing in-house legacy brands.

The appliances category has seen marked improvement represented by an increase of 1,387% over the four-year period from 2018 to 2021. The success is a result of an increased focus on value-based development centred around customer requirements, building sustainable credentials and commercial results. The focus on this approach alongside investment in this category and the successful integration of LAICA has seen the successful launch of several innovative products.

People: In 2021, Strix continued to strengthen the leadership team by appointing a new Chief Technology Officer who is responsible for driving the Group's growth through innovation and technology solutions. We also implemented some internal restructuring to promote innovation and harness talent from within the organisation.

Risks

The risk of not building and maintaining market share is lower sales revenues and cash flows for the Group, which could lead to reduced future capital expenditure.

The relevant principal risks are:

- Reliance on key customers
- Reliance on key suppliers
- Competitors and market pressures
- Reputation with customer base

Strategic pillar #1 continued

2022 outlook

Product: The Group's plans offer a competitive edge in the market through further launches of new innovative products. Through the new retail listings and distribution contracts, the Group aims to grow its market share by channelling our existing and new products to the different market segments, delivering products that meet consumer needs at various price points and functionality levels. Sales have already been realised in 2022 on some of the new products in the growing North America and Asia-Pacific markets.

Performance: The Group recently completed the construction of a new manufacturing factory in 2021 in Zengcheng district in Guangzhou, China. The new factory will double the Group's manufacturing capacity enabling it to grow the business and deliver on the medium-term strategy of doubling revenues. Efficiencies and further in-sourcing arising from the new manufacturing facility are expected to have a positive effect on margins.

Strategic pillar #2

Focus on safety and quality

2021 progress

Performance: The Group's new manufacturing facility features automated functionality of up to 73% on its main production lines which drives production efficiencies while maintaining high-quality standards. The new factory obtained certification for ISO 9001 (Quality Systems), ISO 14001 (Environmental), ISO 45001 (Occupational H&S), and ISO 50001 (Energy Management). This focus on quality control, sustainability, continuous improvement, automation and health and safety in relation to the existing processes has delivered significant improvement in customer quality parts per million. We have also seen a marked decrease in accidents at the manufacturing facilities.

Process: The Group remains committed to consumer safety as we continue to develop products that allow consumers to live a safer, convenient and sustainable life at home. The Group also initiates regulatory enforcement actions to remove unsafe and poor-quality products from the market utilising the European Rapid Exchange of Information ('RAPEX') alert system. We continue to actively monitor the markets in which we operate for violation of our intellectual property rights.

Strix remains committed to consumer safety and continues to prompt regulatory enforcement authorities to remove unsafe and poor-quality products from our major markets. Nine such actions were undertaken in 2021 resulting in product recalls and withdrawal of kettles from Bulgaria. Defence of intellectual property and regulatory enforcement remain core activities of our business and there have now been 66 actions undertaken since 2017.

Risks

The risk of not focusing on safety and quality is a loss of reputation caused by product failures, leading to a consequent loss of sales revenue and profitability.

The relevant principal risks are:
- Reliance on key customers
- Reputation with customer base
- Intellectual property
- Disruption to supply chains

Growth strategy continued

Strategic pillar #2 continued

2022 outlook

Performance: With the new factory now fully operational, production capacity has significantly increased, and 73% of main production lines are fully automated. Strix's automation plan continues developing new innovative manufacturing and assembly processes to support the Group's New Product Introduction (NPI) roadmap and increase capacity for core product and the water and appliances divisions. Further in-sourcing of production is planned in the short to medium-term to support the ambition to increase our appliance and water manufacturing abilities.

Process: We will continue to engage in regulatory enforcement activities and, where appropriate, the defence of our intellectual property rights across all categories.

Registration and defence of intellectual property remain core activities of our business and are vital in achieving the Group's growth potential. Europe-wide regulatory enforcement actions remain important with surveillance work to be widened to include Ukraine.

Strategic pillar #3

Explore new technologies

2021 progress

Product: New product development remains a fundamental driver in the Group's core business strategy. The Group has made significant headway in 2021 having delivered on the targets outlined in the product development roadmap with the launch of multiple new products. We have also refocused our commercialisation strategy, optimising cross-category synergies within both our higher value appliances and water categories. Throughout 2021, in line with our medium-term growth ambitions, we launched multiple new products and improvements including the P76 5 pole connector for improved spillage and the U90 flying lead in the kettle controls category.

The Group successfully launched new products within the appliances category namely the Aurora Beverage Station, Dual Flo and the Visione induction kettle. The Aurora Beverage Station and the Dual Flo appliances are powered by Strix's instant flow heater technology and use the Aqua Optima Evolve+ fast flow's 5-step filtration technology to provide clean on-demand hot and or cold water. Both products have strong energy saving and sustainability benefits.

Strategic pillar #3 continued

The Aurora has recently been awarded the Quiet Mark award which is an industry accreditation aimed at encouraging companies worldwide to prioritise noise reduction within product design. These appliances also allow consumers to heat or cool down only the required amount of water, hence reducing energy consumption and wastage in line with the Group's sustainability strategy.

The Visione is the first cordless hob top kettle with auto stop functionality and a new stainless steel susceptor plate which allow reliable and safe boiling of water. The product has been awarded both the German Design Award 2022 and the Red Dot design award, two prestigious awards in the industry.

The water category continued to develop a range of new products under Aqua Optima, astrea and LAICA brands and some of the products premiered in 2021 include MyLAICA stainless filter bottle, Evolve+ multi-fit filter for China, LAICA tap filter systems and in-house manufacture of next generation filter jugs for OEMs. The LAICA tap filter system with HYDROSMART™ technology, further expands the Group's product range in the water category. The range includes multiple models offering various filtered, unfiltered, and shower jet functions turning the tap into a multifunction filtered water appliance.

Performance: The Group's dedicated project management team for the appliances category have focused on increasing efficiency, execution and budgeting capabilities across the many new projects within the area.

Risks

The risk of not exploring new technologies is driven by existing ones becoming obsolete, either through the advancement of competitor technology or through changing consumer requirements, leading to the Group having an insufficient product portfolio to meet market needs.

The relevant principal risks are:

- Competitors and market pressures
- Reputation with customer base
- Intellectual property

2022 outlook

Product: The Group will continue to deliver best-in-class products to the market through its global distribution channels. Within the kettle controls category this entails continued efficiency management for the U7 and VQ OEMs and the launch of the 15A fast-boil kettle which boils water at c.20% faster than most kettles on the backbone of Strix's existing high standards of quality and safety in the form of precision temperature detection boil dry protection.

In the water category new products include the launch of the Aqua Optima range in new markets, with a focus on new and improved filters and jugs.

Within the appliances category new products include the expansion of the existing lines with additions to the Aurora range, scales and baby products.

People: The dedicated category managers continue to expedite the commercialisation of new products and technologies in line with the Group's new product roadmap. This consumer insight driven development of new products will meet the market needs and ensure that sales have the tools to obtain maximum market potential out of current and future Strix technologies.

New factory and automation

Operational highlights

- Production efficiency of core kettle products improved with 73% of all assembly lines now fully automated.
- Moulding capacity grew by 20% in 2021 to support core kettle controls growth and to support the ambition to increase our appliances and water manufacturing capabilities. Machine capacity has grown, again to support the appliances and water manufacturing, from 160 tonnes to 350 tonnes and will eventually grow again to 500 tonnes.
- Metal pressing capacity grew by approximately 10% in 2021 to support core kettle controls growth and to support the ambition to increase our appliance manufacturing abilities.
- The U9 series of controls continue to show strong growth with 34 million manufactured in the period.
- Focus on continuous improvement, automation and refinement of existing processes has delivered significant improvement in customer quality parts per million ('ppm').
- Strix is committed to achieving net zero Scope 1 & 2 by 2023. To date, it has invested in a c.£600k project to install a solar power system in its new Chinese factory capable of generating over 10% of the plant's electricity requirement. Contracts have now been signed for the balance of the energy requirements to be sourced from renewable sources. Additionally, Strix's Isle of Man HQ and factory have also signed contracts to convert to renewable electricity.
- The new factory successfully audited and certified to ISO 9001, ISO 14001, ISO 45001 and added ISO 50001 to the certification portfolio.

New factory timeline

Construction Kick Off
Oct 2019

Foundation Construction
Dec 2019 - Apr 2020

Decoration & Electricity Installation
Aug 2020 - Dec 2020

Pile Foundation
Oct 2019 - Jan 2020

Main Structure Construction
Apr 2020 - Jul 2020

Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep

2020

Percentage of fully automated assembly lines

73%

Metal pressing capacity

+10%

Moulding capacity

+20%

Strix facilities to achieve net zero Scope 1 & 2 by

2023

Automation

The Group continues to benefit from fully automated assembly solutions – 73% of main manufacturing lines are now fully automated, with a further 30% reduction in customer quality ppm.

Strix's automation plan continues developing new innovative manufacturing and assembly processes to support the Group's New Product Introduction (NPI) roadmap and increase our capacity for core product and the water and appliance divisions.

Final Inspection & Approval
Jan 2021

Factory Move
Mar 2021 - Aug 2021

Trial Run
Nov 2020 - Dec 2020

Property Ownership Certificate
Apr 2021

Full Operation in New Site
Aug 2021

Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep

2021

Delivering our strategy

Strix continues to make significant progress in delivering its strategy since the Group's initial listing on the AIM market in August 2017.

We have made a number of key strategic decisions over this time which has supported the Group's growth and added considerable value to our shareholders from the initial £1.00 public offering.

The Group's focus on longer-term investment decisions and culture of innovation has supported the development of market-leading patented technology that will support the future growth of the business.

'The Board outlined its strategy of doubling revenues in five years during the Capital Market Day in 2020. In this first year of the five-year plan, Strix has a robust business model, and disciplined execution of our strategies has underpinned the resilience of our performance throughout economic cycles. We remain confident in our ability to navigate through the growing uncertainties ahead whilst delivering on our medium-term plan and against our targets.'

Mark Bartlett
CEO

Each of Strix's core categories has evolved considerably since the IPO with the following key changes:

Kettle controls category

Strix remains the market-leading provider of kettle control components within the global kettle controls market. The introduction of a number of key product series within this category continues to strengthen our position in existing markets and to penetrate new markets, while still providing customers with a 'good', 'better', 'best' classification that ensures Strix's products are aligned to customer needs and price points.

This includes the introduction and expansion of the U90 range, with the U9 series having now sold c.75 million units to date, and we continue patented launches of our core products within the range. The product portfolio also continues to be enhanced through the expansion of the StrixVQ range and brand, which provides a lower-cost alternative for the Less Regulated market. In the medium-term, the Group will continue to bring innovative new products to market focused on cost improvements, consumer benefits and sustainability.

The Group has remained focused on defending its intellectual property with particular success within the China healthy eating kettle market which is supporting growth within this segment. We have increased our focus on identifying the sale of copyists and unsafe kettles, particularly for online sales. This has led to a number of actions being undertaken that include product recalls, intellectual property enforcement raids, unfair competition claims, patent infringement claims and copyright claims.

Water category

The water category has changed significantly since IPO partly driven by the acquisitions of HaloSource and LAICA in 2019 and 2020 respectively. These acquisitions enabled expansion of the category's product portfolio through the addition of the astrea, HaloPure and LAICA brands. The successful integration of these brands into the water category and the combined strength of the category's R&D team will support the delivery of the Group's ongoing strategy.

In the UK and Ireland, new retail listings for the Aqua Optima range have also been won, growing the brand's presence across the region with more than 200 additional store listings across well-known high street and independent retailers. Throughout the period since IPO, Aqua Optima has entered into contracts with a number of leading UK retail brands to launch private label products, and it has released a number of innovative products to the market, such as the Aurora Beverage Station which makes use of Aqua Optima's Evolve+ fast flow's 5-step filtration technology. The brand has also signed strategic partnerships with the Terra Cycle recycling initiative and Park Run to increase the reputation and sustainability of the brand.

The new brands (astrea, HaloPure and LAICA) have enhanced Strix's position and helped build the foundations to becoming a strong competitor to the market leaders within the highly competitive water filtration market. The category is well placed to deliver our strategy for growth thanks to long-term investment decisions made from IPO to date, with a comprehensive and innovative roadmap of new product launches across all brands to drive current and future geographical distribution objectives.

Appliances category

Following the IPO in 2017, Strix has placed a higher emphasis on the appliances category to derive enhanced value from its existing and new patented technologies. The category has worked with partners to launch a range of appliances into the market, including the P7a Adaptor for Cordless Iron, the award winning Tommee Tippee Perfect Prep Day & Night, the Mr Coffee Single Serve (Pod Free) Coffee Maker, the Aurora Beverage Station for chilled and boiled filtered water, the Dual Flo kettle appliance, and the Visione Induction Kettle.

Following the introduction of a category management team, there has been increased focus on value-based development directed toward consumer requirements and commercial execution. The ability to place long-term investment in this category has set the foundations for growth in years to come, with plans to launch truly innovative products such as the Water Filter Kettle & Toaster Breakfast Set and Dual Flo. The Aurora technology will continue to be launched under Strix brands and global and local brand partners into newer markets, and the Dual Flo appliance, which launched through global and local brand partners, will launch through the LAICA brand.

New products roadmap

Strix continues to invest in its R&D capabilities to deliver innovative new technology into each of its core categories. The Group is focused on delivering products that meet consumer needs at a variety of price points and functionality levels. The introduction of a category management team will support the commercialisation of new technologies to ensure we obtain the greatest value out of our R&D activities.

Kettle controls category

2020

Strix VQ MK3 Control for China

P76 5 Pole Washproof Adaptor

EK Connector (Glass Version)

15A Control Development (U9/U7 Series)

2021

Further range expansion of the U9 series (U9 11A)

P76 5 Pole Connector (for improved spillage)

U90 Flying Lead

2022

Fast Boil – Patented 15A range expansion

U7 OEM efficiency improvement (wire management)

VQ OEM efficiency improvement (wire management)

U99 refresh targeting improved user experience (eliminate appliance rocking)

Ongoing cost and efficiency enhancements

Water category

2020

Next Generation astrea ONE Bottle Filter

Plastic astrea Bottle

Aqua Optima Evolve+ Multi-Fit Filter

Bespoke Kettle Filter

2021

MyLAICA Stainless Filter Bottle

In-House Manufactured Next Generation OEM Filter Jugs

In-House Manufactured Universal Style Filter

Evolve+ Multi-Fit Filter for China

LAICA Tap Filter Systems

Perfect Fit – Filter Adapter

2022

North American version of Aqua Optima Range

North American version of the LAICA Range

New Improved Evolve+ Multi-Fit Filter

Enhanced Tap Filter

Perfect Pour Jug & Dispenser Range

Appliances category

2020

Perfect Prep Day & Night for Europe

P7a Adaptor for Cordless Iron

2021

Dual Flo North America

Aurora Beverage Station

Visione – Induction Kettle

2022

Aurora Range Expansion (two additional models)

Steriliser-Dryer

Water Filter Kettle & Toaster Breakfast Set

Dual Flo – LAICA

Eco (GlaSSmart™) Vacuum containers

New kitchen scales range

New personal scales range

LAICA Sous Vide & Vacuum expansion to UK

15A Fast Boil solution

The 15A fast-boil kettle control enables the boiling of water c.20% faster than most kettles, designed with the highest standard of precision temperature detection and dry boil protection, and is patented to ensure highest level of safety standards in the market. It is also paired with an increasing consumer adoption of cordless technology. The Group is already starting to realise sales, targeting the growing North America and Asia-Pacific ('APAC') markets.

Aurora Beverage Station

Launching under the Aqua-Optima brand and powered by Strix Instant Flow Heater technology, the Aurora Beverage Station delivers seven different auto-dispensing options from chilled to boiled filtered water at the touch of a button. It makes use of Aqua Optima's Evolve+ fast flow's 5-step filtration technology, with a removable water tank which holds up to three litres of water, saving energy and time, and boiling only the amount you need.

Aurora Hot was launched in Q4 2021 and is now listed and selling well through online marketplaces, while the Aurora Chilled is on track to be in the market in the second quarter of 2022. Aurora is part of a continued expansion of the Aqua Optima portfolio, focused on delivering budget friendly water filtration solutions that are powered by best-in-class Strix technology.

Visione

Born out of Italian design and heritage, the Visione is the first cordless hob top kettle with auto stop functionality. A new stainless steel susceptor plate and auto stop feature allows for reliable and safe boiling of water, with a high-grade glass vessel as a see-through feature that allows you to see the water as it boils. The product has been awarded both the German Design Award 2022 and the Red Dot design award – two prestigious awards in the industry.

LAICA tap filter system

The LAICA tap filter system with HYDROSMART™ technology, further expands the Group's product range in the water category, with high-growth opportunities in the APAC and EMEA regions. The system attaches directly to the consumer tap, delivering instant filtered water for three months per filter. The range includes multiple models offering various filtered, unfiltered, and shower jet functions turning the tap into a multi-function filtered water appliance.

Categories case studies
An in-depth look into Strix's primary growth categories: water and appliances

Water category

There are two guiding principles which help direct Strix on our corporate journey: we aim to provide world-leading innovative and sustainable technological solutions. These two principles of innovation and sustainability are particularly pivotal in our work across the water category.

Strix sold c.10.1 million filter units in 2021, equivalent to saving 1 billion single-use plastic bottles

10.1m

Aqua Optima filters are 100% recyclable under the TerraCycle initiative

100%

Strix has taken its filtration technology and developed an industrial purification system through its HaloPure brand

Innovative

Throughout our history, Strix has understood the benefits of market disruption. For example, Eric Taylor, founder of Castletown Thermostats and father of John Taylor, the founder of Strix, provided bomber pilots with new innovations in the form of thermal suit technology. This desire to develop something newer, better and different was also present when Strix made its first tentative steps into the water category market more than 15 years ago through the launch of our first Aqua Optima product which enabled 'fast flow' filtration for kettles. We continue to develop in this category. In 2021, we have realised growth through the launch of additional innovative and sustainable products as well as through our value creation strategy of highly targeted acquisitions, namely LAICA which was acquired in 2020 with full year results realised in 2021.

The successful integration of LAICA has significantly augmented Strix's position in the water category on the backbone of LAICA's considerable global presence, its established product range, as well as its advanced new product roadmap. The combined LAICA/Aqua Optima brand has retained Strix's number two position in the UK market.

Sustainable

Sustainability is an overarching ethos for Strix which drives our culture and operating environment. In light of the global call on sustainability, we have identified and aligned our sustainability strategy to the key UN Sustainable Development Goals where we believe we can make the greatest contribution through our product offering and operational and social engagement. Water is a limited natural resource which is experiencing ever greater pollution, and demand is expected to increase by 50% in 2030. In light of this devastating projection, we continue to focus on our consumer wellbeing as we strive to ensure our consumers have access to quality water through sustainable delivery mechanisms.

We provide water solutions which are suitable for personal use at home or on-the-go as well as corporate and commercial use including in agricultural and health settings. Our innovative point-of-use water solutions reduce the ingestion of harmful microorganisms and micropollutants and they also help us achieve our sustainability efforts to reduce, reuse and recycle. Our filters and reusable bottles and jugs combat single-use plastic which is a global problem where 80% of all plastic water bottles end up in landfills, and ultimately in the sea. As a responsible business, we also have an established contract with TerraCycle, and drop-off points where consumers can return our Aqua Optima filters for recycling. In farming, Strix's HaloPure water purification and sterilisation technology offers ongoing microbial control which, once installed, prevents pathogenic microorganisms from reproducing, resulting in higher quality animals for the end consumer. Currently, the livestock farming industry relies on an ultrafiltration single-use membrane – to counter this, Strix offers an unmatched system which can be reused and maintained over a number of years.

Aqua Optima

Strix launched Aqua Optima in 2005 and since then the range has continued to grow with more products added to the portfolio year on year. The Aqua Optima range comprises water filters, filter jugs and appliances and with consumer wellbeing and sustainability at the core of its product designs, the Aqua Optima range offers innovative technology which is suitable for everyday use with minimal footprint. The Aqua Optima filters and reusable bottles and jugs reduce ingestion of harmful impurities from water and help combat single-use plastic. As part of efforts to reduce the impact of our business on the environment and communities, the Aqua Optima range combines the superior power of our filters and the compact and stylish appliance designs to provide convenient, energy saving sustainability solutions to consumers and we also have an established recycling contract with TerraCycle which offers consumers a solution to recycle used filters.

Aqua Optima water filters

Aqua Optima's Evolve+ range of filters use a unique 5-step filtration system to remove impurities and unwanted substances from tap water, including microplastics, herbicides, pesticides, lead and heavy metals. The Evolve+ filter has gained traction as the number two brand in the UK and Italy due to its unique multi-fit compatibility which enables it to be used in Aqua Optima products as well as the market leading brand. Recently, the leading brand implemented a new filter fit design to prevent competitors from offering compatible filters. In 2021, Strix launched an adapter that allows the Evolve+ range of filters to be compatible with the leading brand's products well into the future.

Outlook for Aqua Optima range

- The Group seeks to extend its market share by expanding into new markets
- Secured with 200+ contracts with high-end retailers and distributors
- Continued enhancements to the appliances, jugs and filters to keep up with consumer demands

Aqua Optima filter jugs

The unique formulation used in Aqua Optima filter jugs extends life by reducing the levels of limescale and chlorine giving extra clarity to filtered water and greatly improves the quality and taste. All Aqua Optima filters and jugs are Bisphenol-A (BPA) free.

Historically the Group sourced its pitcher jugs from a supplier in Eastern Europe. However, with constraints following Brexit and global supply chain disruption, the outsourcing costs continued to rise, prompting the Group to leverage on to its newly constructed factory and bring the design and manufacture of its range in-house. The move allows the Group to better secure its supply chain and achieve efficiencies whilst maintaining Strix's established manufacturing excellence and quality of its products, in addition to securing more consistent pricing. This strategy will allow the Group to extend its global reach with the Aqua Optima brand.

Categories Case Studies continued
HaloPure

> 'Strix's HaloPure technology represents a highly attractive proposition for industries that require a water purification and disinfection solution. It continues to gain wider recognition by the market and has now secured 14 contracts, which demonstrates the continued focus on commercialising this important product.'
>
> **Mark Bartlett**
> CEO

HaloPure technology has the unique ability to not only treat raw incoming water, but also maintain an ongoing sanitised environment throughout the water line, which is a perfect application for industries reliant on long distance water lines with significant bacteria contamination such as livestock farming. HaloPure filtration contains a porous, highly cross-linked polymeric brominated resin with a high surface area which firstly eliminates any microorganisms in the water and then releases hypobromous acid to maintain ongoing microbial control which, in turn, prevents pathogenic microorganisms from reproducing.

Product development of the HaloPure technology has evolved significantly since its acquisition in 2019, with the solution's use being extended to the disinfection of animals drinking water and epidemic prevention of viruses such as the African Swine Fever Virus. Further applications of the technology were towards its use as a disinfecting mist to curb the spread of COVID-19 within our manufacturing facility in China, as well as its potential within the healthcare and dentistry markets.

HaloPure technology has also been developed to treat healthcare and dental rinse water, assisting the prevention of healthcare-associated infection. HaloPure powered filters have been installed in numerous hospital and dentistry clinics' water lines to provide patients with safer and cleaner water. The HaloPure technology is also well positioned to respond to the anticipated regulation changes in China that will require safer medical and dental rinse water for use in hospitals and clinics across the country.

During the current year, the Group secured 14 contracts with livestock farmers, with no negative feedback received despite a challenging year for the farming industry in China facilitated by increasing animal pricing. A commercial channel has been set up as support for the product use, including agency and consultancy collaboration with our technical support.

The product development has been advanced to incorporate a smaller size mini-system which would provide a lower-cost solution and will allow the Group to penetrate into the smaller farms' market, thereby widening our product reach. Commercialisation of the mini-system is currently underway, and benefits of the product would include low pricing structure and easier installations. Our mini-system was also cost re-engineered into a new product variant which will create higher price competitiveness within the market. The product specifications are currently being designed, and testing performed within our manufacturing facilities.

Product development roadmap

- The livestock system has been developed into Good/Better/Best product categories to meet the different level of customer expectation in terms of price and function.
- Discussions are continuing to sign contracts with more customers in various market segments who register strong interest in the technology.
- Strix has employed sales agents who continue to aggressively promote the products to the market.
- The HaloPure technology will be showcased in the upcoming national and Asia exhibitions.
- Strix will continue to research and develop lower-cost solutions to continue gaining wider market appeal.

LAICA S.p.A.

FY 2021 LAICA revenues

£22.7m

Growth from annualised FY 2020 LAICA revenues

+5.1%

'LAICA has a considerable global presence, an established product range and an advanced new product roadmap. The acquisition continues to be successfully integrated in line with plan to achieve the identified benefits, and the trading performance has been strong over the period.'

Mark Bartlett
CEO

Having been acquired in October 2020, LAICA is already providing strategic consolidation of Strix's water treatment range, and complementing the Group's appliances category, by driving efficiencies and providing a comprehensive portfolio of products for the Group globally. LAICA's solid trading performance this year can be attributed to an effective commercial integration with the wider Strix Group, achieved through the following:

Effective management with an experienced team

Managed by a very strong team, LAICA brings in a wealth of experience within the water filtration and small domestic appliances categories, working hand in hand with the wider Strix Group to realise a seamless commercial integration that has already brought in a broad range of synergistic benefits within its first year of acquisition. LAICA management is made up of Riccardo Dolcetta and Nicolò Zanuso.

Riccardo Dolcetta
General Manager

Riccardo joined in January 2021. He manages the LAICA team with overall leadership over the organisation's operations and strategic direction. He has responsibility over the commercial, research and development manufacturing, and engineering operations. He brought with him a wealth of experience, having held leading roles as General Manager or CEO of companies such as DWS, an Italian designer and manufacturer of 3D printers, and Ceccato which manufactures specialist equipment for washing cars and industrial vehicles. Riccardo has also worked for Salvagnini, a multinational company dedicated to automation in the industrial processing of sheet metal. Riccardo holds a Bachelor's degree in Engineering of Industrial Technologies.

Nicolò Zanuso
Finance Director

Nicolò joined Strix in March 2021. He leads the LAICA finance team, overseeing the financial activities of the organisation. He ensures appropriate controls are in place over financial assets, information and business processes, and ensures compliance with relevant accounting standards and legislation. He also manages LAICA's integration with the wider Strix Group to ensure consistency and integrity of financial information. Nicolò brings with him a lot of experience in the finance field, having worked for listed multinational groups such as ITW and Dormakaba, in the UK and European markets, and holding leading roles responsible for local and international teams. Nicolò has a BSc and an MBA in Economics and Management.

Categories Case Studies continued
LAICA S.p.A. continued

Complementary product range

LAICA's eminent market position in point-of-use water filtration, kitchenware, personal scales and healthcare products significantly strengthens Strix's proposition in these areas, providing both a complete 'at home' and 'on the go' water filtration range for all demographics to the Strix family of products, such as its tap filters, water filter carafes and fast flow filtration bottles, as well as personal and kitchen scales, kitchen appliances, and health care and small beauty appliances.

The new and expanded LAICA brand portfolio for consumer water and appliances has already started providing cross-selling opportunities for the wider Group, enabling us to tap into those markets in which both LAICA and Strix hold dominant positions, and facilitating the platform for the planned geographical expansion in the medium-term to deliver double-digit revenue growth.

Global presence and mature distribution channels

LAICA has a strong heritage in household products and has been one of the most favoured and recognised brands in Italy for over 50 years. Taking advantage of this, LAICA was able to initiate a process of development and consolidation that led to the opening of branches in Europe and Asia and the creation of an international distribution network. LAICA also provides new potential routes to market for all our products through long standing distribution channels across the globe, with particular strength in the Middle East, the Balkans and Southern Europe.

With planned integration well in progress, Strix is already leveraging this robust position to expand LAICA's water filtration and small domestic appliances, with a reputation for quality, to both the UK and US.

Manufacturing and engineering capabilities

The LAICA facility in Northern Italy brings Strix state-of-the-art automated manufacturing, warehousing and a sales and marketing office within the European Union, allowing better access to the post-Brexit market. The manufacturing plant has a Research and Development centre, a Quality and Design facility, a CAD Engineering office, and production lines for its water filtration products such as filters, jugs and cartridges. Products are characterised by the high quality of their raw materials and production process, and by attention to detail and creative designs. Research and development into products and solutions is constant and articulated, as befits an organisation that is distinguished for its technological innovation and cutting-edge solutions. LAICA pursues collaboration with technical-scientific bodies, and participates in community and national projects, which are further drivers of its R&D activities.

LAICA has a long list of quality certifications from international organisations and independent research laboratories. The management of the quality system of business processes is certified according to the ISO 9001: 2015 regulatory standards.

Appliances category

Strix seeks to use its technology and innovation expertise to develop adjacent products to solve problems in tangential markets in a sustainable way. The Group looks to develop products offering meaningful benefits to customers which can then be commercialised through existing relationships with experienced and trusted OEMs and consumer appliance specialists. Taking a look at some of our successful product launches to date within the appliances category:

> 'Strix's mission within the appliances category is to develop products that allow consumers to live a safer, more convenient and sustainable life at home.'
>
> **Harry Kyriacou**
> CCO

Hot water on demand – Aurora platform

Aurora is for families and eco conscious consumers who live a busy lifestyle and seek products that offer convenience, environmental benefits and great tasting drinks. Aurora is a premium water dispenser that delivers instant hot, boiled or chilled, filtered water on demand. It features the patented Strix IFH technology which, unlike competitive solutions, delivers boiling water for the perfect brew every time. Aurora is the only 'plug & go' hot and chilled water dispenser on the market – helping you save space in the kitchen by combining the functionality of a kettle, water chiller and filter – without having to commit to expensive 'plumbed in' alternatives. As with our entire 'hot water on demand' range, Aurora allows users to boil only what they need, helping to reduce the 70 million litres of water each year in the UK that is boiled and not used.

Aurora's success showcases our unique position and adaptable go to market approach. In 2021 IFH component sales to OEMs increased 126% year on year, meanwhile we achieved over £250,000 in sales under our Aqua Optima brand via online distribution.

Visione

Visione is the only induction hob top kettle with auto stop functionality. Never before has an induction kettle been so intuitive, safe and functional. The auto stop functionality means your kettle will always shut off at boil point, so there's no need to watch over your hob top kettle; giving consumers further peace of mind to that gained by Strix being renowned for having sold safety controls into over one billion kettles worldwide. Visione is born out of Italian design and heritage; the combination of no cord, glass, stainless steel and high-quality polymers delivers an elegant and sophisticated product for a classy, clutter free kitchen – as a result Visione has been recognised with a 2022 German Design Award Special Mention.

Dual Flo

Combining Strix technology with LAICA's classic Italian design, Dual Flo is the only combined kettle and hot water dispenser on the market. Unlike other kettles, the innovative one cup dispense automatically pours the desired volume of boiling water straight into a cup, not only offering a hands-free solution to making a hot drink but saving energy and reducing water waste by boiling only the exact amount of water you use. With options to dispense from 150ml – 250ml of boiling water, or pouring up to 1.5 litres, it offers total flexibility for the family whilst saving on household energy bills. It's the kettle, evolved. Again, Strix continues to leverage its unique position to maximise commercial return, with brand partner launches across North America and Europe secured in 2021, and plans to launch under the LAICA brand in the UK and EU early in 2022.

Engaging our stakeholders

Strix's business model is predicated on understanding and serving the needs of all our stakeholders as developed through continual and responsive dialogue.

The Group considers the impacts our business decisions have on stakeholders, with the aim of addressing any concerns they might have, as we actively engage with them to nurture relationships that underpin the long-term success and sustainability of the Group.

The Group considers six key stakeholders that drive our strategy:

> 'Strix promotes innovative thinking throughout its workforce reinforced by both our 'Think Twice' and our 'Lean Initiative' schemes. Both schemes encourage ideas aimed at maintaining a culture and way of working for continuous improvement.'
>
> **Mark Bartlett**
> CEO

Risk	Our shareholders	Our employees
Why do we engage?	As ultimate owners of the business, we engage with our investors for transparency on our business model, strategies and performance, whilst obtaining an understanding of their needs and priorities in order to deliver value for their investment in our business.	With over 850 employees across ten locations worldwide, our employees are our greatest asset and the Group believes that the development and retention of talent is important to achieve the long-term strategic goals of the business.
What are the key areas of interest?	• Revenue growth and profitability. • Product and geographical diversification. • Value creation and returns on investments, including dividends. • Market share and leadership. • Sustainability through our Environmental, Social and Governance ('ESG') strategy.	• Health, safety and wellbeing. • Training and development. • Reward and recognition. • Career progression. • Culture, diversity and community.
How do we engage?	• Annual General Meetings. • Capital Markets Days. • Investor roadshows and presentations. • Direct meetings with institutional investors via various media, including video conference calls. • Written communications, including annual reports and results releases. • Independent investor feedback reviews. • Individual shareholders are encouraged to contact Directors on all matters relating to governance and strategy through various communication channels.	• We communicate through a variety of channels including internal meetings, video and call conferencing, email and written communication. • Quarterly newsletters with business updates and news on finances, social events and employee interests and profiles, amongst other things. • A global intranet platform with notices and announcements, workflows processes, employee directory, amongst other things. • Periodic employee surveys and annual reviews as feedback platforms. • Employee assistance programme, including counselling, to assist on issues impacting wellbeing and performance. • Encouraging employee participation through 'Think Twice' and 'Lean Initiative' schemes. • Internal training and certification including relevant International Organization for Standardization (ISOs).

Our customers	Our suppliers	Our communities	The environment
In line with our mission statement, the value of the business is created based on how we enhance customers' lives through the innovative and sustainable design and efficiency of our products. Constant engagement with customers is necessary in order to continue meeting their needs.	We work closely with our suppliers to build strong relationships that make doing business with us a long-term goal which brings value to both parties. Forming strategic partnerships enhances the value of our business and plays a major role in ultimately satisfying the needs of our customers, whilst meeting our sustainability targets.	As a financially successful business, we are in a strong position to give back and acknowledge our responsibility to the communities in which we operate. We aim to strengthen our position as a global, socially responsible employer, whilst reinforcing our corporate culture and employee pride in our positive contribution to all of our local communities across the Group.	Human impacts on the environment are increasingly recognised as harmful to the long-term sustainability of our society and planet. Not only is managing our environmental impact the right thing to do, but delivering environmentally friendly products is key to our growth strategy.
• Safety and sustainability. • Innovation and efficiency. • Quality and reliability. • Supply chain management. • Cost effectiveness.	• Long-term relationships and supply chain security. • Pricing and related terms of supply. • Quality and audit standards, and related requirements. • Governance and corporate responsibility.	• Job creation, including apprenticeships. • Charitable funding. • Public health and safety. • Education. • Preservation and restoration of the environment.	• Reduced carbon footprint. • Charitable funding. • Preservation of our planet.
• Continual dialogue to understand their challenges supported by close R&D alignment. • Maintaining close relationships via regional sales or commercial teams. • Involving them in product design and testing, and sharing of knowledge and understanding of products for faster product releases in line with market needs. • Regular participation in self-organised seminars and exhibitions. • Engage with consultants to handle customer relations for large group companies who request to deal with manufacturers. • Effective order and supply chain process, simplifying order execution and product delivery.	• Bi-annual audits. • Continual communications on our Supplier Code of Business Conduct. • Discussion on mutual working, including understanding of their operations to improve awareness on sustainability requirements in line with the Responsible Business Alliance. • Internal risk assessments on policy awareness, quality, capacity and performance.	• Communication of our sustainability strategy via ESG reports and presentations. • Sponsorship of, and participation in annual graduate intern and youth development programmes, including Junior Achievement programmes to enhance training and development for children, young people and graduates. • Participation and membership in local business networks, including Chamber of Commerce committees and STEM groups. • Continued volunteering, support and fundraising activities for various charities including Save the Children, Isle Listen, Kidscape Chester, The Samaritans, Chester Aid to the Homeless, Isle of Man Children's Centre, Manx Breast Cancer and MacMillan Cancer Support Groups, and participation through our LAICA subsidiary, including Surgery For Children, B.I.R.D. Europe Foundation Onlue and Rise Against Hunger. • Involvement in a number of projects within the local community to assist with efforts to curb impacts on COVID-19 in the community. • Awards earned from the various contributions made to our various stakeholders and society.	• Communication of our sustainability strategy via the Group's annual sustainability report. • Participation in local community projects focused on preservation of nature, including voluntary work with charities such as the Manx Wildlife Trust. • Various initiatives to raise awareness of environmental preservation. • Alignment with the UN's Sustainable Development Goals. • Continued research and development of energy efficient kettles to reduce wasted energy. • Investment into plastic waste reducing products to reduce and eliminate the need for single-use bottles which end up in a landfill or part of the millions of tonnes of plastic in the oceans. • Ensuring availability of safe water and sanitation for all through the development of filtration products to enhance water quality, removing lead, bacteria and viruses.

Risk management approach

Effective management of risk is essential for delivering our strategic objectives. As such, risk management is built into our day-to-day activities and forms an integral part of how we operate.

Risk assessment

Risks are categorised as either strategic, financial, operational, reputational or compliance risks and are assessed on a residual basis according to the Board's current view of their potential severity (being the combination of likelihood and consequence), assuming that existing controls in place are effective.

The Board recognises that there are risks and uncertainties that could have a material effect on the Group. Where the reduction or removal of the risk is not possible, the Group formulates a management action plan to respond to the risk should it materialise (e.g. the Business Continuity Plan). The Board agrees the appetite for risk, and endorses that of the senior management team.

Ongoing monitoring

Identified risks included within the Risk Register are reviewed periodically by the senior management team, and at least annually by the Board. The review includes an assessment of each risk to address any changes in circumstance, a reappraisal of the residual risk and the effectiveness of mitigating actions taken to date.

New risks are added to the Register on identification, via a number of processes which seek to capture risks not already included on the Risk Register.

Risk appetite

To strengthen our competitive advantage and culture of innovation, the Board recognises that employees are encouraged to take considered risks that drive product innovation and support the growth potential of the business.

The list below is not an exhaustive list of all risks that the Group faces. Our operating environment is subject to change, and new risks may arise, the potential impact of known risks may increase or decrease and/or our assessment of these risks may change. Included below is an explanation of how each risk is being mitigated.

Principle risks are highlighted by a **bold typeface,** whilst less critical risks are highlighted in **turquoise**.

Risk heat map

Identify risk

The risks identified in the heat map highlight those risks which could have the greatest impact on the Group's operations and viability.

1 **Reliance on key customers**
2 **Reliance on key suppliers**
3 **Competitors and market pressures**
4 **Raw material and commodity prices and general cost inflation**
5 **External factors**
6 **Foreign exchange risk**
7 **Business taxation**
8 **Disruption to supply chain**
9 **Impact of COVID-19**
10 **New and existing manufacturing facilities**
11 **Reputational risks**
12 **Intellectual property**
13 **Cybersecurity**

Principal risks

Movement key:
Increase | Decrease | No change

Risk	Impact	Mitigation	Status
Strategic risks			
Reliance on key customers	The Group has a number of key customer relationships, being some of the largest OEMs in the global market. The top ten customers contributed c.41% of the Group's revenues in the financial year ended 31 December 2021 (2020: c.55%), with the largest customer making up c.12% (2019: c.14%) of the Group's revenues. The loss of any of these key customer relationships could have a material adverse effect on our business, financial position and results of operations.	• We undertake regular dialogue with its key customers, building strong commercial and engineering relationships. • We are fully integrated in the entire value chain for our key products and provides a number of value-added services to our customers to protect these key customer relationships. • We regularly review and manage key customer credit exposures.	Movement: No change
Reliance on key suppliers	The Group relies upon certain key suppliers, although dual source arrangements are in place across the supplier base. As a result, if alternative supply sources could not fulfil the required demand, the Group would be exposed to a number of risks, including the risk of supply disruption, the risk of key suppliers increasing prices and the risk of a key supplier suffering a quality issue which impacts upon the quality of the Group's products. All of these risks, which apply across the marketplace, could have a negative impact on our business and, if required, the engagement of alternative suppliers may increase our cost base.	• Dual sourcing where appropriate to reduce dependence on single suppliers. • Monitoring of the financial and operational viability of key suppliers. • Ongoing monitoring of inventory levels to ensure availability in times of production volatility. • In-sourcing of production from our new manufacturing plant to reduce reliable on external suppliers, also thereby reducing overhead costs.	Movement: No change
Competitors and market pressures	The Group operates in competitive and price sensitive markets, and a number of low-cost competitors exist that may attempt to increase their market share by undercutting Strix on pricing or launching new brands, amongst other tactics. If a significant shift in market pricing occurs and we are not able to mitigate this by reducing costs accordingly, the Group's revenues and profitability may be negatively affected. The markets in which we operate in may become more price sensitive.	• We constantly monitor our competitors and market trends to understand the dynamic forces which shape our competitive landscape. • We have undertaken a number of automation projects to mitigate the risk of labour cost inflation and reduce the costs of production wherever possible, particularly in China where the majority of our manufacturing employees are located. • We are active in a wide variety of markets across the world which provides some protection from targeted competitive activity in specific markets. • Careful management of our variable and fixed cost bases with a recent added advantage of the adoption of lean and automated manufacturing processes with in-sourcing of commodities from increased production capacity at the new manufacturing plant. • Targeted investment in engineering, and a commitment to lean manufacturing, quality and customer relationships.	Movement: No change

Principal risks continued

Movement key:
Increase | Decrease | No change

Risk	Impact	Mitigation	Status
Financial risks			
Raw material and commodity prices and general cost inflation	We are also exposed to fluctuations in the prices of some raw materials, in particular copper and silver, as recently seen in major global supply chains in all industries due to remnant impacts of recovery from the COVID-19 pandemic. The Board monitor this closely and have put in place appropriate steps to mitigate the impact of this. However, a significant change in the cost of certain raw materials, particularly silver and copper, if sustained for a prolonged period may increase our material costs without necessarily allowing a corresponding increase in the sales price of our products, which could affect the Group's margins and ultimate profitability. Any change in the costs of operating the Group could impact profitability. Such cost increases could be incurred from increments in supplier costs (including, amongst other things, raw materials and energy costs, particularly electricity costs), employment costs or wage inflation, or increases in costs to be incurred due to regulatory change. Although such costs are accounted for, where these can be estimated, in future budgets for the Group, not all cost increases are capable of being estimated adequately in advance.	• We have undertaken a number of automation projects to mitigate the risk of labour cost inflation and reduce the costs of production wherever possible, particularly in China where the majority of our manufacturing employees are located. • Careful management of our variable and fixed cost bases, with a recent added advantage of the adoption of lean and automated manufacturing processes with in-sourcing of commodities from increased production capacity at the new manufacturing plant. • As market leader we have the ability to undertake a price increase if the inflation of costs is prolonged and significant. • Forward procurement of commodities to secure future profits, and raw material purchasing policy of buying up to 12 months in advance for silver and copper, with prices already secured in 2021.	Movement: Increase
External factors	We continue to monitor the ever-changing political landscape with particular focus on the war in Ukraine, the US – China trade tensions and any spill-over effects of Brexit. Given the Group's primary customers are kettle OEMs located in China, the disruption from these external factors is expected to be relatively muted. Due to the large degree of uncertainty and volatility in macroeconomic and geo-political landscapes, the Group is actively monitoring these situations and continues to review the Group's risks.	• The geographical spread of our business across the world limits our exposure to this risk. • Where required, we have increased stock levels to mitigate the risk of increased raw material and customer shipment lead times. • The Group is actively monitoring these situations and continues to review our risks, taking targeted actions where necessary.	Movement: No change

Movement key:
Increase Decrease No change

Risk	Impact	Mitigation	Status
Financial risks continued			
Foreign exchange risk	The Group has a natural hedge in place as our sales and costs are generally balanced across the various currencies in which we operate. However, the Group's exposure to currency fluctuations inherently exists due to trading in foreign currency across multiple jurisdictions, and also due to the consolidation of foreign subsidiaries into the Group. The Group's payments and receipts are predominantly in Pound Sterling (GBP), US Dollars (USD), Chinese Yuan (CNY), Euro (EUR) and Taiwan Dollars (TWD). Changes in the rates of foreign exchange against the GBP, the Group's presentation currency, could adversely impact margins earned. In addition, under the current regulations on foreign exchange control in China, foreign investment enterprises are allowed to distribute their profits or dividends in foreign currencies to foreign investors through designated foreign exchange banks without the prior approval of the State Administration for Foreign Exchange of China. However, the exchange of CNY into foreign currencies for capital items such as direct investment, loans and security investment, is subject to strict controls and requires the approval of the State Administration for Foreign Exchange of China. The distribution of the Group's profits and dividends may be adversely affected if the Chinese Government imposes greater restriction on the ability of the CNY to be exchanged into foreign currencies. If there are any changes to the current regulations, there can be no assurance that we will be able to obtain sufficient foreign exchange to pay dividends or satisfy other foreign exchange requirements in the future.	• Our natural hedge by virtue of generating income and incurring costs in broadly balanced currencies is monitored by the finance function to detect any changes in this balance and make appropriate adjustments if required. • If risks are outside of tolerance, forward foreign currency exchange contracts can be entered into in order to mitigate the risk to an acceptable level. This was evident in 2021 where we entered into USD/GBP and USD/EUR forward exchange rate contracts in order to limit the risk and impact of volatile exchange rate movements seen during the year on our group profits. • The amount of the Group's cash in China is minimised in order to reduce the risk of any future inability to distribute profits or dividends.	Movement: No change
Business taxation	The Group currently operates across a number of jurisdictions in the world, each with different tax regimes. The risk arises from operating in countries where the tax regimes are likely to undergo significant change, and therefore there may be an unknown impact on the amount of business taxation that the Group is required to pay. The two main tax jurisdictions for the Group are Italy and China, with other tax jurisdiction for us in the UK, the US, Hong Kong, Spain and the Isle of Man. Particularly in China, the taxation laws are complex and subject to change, which may reduce the returns available to investors in the future.	• We actively monitor changes in the direction of legislation and regulation in China, and regularly engage with specialist tax consultants in the respective jurisdiction, where the highest risk of change exists. • A formal taxation review on our China operations was undertaken in 2018 in order to understand potential future changes and to put in place mitigating actions where appropriate. Following the review, we converted our contract processing model to an import processing model during 2019, meaning this risk was mitigated to a sufficiently low level in the prior and current years.	Movement: No change

Principal risks continued

Movement key:
Increase Decrease No change

Risk	Impact	Mitigation	Status
Operational risks			
Disruption to supply chain	The impact of recovery from the COVID-19 pandemic has caused major global supply chain disruptions which have directly affected the Group in the current year, experienced in the form of possible disruptions to normal operations, and increased carriage, freight, shipping and transportation costs. Our operations facilitate the transfer and movement of commodities and goods across multiple jurisdictions, internally amongst the Group's various production and distribution sites, and externally to and from customers and suppliers. Therefore, an inherent risk to the Group supply chain exists in the form of disruptions to operations from shortages of supplies, delays in deliveries, and increased costs of carriage and freight, all of which directly impact our underlying margins, profitability and performance.	• We have continuously been monitoring global supply chain trends in order to reasonably anticipate any hurdles, and thereby plan ahead to ensure minimal disruptions to normal operations, including seeking optimal shipping and transportation arrangements if necessary. • We have successfully implemented price increases on some of our legacy products in both kettle controls and water categories and will also be implementing further increases across the wider range with effect from 1 May 2022, which will help to minimise the impact of any cost inflations. • Freight costs budgetary planning and analysis is done on a monthly basis to assess the global supply chain trends and any potential impacts on the Group's operations and finances. • Forward procurement of commodities to secure future profits, and raw material purchasing policy of buying up to 12 months in advance for silver and copper to ensure availability of stock for minimal disruptions to our operations. • Adoption of lean and automated manufacturing processes with in-sourcing of commodities from increased production capacity at the new manufacturing plant. • Dual sourcing where appropriate to reduce dependence on single suppliers or supply chain routes.	Movement: NEW
Impact of COVID-19	The COVID-19 situation is continuously evolving and we continue to monitor the impact of the pandemic on the Group, from both an operational and financial standpoint. The Group currently manufactures the majority of its products at its main manufacturing facility in Zengcheng, China, and also in Italy. From an operational standpoint, if COVID-19 is contracted by employees within our factory, this could lead to disruption within the manufacturing cycle and ultimately lead to capacity constraints in meeting customer demands. Any major disruption will put global supply chains at risk and could impact our ability to meet customer demand due to shortages/downtime further down our supply chain and furthermore interrupt outbound logistics options.	• We are continuously monitoring the impact of COVID-19 from both an operational and financial standpoint. • We have put in place numerous preventative measures at all sites, emphasising workplace hygiene, including making medical supplies such as face masks, thermometers and hand sanitisers readily available as well as implementing workforce rotas when necessary to ensure social distancing is maintained and manufacturing operations are not disrupted significantly through loss of staff to illness/isolation. • We have created an emergency response team and released guidance to all employees stipulating best practices and mitigating the spread of misinformation. • We used our HaloSource product within the sterilisation zone at the factory entrance to enhance our preventative measures. • We have aligned IT systems to support evolving working requirements. • Global vaccination efforts are progressing well in alleviating the severity of COVID-19-related illness.	Movement:

Movement key:
Increase | Decrease | No change

Risk	Impact	Mitigation	Status
Operational risks continued			
New and existing manufacturing facilities	In addition to facilities in the Isle of Man and Italy, we recently completed the construction of our new factory in Zengcheng, China, and currently manufactures the majority of our products at this new manufacturing facility. If for any reason, including product mix changes, a capacity constraint is created, or should the operations at this and the other sites become disrupted for whatever reason (or reasons), and/or the Group is unable to find suitable alternative manufacturing sites, our ability to meet the demands of its customers could be affected. Any of the above could negatively impact the Group's relationships with its customers.	• The new factory features automated functionality and increased manufacturing capacity and it has been constructed in a modular way in order to reduce the risk posed by any potential disruptions. • We have put in place preventative measures at all operational sites including fire suppression and prevention systems, periodic health and safety training for staff and implementation of alternative energy sources to ensure continuity in the event of any disruption to normal power supplies. • A detailed recovery plan has been documented as part of the Group's Business Continuity Plan which is overseen by the recovery management team. Procedures relate to communications and information exchange, recovery process phase, clean-up process, pollution prevention, and restoration (including insurance claims and compensations). Restoration procedures include plan maintenance, back-ups, testing and emergency sources of power generation.	Movement: No change
Reputational risks			
Reputation with customer base	The Group's reputation for and delivery of high-quality products with high standards of safety is key to a number of direct and indirect customers in choosing Strix products. Should we suffer product quality or safety issues, leading to a negative impact on its reputation with customers, future performance could be significantly impaired.	• Robust engineering design and validation processes from initial design and development through production and into service. • High levels of quality assurance are embedded in robust manufacturing systems. • Engagement with external certification bodies in order to ensure our products have already passed certification with key standard setting bodies.	Movement: No change
Compliance risks			
Intellectual property	The Group relies on a combination of patents, design registrations, trademarks, trade secrets, copyright, and other contractual agreements and technical measures to protect its proprietary intellectual property rights. Our success will in part depend on its ability to establish, protect and enforce proprietary rights relating to the development, manufacture, use or sale of its existing and proposed products.	• The Group vigorously defends our key intellectual property in order to derive the maximum economic benefit from our portfolio of intellectual property assets. • We actively monitor new products introduced in markets where intellectual property protection is in place to ensure our designs and trademarks are not being infringed and where they are, restitution sought.	Movement: No change

Principal risks continued

Movement key:
Increase | Decrease | No change

Risk	Impact	Mitigation	Status
Compliance risks continued			
Cyber security	Cyber security risks include risks from malware and ransomware attacks by third parties in an attempt to gain unauthorised access to our IT systems. The Group's operations are heavily reliant on IT infrastructure. Therefore, any unauthorised access could result in disruptions to our operations, loss of data, breach of privacy, and loss of assets and funds.	• Deploying security tools to limit the impact and spread of ransomware, including the use of endpoint security systems to monitor and secure entry and end-points to our full IT infrastructure. • Ensuring firewalls and anti-virus software are robust and up-to-date to block any potential attacks. • Extensive training and awareness rolled out to all employees, including strong insistence and extensive communications at all staff levels in the whole Group of IT security potential risks and entry points, and measures to be taken to ensure consequences are minimised. • Should a cyber incident occur, such as one the Group experienced in February 2022, we have a detailed recovery plan that has been documented as part of the Group's Business Continuity Plan which is overseen by the recovery management team. Procedures relate to communications and information exchange, recovery process phase and restoration (including insurance claims and compensations). Restoration procedures include planned maintenance, back-ups and testing. • Further strengthening of Disaster Recovery (DR) plans to ensure that different geographical locations may continue if breach occurred elsewhere.	Movement: Increase

Capital Allocation Framework

Strix's Capital Allocation Framework is used to prioritise the use of cash generated by the Group. Our framework addresses the investment needs of the business, regular dividend payments and additional returns to shareholders. The framework also seeks to maintain an appropriate capital structure and a robust balance sheet.

Operating capital expenditure

The Group has invested heavily in production automation since IPO to increase production volumes, quality control, efficiency and reliability whilst managing to control rising labour costs in China.

The new manufacturing operations in China are now fully operational, were delivered on time and to budget, with increased efficiencies and further in-sourcing expected to have a positive effect on margins. Production efficiency has been improved, with 73% of all assembly lines now fully automated.

Progressive dividend policy

In line with the communicated dividend policy, the Group declared a dividend growth of 6% from the dividend per share declared in 2020.

The Group has demonstrated a progressive dividend policy since IPO which demonstrates our strong cash generation and high return on capital employed (ROCE).

Value accretive acquisitions

The Group continues to seek the acquisition of technologies that will add further strategic value across the Group and has a buoyant pipeline of opportunities it is tracking closely. Following the successful integration of LAICA, we are now actively considering a number of potential acquisition targets.

Conservative balance sheet

The Group operates a stable, recurring and resilient business model which benefits from high ROCE and a high proportion of cash in advance payment terms. This helps us to limit the risk of non-payment and working capital fluctuations.

At year end, the Group's net debt had increased to £51.2m to fund the LAICA acquisition, continued investment in compelling growth opportunities, as well as the new manufacturing operations in China. This represents a net debt/adjusted EBITDA ratio (calculated on a trailing 12-month basis) of 1.3x (2020: 1.0x).

As at 31 March 2021, the Group continues to have significant available liquidity, consisting of cash and undrawn facilities of £17.0m.

Strix has applied its Capital Allocation Framework during 2021 as follows:

- Funded the final phase of the construction of the new factory within Zengcheng district, China, for £4.7m. Total factory project was completed on time and to budget and the new factory is now fully operational as of August 2021.
- In 2021, the Group declared a final dividend of 5.60p per share following the 2.75p interim dividend paid in October 2021, bringing the full year dividend to 8.35p, representing a 6% growth from 2020, in line with our dividend policy to increase the dividend in line with underlying earnings.
- Paid additional consideration of £1.6m cash for the acquisition of LAICA, which continues to be successfully integrated in line with the Group's plan to achieve the identified benefits and synergies, with strong trading performance in the first full year post-acquisition.
- Funded net working capital movements worth £11.4m resulting from increased stock holdings at year end due to forward procurement of commodities to secure future profits, and increased debtors due to increased revenues and also VAT receivables to be reclaimed in FY 2022/23.

Sustainable investing

'Strix has always looked to strive for the highest business ethos and standards. I am particularly excited about our target to achieve net zero Scope 1 & 2 by 2023, significantly ahead of the Paris Agreement's 1.5°C roadmap, and sitting alongside our ambitious operational objectives such as doubling sales in five years.'

Mark Bartlett
CEO

Strix is an environmentally conscious organisation, which minimises the impact of its operations on the environment. The Group fully complies with all applicable legal and other compliance obligations, whilst at all times striving for best practice and adhering to applicable standards issued by the International Organization for Standardization (ISOs).

Management

The Chief Executive remains a key driver for our sustainability journey, with the support of key executive management, and with Board representation through our Environmental, Social and Governance ('ESG') Committee led by Richard Sells, Non-Executive Director.

Integration of LAICA

Strix's sustainability structure, reporting and newly established KPIs will be rolled out to LAICA. Early benefits are already being seen with our drive to 'net zero' which LAICA management has embraced, including options for renewable electricity and potential development for solar generation already well advanced. In terms of certifications, LAICA has ISO 9001 (Quality) and ISO 13485 (Medical Instrumentation), with roll out of ISO 50001 (Energy Management), ISO 14001 (Environmental) and ISO 45001 (Health & Safety) planned for 2022/23.

LAICA's speciality in water filtration has contributed significantly to the Group sustainability strategy, adding valuable input with regards to reduction of water consumption, recycling and reduction in product packaging, as well as through its social projects, especially for women and children.

Sustainability KPIs

During 2021, Strix focused on a core set of sustainability key performance indicators ('KPIs') with targets and associated action plans. Our target for net zero Scope 1 & 2 emissions by 2023 demonstrates our level of ambition. The Group has aligned its strategy towards sustainability within the core business activities with the UN's Sustainable Development Goals ('SDGs'), and we have honed our key sustainability KPIs through mapping of the identified SDGs. Our strategy and progress are measured against the following KPIs:

Climate action	Scope 1 & 2 emissions emanate primarily from our manufacturing plants, especially the new facility in China. Our goal is to achieve 97% of this through reduction of our own emissions with less than 3% from carbon offsets. This will be achieved through use a combination of solar and renewable energy which will provide required energy.
Resource intensity	We are developing a range of programmes to reduce our Scope 1 emissions, including a move to electric cars in China and the Isle of Man. Our targets are focused on intensity as we see this more appropriate than absolute levels as the business grows.
Waste & recycling	Focus is on implementing ISO 50001 and ISO 45001 certification across the key manufacturing sites.
Clean water and sanitation	We have developed a pathway to reduce waste, increase recycling and retain zero landfill.
Health & safety	We have developed a pathway to reduce internal water consumption, particularly in testing, and established HaloPure in the poultry and livestock sectors, whilst maximising on LAICA/Strix complementary product opportunities.
Gender equality and employees	We will continue to work to promote the gender diversity of the Group's senior management team.
Innovation	New product roadmap is orientated towards sustainability and interconnectivity capabilities which LAICA brings.

The pillars in detail

Solutions for sustainable living

Our mission

To develop products that reduce the impact on the environment, particularly reduction in energy consumption in our key kettle market, and promote benefits to customers.

How do Strix products help to achieve this?

Kettle controls

- Relative to the most common alternative forms of boiling water, we estimate that Strix kettle control products save c.5 billion kg CO_2 a year, which is equivalent to emissions from 1 million cars.
- Global kettle penetration from 38% to 50% would save c.14 billion kg of CO_2 a year.
- Two second saving in steam switch off time would save 44GWh p.a., equivalent to £9m every year in the UK alone.
- US kettle penetration from 14% to 50% would save 6,600GWh p.a.
- New product roadmap for kettle controls has been reassessed in 2020/21 with a broader remit on sustainability to assist in further improving the environmental footprint of kettles through various technologies such as switch-off accuracy, smaller switch size, and dry-boil switch-off.

Water

- We sold c.10.1 million filter units in 2021 equivalent to **saving 1 billion single-use plastic bottles.**
- Aqua Optima filters are **100% recyclable** in an initiative with TerraCycle.
- We have taken our filtration technology and developed an industrial purification system through the HaloPure brand.

Appliances

- New Dual Flo appliance will address **c.£300 million wasted** on boiling excess water p.a. in the UK alone.
- Aurora Beverage Station comprises a kettle, chiller and filter jug, all in one appliance with precise water volume delivery which avoids energy wasted in boiling/chilling excess water.
- Our new product roadmap has been reappraised to ensure alignment with Strix's sustainability driven strategy.

Promote customer wellbeing

Our mission

Our efforts are encompassed within Strix's company motto of 'safer by design' as we look to improve the wellbeing of our end users through our entire product range.

How do Strix products help to achieve this?

Kettle controls

- As the market leader in controls and with a reputation for safety, Strix has a long running policy of highlighting issues with both regulators and distributors. **Our expertise has led to unsafe competitor product recalls** and withdrawal of kettles from sale in Chile, Bulgaria, Sweden and Germany over the last few years incorporating four European Rapid Exchange of Information ('RAPEX') alerts.

Water

- Our specialist water filtration offerings improve the quality of water for human consumption by **removal of lead and contaminants**, as well as within livestock farming by **eliminating bacteria and viruses** through the use of its bromine technology.
- Improved quality of water offers health benefits for consumers significantly reducing the amount of unwanted substances found in water such as the **removal of micro plastics, limescale, chlorine, heavy metals, herbicides and pesticides**.

Appliances

- In baby care, the Tommee Tippee Perfect Prep machine offers not only **perfect temperature baby milk** but the initial hot shot system ensures the **cleanliness and quality** of the final product. The energy used in the Perfect Prep machine is **10x less** than that of the traditional formula preparation methods, which includes kettle heating and cooling bottles under water.
- The new Aurora Beverage Station encourages sustainable thinking in our end consumers, addressing the biggest energy wastage of over-filling kettles by delivering the exact quantity of hot of chilled water required at the precise temperature required.
- The Aqua Optima Evolve+ filtration systems and chilling promote the use of refillable plastic bottles helping to reduce the waste from single-use bottles whilst the filters are recyclable through our partnership with TerraCycle. The system even has a number of safety features such as a child safety locking system.
- Through the LAICA brand, we offer appliances aimed at improving customer wellbeing in the home. These include medical devices such as nebulisers, blood pressure monitors and thermometers. For food safety and hygiene, products include low temperature vacuum cooking appliances and scales to assist in personal dietary control. All of this is in addition to the core water filtration business.

We have focused on a core set of sustainable KPIs with targets and associated action plans. Our target for net zero Scope 1 & 2 emissions by 2023 demonstrating our level of ambition.

Sustainable investing continued

Doing more with less

Our mission

This encompasses our internal operations and final product design. We look to reduce the overall manufactured product footprint, taking into account the total corporate footprint including materials, production, waste and Company infrastructure.

How does Strix plan to achieve this?

The Group has a number of schemes and strategies to improve this performance including:

- Our next generation 3-Pole control, which is designed to be suitable for all markets (Regulated, Less Regulated and China), has been designed to save **27%-30% materials** in the production process.
- We have been trialling Correx packaging for internal supplies from the Isle of Man to China. This more durable packaging will **increase reuse by 10x** and adds little to no cost or carbon footprint on the empty return trip, utilising vacant container space which the Company already has.
- As part of the Group's 'Lean Initiative' scheme, we have updated the blade production process from a 'Shake' method to an upgraded 'Auto Ultrasonic' process resulting in a **75% reduction in contamination liquid** used. All contamination liquid is professionally removed from the factory by an environmental protection company.
- We have focused on reducing resource intensity by engineering out precious and semi-precious metals with a **reduction of silver and copper consumption in five years by 85% (equivalent to 2 tonnes) and 10%**, respectively.
- **Increased automation** and in-sourcing in our new manufacturing plant, which has brought with it significant production benefits such as improved layout, reduced transportation and improving overall efficiency.
- The energy recovery system implemented at our headquarters on the Isle of Man now **recycles the excess heat energy** from our water testing into heating the building.
- **Marked decrease in business travel** emissions due to the global lockdowns and travel restrictions due to COVID-19. Our carbon footprint from business travel will inevitably be lower going forward.
- **Increased active internal response** highlighting our enhanced focus on reducing emissions since the start of our sustainability journey, the most visible of which has been the start of the use of electric vehicles in China.
- We have now been certified in line with **ISO 50001 Energy Management** in its key sites and has embedded the corporate targets and the culture and methodology for continuous improvement.
- Our new factory is **ISO 14001 Environmental accredited** and the factory's operations are powered by solar energy, which covers up to 10% of required energy.

> 'Strix continues to improve its current product portfolio and look to introduce new, innovative products into the market.'
>
> **Richard Sells**
> Non-Executive Director

Wellbeing and equality in the workplace

Our mission

Employee equality, welfare and engagement are critical for developing our key asset. We look to proactive actions including internal training, certifications (relevant ISOs), and employee engagement through listening, survey and involvement.

How does Strix plan to achieve this?

Diversity

- Age, colour, race, gender, disability, ethnic origin, national origin, marital status, sexual orientation, religious or political views are not seen as barriers to employment and are evidenced in the Group's diverse employment base. We are committed to providing equal opportunities for individuals in all aspects of employment. We have a broad diversity with females making up 60% of the overall Group workforce and management and Board representation at 26.6% and 20%, respectively.

Development

- As a group, who is proud of its innovators, we remain committed to investing in our workforce, which is evidenced by the increasing number of interns we take on globally every year, the apprenticeship programmes we are involved in and educational support we offer to our employees.
- In 2021, we introduced a new e-learning platform, which provides a wide range of online-based training and learning to employees covering numerous essential topics from compliance, health and safety, leadership and coaching, personal effectiveness as well as technical learning specific to employees' roles.

Health & Safety

- We help our employees work safely and productively, empowering them to maintain a strong health and safety culture at all of our global facilities/offices through continuous review of our policies, global offering of flu vaccinations, training and closely monitoring lost time accidents.
- We were pleased with our response to the COVID-19 pandemic, maintaining employee health and safety. In line with Chinese requirements, our plant operations increased testing and specialist sterilisation, where we were able to use the Group's HaloPure patented technology, and changed shift patterns. All this was achieved with minimal disruption to operations.

Employee engagement

- We operate a culture of open communication through a range of mediums including: a global intranet platform; newsletters; Town Hall meetings; 'Pulse of the Business' lunches with the CEO; and employee surveys.

Ethical behaviour

- We have a number of defined policies in place to cover anti-slavery, anti-human trafficking, anti-corruption and anti-bribery, with a zero-tolerance policy against violations.

Employee wellbeing

- We have implemented a new employee assistance programme which provides counselling and expert support on personal, physical, financial or social issues.

Community engagement

Our mission

Strengthening our position as a global, socially responsible employer, reinforcing our corporate culture and employee pride in our positive contribution to all of our local communities across the Group.

How does Strix plan to achieve this?

- Our employees are actively involved in the activities that benefit their local communities. In the wider Isle of Man community, we provide charity support in the form of funds, repurposed products and staff time, and career guidance, mentorship and development for young people through Junior Achievement programmes and participation within the Isle of Man Chamber of Commerce STEM Committee. Through LAICA, Strix supports various charities such as Surgery For Children, B.I.R.D. Europe Foundation Onlus and Rise Against Hunger.

Supply chain

Our mission

Communicate sustainable practices to all of our direct suppliers, in line with the Responsible Business Alliance ('RBA').

How does Strix plan to achieve this?

- **70% of our suppliers** have signed up to our **Responsible Business Alliance (RBA) requirements**. We regularly audit our suppliers on compliance with our Company policy and adherence to ISO standards, as well as their ESG performance.
- Our key production facility as well as our new facility in Guangzhou, China, providing proximity to our key customer base with c.93% of all kettles manufactured in China, thereby **reducing transportation costs, delays and emissions.**

Certifications

Our mission

Continued compliance with a range of international standards, solidifying the quality and safety of our products and internal processes.

How does Strix plan to achieve this?

- ISO Quality Assurance Provider, Intertek, has awarded both of our Isle of Man locations a 'Benchmark' score within all six ISO categories, representing the **highest ISO standards available**. Our new manufacturing facility also gained certification for ISO 14001 Environmental accreditation, and ISO 50001 Energy Management within six months of becoming fully operational.

Governance

Our mission

Continue to embed our values into our culture which are fundamental to our business, specifically diversity and inclusion.

How does Strix plan to achieve this?

- **The tone is set at the top**. Our decision-making process is governed by the principles of ethics, integrity and respect for our people and for the environment. Reinforced by our Board's continued commitment to support the successful oversight of Strix's business strategy, which is essential for maximising long-term value creation for our shareholders.

Significant importance and effort is assigned to certification to ensure the highest possible standards are maintained throughout the Group's operations.

Our new Duality appliance will address

c.£300m

wasted on boiling excess water p.a. in the UK

Global kettle penetration from 38% to 50% would save

14bn kg CO_2

of energy p.a.

Strix sold c.10 million filters in 2021 equating to

c.1bn

single-use plastic bottles

US kettle penetration from 14% to 50% would save

6.6bn kWh

of energy p.a.

Gender diversity

26.6%

management representation

Two second saving in steam switch off time would save

1% energy

or 44GWh or £9m p.a. in the UK alone

Task Force on Climate-related Financial Disclosures ('TCFD')

Governance

Board oversight

Risk is assessed by the full Board reflecting the weighting which the Directors place on climate issues, the relative size of the Board and scale of the Group. The climate-related elements are strengthened through Richard Sells, Non-Executive Director, having additional responsibility for sustainability oversight. Along with the CEO they provide the key conduit from the operations to the Board. Board meetings are held six times a year with sustainability, including climate-related issues, both opportunities and risk, a constant agenda item. Climate risks are consolidated into the annual Operational Board Risk Committee review for the Group.

Management's role

The Operations Board provides the key executive management forum for climate change and sustainability. It is chaired by the CEO, Mark Bartlett and includes personnel responsible for engineering, commercial, technology, health & safety, human resources and finance. In terms of climate risk matters, Matt Thomas, Divisional Operations Director, has a key role in respect to climate change, responsible for assimilating climate-related data. Climate opportunities for new products are again prioritised across the Operations Board and led by the Group's CTO, Ceyda Gibson. Management is supported by external experts as necessary and undertake training when required. In 2021 the Board undertook workshops in Sustainable Development Goals and associated target and key performance indicator ('KPI')setting.

Strategy

Climate-related risks and opportunities

Risk	Impact	Mitigation
Extreme weather events	There is a risk of physical damage to property, plant, machinery and equipment as a result of flooding, storms, heatwaves, snow storms and other extreme weather events across the Group's various locations. Note that Zengcheng, Guangzhou (where the Group's main factory is located) rarely sees typhoon conditions due to its inland location although extreme wind conditions were recorded in 2015, therefore such a risk has been included.	The new Chinese factory is designed to withstand the local conditions, free from temporary structures such as tin sheet roofing. Notification will normally come from the local government and/or media outlets meaning time to make any additional arrangements to reduce risk and reduce potential loss. If weather systems transpire to give an increased likelihood of flooding, information would be readily available from local government or media outlets allowing for enough time to put in place flood defences such as sand bags. We also have the opportunity to move critical equipment/materials/supplies to a higher floor.
Business disruptions	There is risk that manufacturing operations will be halted due to physical damage from extreme weather occurrences at locations where our factories are based in (Isle of Man, China and Italy)	A detailed recovery plan has been documented as part of the Group's Business Continuity Plan which is overseen by the recovery management team. Procedures relate to communications and information exchange, recovery process phase, clean-up process, pollution prevention, and restoration (including insurance claims and compensations). Restoration procedures include plan maintenance, back-ups, testing and emergency sources of power generation.

Climate-related risks and opportunities continued

Risk	Impact	Mitigation
Financial outlay for accessibility to renewable energy	There is risk of significant financial outlays in accessibility to renewable energy, particularly at the Group's main manufacturing plant in China given the Chinese climate commitments. To become carbon neutral through purchasing carbon credits would cost the Group over £1m a year at current pricing levels rising to over £6m by 2050 (depending on the level of Chinese grid decarbonisation) using Network for Greening the Financial System (NGFS) pricing scenarios aligned with the Paris Agreement.	This is mitigated by the Group avoiding purchase of carbon credits and achieving its ESG strategic KPI of net zero Scope 1 & 2 emissions by 2023. Over 10% of the new factory's energy is now powered by solar energy, with the remaining energy consumption from renewable energy sources starting in 2022. All of the energy in our Isle of Man office and factory is from renewable energy sources. Plans are underway for solar installations to provide 100% of required electricity at LAICA by 2022/23. Financial impacts have been included in our budgeting process and forecasts.
Climate policies	As a result of measures introduced during the Paris Agreement, various jurisdictions resolved to take measures to curb carbon emissions through implementing and enforcing policies relating to climate change in order to achieve low-carbon economies. These policies might directly impact our position and operations in order to be aligned to achieving the stated objective relating to climate change.	Strix is targeting net zero Scope 1 & 2 by 2023. In addition, management is targeting 5% improvement in energy intensity (energy use to sales) each year to further reduce risk. Supply chains carry significant risk which, along with analysis of Scope 3 emissions, are a focus for 2022/23.
Changes to technologies on manufacturing processes to align to climate change goals	As a manufacturing and engineering group, technological changes relating to energy-saving, low-carbon transportation, and increasing use of non-fossil fuels or other technologies that help reduce carbon emissions are needed to meet policy goals, which would therefore involve changes to current existing manufacturing processes and technologies that could be more expensive.	We continue our drive in the use of automation. This requires greater energy usage but has other significant benefits in improving quality, reducing scrap, etc. Combined with the use of renewable power, management see such a shift as a double win in terms of sustainability. In addition, the new factory has been successfully audited and certified to ISO 9001, ISO 14001, ISO 45001 with added ISO 50001 to the certification portfolio.
Climate opportunities	National governments are pledging to decarbonise energy consumption requiring a shift toward renewables, and therefore electricity as the primary source of power. There is also increasing legislation on efficiency labelling and recycling.	Kettles are the most efficient method of boiling water and use electricity, hence are likely to benefit from the decarbonisation shift. As the technology leader regulation tends to be positive for Strix. The full portfolio of kettle switches to appliances is increasingly configured around the opportunities for power saving and carbon reduction.
Increased investor scrutiny	There is increased focus on climate change by our equity investors and other stakeholders. This is evidenced by the rise in ESG funds and the drive to provide consolidated emissions transparency for individual funds.	We target to achieve net zero Scope 1 & 2 by 2023 will put it firmly in the best-in-class for environmental emissions for industrial companies. Our ambition remains, as does our drive for continuous improvement, hence our focus now towards Scope 3 and 4 emissions and expansion of our overall sustainability agenda. Our sustainability report provides full transparency to all stakeholders.

Task Force on Climate-related Financial Disclosures ('TCFD') continued

Impact on the organisation's businesses, strategy and financial planning

In terms of risk, Strix has developed a range of business contingency plans, including detailed recovery strategies for all manufacturing operations. Our kettle switches are key to the most efficient method of boiling water which should provide benefit from rising energy prices and the shift from alternative fuels, e.g. gas to electricity. New developments such as Aurora and Dual Flo are designed to produce single servings to provide greater efficiency and reduce waste. Similarly, our water category will offer solutions for tightening water supplies and reductions in plastic usage and waste. These trends are driving the direction of our new product development with R&D expected to grow alongside the business remaining at around 5% of sales.

Resilience of the organisation's strategy

Strix scenario analysis is still in development with the aim to be completed in the 2022 financial year. Our current assessment has been based on the Paris Agreement 1.5°C scenario. Management see little likelihood of negative impact on Group assets but are working on its resilience, in particular suppliers and supply chains which are relatively lengthy. From a risk operations perspective Strix has developed a range of business contingency plans, including detailed recovery strategies for all manufacturing operations. A key risk to our 'net zero strategy' is access to renewable energy (electricity) supply to our key manufacturing plants, particularly China. To counter such risks Strix has invested £600k in a solar system in China which will provide over 10% of the electricity supply required and signed long-term contracts for renewable energy. A similar strategy has been implemented in Isle of Man and will be implemented in Italy over 2022/23.

Risk management

Identifying and assessing climate-related risks

Internal research and external assistance is combined to provide a full understanding of the potential risk avenues and opportunities. Input is garnered from across the Group's operations as well as externally from customers and suppliers – a process which will accelerate as work on Scope 3 emissions expands. These risks are incorporated into our risk software. The Group assesses the potential financial implication where appropriate and the cost of mitigation. This is best evidenced in the solar and renewable power purchase agreements in China. Neither were the lowest cost option of the status quo but provided additional sustainability and risk mitigation.

Managing climate-related risks and opportunities

Risks are managed relative to the likelihood and potential severity to the Group. Hence, the global shift to reduce emissions is highly likely (or happening) and hence our accelerated actions in this area. Weather-related impact has been assessed and a more measured approach of a contingency plan and insurance applied to reflect the level of risk and mitigate potential impact. Opportunities follow a similar pattern based on the scale of the opportunity and a set of metrics of internal measures to assess our ability to compete/benefit from such avenues.

Climate-related risk integration

We see climate change as 'business as usual' and part of the ongoing environment in which the company operates. In addition, whilst complex, we are a small business with short lines of communication. As a consequence, climate risk has been a focus for the Group over the last couple of years but is increasingly integrated into the policies and structure already established under our operating model.

Metrics and targets

Key metrics used

Key carbon emissions measures at present are Scope 1 & 2 and business travel in the Scope 3 category. These have been calculated using the GHG Protocol, which is the internationally recognised standard for corporate carbon reporting. Absolute and intensity (per £m) are used. Historically, the Group has used 'location based' analysis. Going forward a 'market based' approach will also be included. Moving forward, 2022/23 will see significant work undertaken on our Scope 3 emissions, particularly the upstream element.

Disclosures

		2019	2020	2021
Scope 1	**tCO_2e**	187	107	**55**
Scope 2	**tCO_2e**	5,912	5,269	**7,401**
Total Scope 1 & 2 (location based)	**tCO_2e**	8,118	7,396	**9,477**
Scope 3	**tCO_2e**	1,014	93	**6**
Energy usage	**MWh**	12,160	10,569	**14,840**
Scope 1 & 2	**tCO_2e/£m**	63.0	56.4	**62.2**
Energy	**MWh/£m**	116	106	**122**

Targets

Strix is targeting net zero Scope 1 & 2 by 2023 predominantly (over 95%) due to the removal of the use of fossil fuels. In addition, management is targeting 5% improvement in energy intensity (energy use to sales) each year to further reduce risk. Supply chains carry significant risk and, along with analysis of Scope 3 emissions, are a focus for 2022. 2021 is the base year for targets, see above and left for recent performance and explanation of trends.

Responsible business

Through one or more key pillars of our sustainability strategy, the Group's mission is to strengthen its position as a global, socially responsible employer, reinforcing our corporate culture and employee pride by positive contribution to all of our local communities across the Group.

Corporate Social Responsibility

Embedded in Strix's long-term growth strategy is an emphasis on balancing the interests of our customers, shareholders, employees, suppliers, regulators and the communities in which we operate. Management of the Group's impact on society, the communities within which it operates and the environment are key factors in the Group's strategy for success and in the practice of good corporate governance.

Strix's long history has enabled it to develop a good understanding of its key stakeholders which supports the Board and senior management to make well-informed business decisions to deliver on our strategic objectives. We hold regular discussions with key stakeholders to maintain these key relations which in many cases have been in place for decades.

Employees

The Group currently employs 850+ people in nine international locations and is committed to a strategy built around the foundations of recruitment and on-boarding, training and development, engagement and retention, reward and recognition, and people policies. The Group believes that the development and retention of talent is important to achieve the long-term strategic goals of the business. Employees are therefore encouraged and supported to undertake ongoing training to develop their skills and reach full potential. In 2021, the Group introduced a new e-learning platform, which provides a wide range of online based training and learning to employees covering numerous essential topics from compliance, health and safety, leadership and coaching, personal effectiveness, as well as technical learning specific to employees' roles.

Age, colour, race, gender, disability, ethnic origin, national origin, marital status, sexual orientation, religious or political views are not seen as barriers to employment and are evidenced by the Group's diverse employment base. The Group is committed to providing equal opportunities for individuals in all aspects of employment.

The Group operates a culture of open communication through a range of mediums including: a global intranet platform, newsletters, 'Think Twice' and 'Lean Initiative' schemes. Employee engagement encourages ideas aimed at maintaining a culture and way of working for continuous improvement, specifically rethinking the current performance of processes and ways in which these can be repurposed for the better. In addition, the Group conducts employee engagement surveys, with the last survey undertaken in the earlier part of 2021. As part of our HR strategy, Strix is committed to making positive changes in the Group which will increase our engagement index score.

Ethical behaviour

The Group has a number of defined policies in place to cover anti-slavery, anti-human trafficking, anti-corruption and anti-bribery. Strix is committed to supporting and promoting international and local laws which prohibit modern-day slavery, human trafficking and support the detection and prevention of corruption and fraud. Strix has a zero tolerance of violations to these policies, which apply equally to all of our Directors, Officers, employees, apprentices, volunteers, agents, consultants and other representatives.

All of these policies are reviewed and updated periodically to ensure they remain fit for purpose, take into account evolving risks, and are specific to the locations in which the Group operates.

Social contribution

At Strix, we support a number of social causes, both on the Isle of Man and further afield. This includes sponsorship and charitable fundraising, apprenticeships, internships and educational support, involvement in Isle of Man business networks and environmental sustainability projects.

As a group which is proud of its innovators, Strix is committed to help support and invest in our workforce of engineers and leaders for the 21st century. In the Isle of Man, our efforts are centred around helping the Island's young people gain the essential skills they need to start successful careers, for example internship and graduate recruitment schemes, participation in graduate fairs, and mentorship for programmes such as the Junior Achievement network.

Responsible business continued

During 2021, we undertook a number of graduate recruitment and internship programmes. In the Isle of Man, one intern and one university graduate joined the Design and the Research and Development teams. A further three interns joined the Hong Kong office to gain more exposure and offer support to project management teams. These programmes place interns and undergraduates into placements within the Group and provide students with the opportunity to undertake practical work projects to further their studies and gain entry-level work experience after graduation.

We would like to express our thanks for the valued work that all those involved in the internship and graduate recruitment programmes perform.

Strix further supports and sponsors the education and development of future engineers through:

- Working with the AMTC (Advanced Manufacturing Training Centre) at the UCM (University College, Isle of Man) in providing a number of work experience opportunities for apprentices;
- Supporting the ACE (Awareness of Careers in Engineering) programme on the Isle of Man, which provides a number of local events throughout the year to encourage students to consider future careers in engineering;
- Involvement in STEM Fest Isle of Man and scheduled regular events, including assisting with STEM activities that students could do at home; and
- Undertaking research into IET accreditation of the apprenticeship scheme, and programmes that can be run with primary schools, planning for events that will take place through 2022, both in the schools and with university students.




Involvement in efforts to support the communities

COVID-19-related efforts

During 2021, the Group continued assisting in a number of projects within the local community to assist with efforts in curbing the spread of the coronavirus. These projects included:

- Assisting the Isle of Man Government to increase capacity of safe and reliable PPE on the island by using our connections, technical teams and supply chains from our Chinese plants;
- Repurposing of parts from our product outputs to help in the local community's effort to tackle the virus;
- Coordinating with other local businesses in the making and assembly of PPE used by local hospitals during the pandemic; and
- Sponsoring a table at the recent award ceremony for the Isle of Man Extraordinary Islanders awards, where one of our staff member's efforts were recognised for an 'innovation and technology award' for helping in the production of face masks and nasal clips during the COVID-19 pandemic for key health workers.

Involvement in Isle of Man business life

Strix employees are actively involved in the wider Isle of Man business life, primarily through membership in the Isle of Man Chamber of Commerce and its committees. Strix is currently represented on the STEM Committee which supports Chamber members and the sustainability of science, technology, engineering and manufacturing businesses on the Isle of Man by providing the voice of industry into government and associated bodies.

Other community engagement activities

During 2021, the Group also engaged in other various community activities as detailed below.

- Through the LAICA office, the Group partnered with Rise Against Hunger, an international non-profit hunger relief organisation, in packaging meals which were then distributed to schools which are in countries embroiled in a serious humanitarian crisis.
- Other sustainability projects LAICA is involved in include support for Surgery For Children, and the B.I.R.D. Europe Foundation Onlus.
- The Group's other various offices have been engaged in fundraising activities throughout the year, including themed casual days in order to raise funds for the benefit of various local and international charities including Save the Children, Isle Listen, Kidscape Chester, The Samaritans, Chester Aid to the Homeless, Isle of Man's Children's Centre, Manx Breast Cancer and MacMillan Cancer Support Groups, and various charities helping with the war in Ukraine.
- A number of staff members have individually participated in various fundraising challenge events in order to raise funds for charities, including sponsored walks, bike rides and other sporting events. Funds raised were donated to a number of local charities within the respective communities, including the Isle of Man Children's Centre, North West Air Ambulance Charity, Preston Royal Hospital (Bowland House), Rebecca House Children's Hospice and Manx Breast Cancer Support Group.
- Strix agreed to be a significant sponsor of the Manx Breast Cancer Support Group and volunteers from Strix helped marshal a fundraising event to help raise funds for the charity.
- Strix staff members volunteered with the Manx Wildlife Trust to help with creating a multi-ability footpath at one of the Island's forest woodlands, all in an effort to assist the charity in enhancing and conserve Manx nature.
- Through traditional and social media platforms including websites, LAICA actively promotes awareness of the benefits of our products towards healthy living and protecting our planet and environment, in collaboration with our business partners. Campaigns include promoting awareness on reducing food wastage, access to clean water and eliminating pollution from single-use plastics.

Awards and recognition

Our CEO, Mark Bartlett, won the 'Director of the Year – Large Business' award, which was presented by the Institute of Directors, Isle of Man. This was based on a short-list of directors who have used their talent and resilience to support staff and their organisations through the last extraordinary 12 months, a period which was characterised by unprecedented disruption to 'business as usual' as a result of the COVID-19 pandemic.

Responsible business continued

'Through the LAICA office, the Group partnered with Rise Against Hunger, an international non-profit hunger relief organisation, in packaging meals which were then distributed to schools which are in countries embroiled in serious humanitarian crisis.'

Chief Financial Officer's statement

The Group's solid trading performance demonstrated confidence in our continued **strength and resilience**, and commitment to a progressive dividend policy

'Adjusted profit after tax increased to £31.4m, up by 6.4% from 2020, demonstrating Strix's ability to overcome challenging conditions, through our strategic and operational efficiency initiatives.'

Raudres Wong
Chief Financial Officer

Financial performance

Revenue increased by 25.3% to £119.4m (FY 2020: £95.3m). This was partly due to the inclusion of LAICA S.p.A. ('LAICA') revenues of £22.7m in FY 2021 (FY 2020: £4.1m), with the remaining increase of £5.5m (representing a 6.0% increase from comparative prior year) realised from organic growth. Revenue increased by 23.2% above FY 2019 levels.

Revenue on a constant currency basis showed an increase of 28.8% from FY 2020. This was impacted by the weakening of foreign currencies against Pound Sterling during the current year compared to FY 2020, which would have effectively increased the Pound Sterling value of revenues for products that are priced in foreign currency, had the foreign currency exchange rates remained constant.

Adjusted gross profit increased by 20.3% to £47.4m (FY 2020: £39.4m), which included the full year effect of LAICA's contribution compared to only two months' in the prior year. Increase in gross profits was driven by growth in the sale of appliances, which were 59.9% higher compared to the same period in the prior year, realised from new products launched in this category and selling well on Amazon, with more sales expected in FY 2022 in anticipation of increased demand and further planned new product listings. Reported gross profits increased by 12.6% to £43.8m (FY 2020: £38.9m).

Chief Financial Officer's statement continued

Financial summary

	Adjusted results[1]					Reported results				
	FY 2021 £m	FY 2020 £m	FY 2019 £m	Change (21-20) %[5]	Change (21-19) %[5]	FY 2021 £m	FY 2020 £m	FY 2019 £m	Change (21-20) %[5]	Change (21-19) %[5]
Revenue	**119.4**	95.3	96.9	+25.3%	+23.2%	**119.4**	95.3	96.9	+25.3%	+23.2%
Revenue – constant currency basis[2]	**122.7**	95.3	96.9	+28.8%	+26.6%	**122.7**	95.3	96.9	+28.8%	+26.6%
Gross profit	**47.4**	39.4	39.6	+20.3%	+19.7%	**43.8**	38.9	39.4	+12.6%	+11.2%
EBITDA[3]	**40.5**	38.1	36.9	+6.3%	+9.8%	**30.6**	32.6	29.6	-6.1%	+3.4%
Operating profit	**33.7**	32.1	31.5	+5.0%	+7.0%	**23.7**	26.6	24.2	-10.9%	-2.1%
Profit before tax	**32.2**	30.9	30.2	+4.2%	+6.6%	**21.5**	25.5	22.9	-15.7%	-6.1%
Profit after tax	**31.4**	29.5	28.9	+6.4%	+8.7%	**20.6**	24.1	21.5	-14.5%	-4.2%
Net debt[4]	**51.2**	37.2	26.3	+37.6%	+94.7%	**51.2**	37.2	26.3	+37.6%	+94.7%
Net cash generated from operating activities	**22.3**	31.2	34.4	-28.5%	-35.2%	**22.3**	31.2	34.4	-28.5%	-35.2%
Basic earnings per share (pence)	**15.2**	14.9	15.2	+2.0%	+0.0%	**10.0**	12.2	11.3	-18.0%	-11.5%
Diluted earnings per share (pence)	**14.9**	14.3	14.1	+4.2%	+5.7%	**9.8**	11.7	10.5	-16.2%	-6.7%
Total dividend per share (pence)	**8.35**	7.85	7.70	+6.4%	+8.4%	**8.35**	7.85	7.70	+6.4%	+8.4%

1. Adjusted results exclude exceptional items, which include share-based payment transactions, COVID-19-related costs, and other reorganisation and strategic project costs. Adjusted results are non-GAAP metrics used by management and are not an IFRS disclosure.
2. Revenue – constant currency basis, which is defined as 2021 revenue restated at the exchange rates prevailing in 2020, is a non-GAAP metric used by management and is not an IFRS disclosure.
3. EBITDA, which is defined as earnings before finance costs, tax, depreciation and amortisation, is a non-GAAP metric used by management and is not an IFRS disclosure.
4. Net debt excludes the impact of IFRS 16 lease liabilities, pension liabilities, deferred tax liabilities and earn-out provisions on satisfaction of performance conditions and providing post-combination services. Net debt including earn-out provisions was £58.6m.
5. Figures are calculated from the full numbers as presented in the consolidated financial statements.

Adjusted gross profit margin in FY 2021 was 39.7% (FY 2020: 41.4%), showing a margin dilution of 1.6% attributable mainly due to increases in commodity prices and inward freight costs experienced in global supply chains in the wake of the pandemic recovery, adverse foreign currency exchange rate movements due to the weakening of foreign currencies against the Pound Sterling, and direct labour wage increases as the Group expanded its labour force in line with meeting its medium-term targets. These adverse factors were partially offset by product price increases in the current year, adoption of lean and automated manufacturing processes with in-sourcing of commodities from increased production capacity at the new manufacturing plant, inclusion of sales from LAICA for the full year with its higher margins products, and market growth in the Group's kettle controls and appliances categories.

Adjusted EBITDA stood at £40.5m (FY 2020: £38.1m), increasing by 6.3%, with the full year effect of LAICA's contribution compared to only 2 months' in the prior year. Adjusted EBITDA is defined as profit before depreciation, amortisation, finance costs, finance income, taxation and exceptional items including share-based payments. Reported EBITDA decreased 6.1% to £30.6m (FY 2020: £32.6m).

Adjusted EBITDA margin in FY 2021 was 33.9% (FY 2020: 40.0%), representing a dilution of 6.1%. In addition to the factors mentioned above which contributed to a 1.6% dilution in the adjusted gross profit margin, other factors which played a role in the dilution of adjusted EBITDA during H1 2021 continued into the second half of the year, which were higher outward carriage and freight costs experienced globally throughout the entire year as the supply chains felt the impacts of recovery from the pandemic, higher payroll costs as the Group continued to increase its headcount in line with management expectations and medium-term targets, and higher advertising and promotional costs as the Group continued to widen its product reach in its water and appliances categories. These cost implications have a similar effect on dilution of the other adjusted KPI margins of operating profit, profit before tax and profit after tax throughout the year.

Adjusted operating profits increased by 5.0% to £33.7m (FY 2020: £32.1m), showing an increase of £1.6m, mainly attributable to LAICA. Reported operating profits were lower by 10.9% to £23.7m (FY 2020: £26.6m) after deducting exceptional costs of £10.0m (FY 2020: £5.5m) which increased mainly due to reason described in the 'Costs' section further below.

Adjusted profit before tax was £32.2m (FY 2020: £30.9m), an increase of £1.3m (4.2%) from prior year, mainly resulting from the inclusion of the full year effects of LAICA's contribution. Reported profit before tax was £21.5m (FY 2020: £25.5m). Interest charges recognised were higher than those in the prior year, in line with an increase in the net debt, and also due to exceptional finance costs of £0.8m relating to the discount unwinding of present values of contingent liabilities recognised on acquisition of LAICA in 2020.

Adjusted profit after tax was £31.4m (FY 2020: £29.5m), an increase of £1.9m (6.4% increase). The tax expense decreased in the current year mainly due to certain tax measures adopted with the move of operations to the new factory. Reported profit after tax was £20.6m (FY 2020: £24.1m). The effective tax rate on adjusted profit before tax in FY 2021 was 2.7% (FY 2020: 4.5%).

Costs

Costs in FY 2021 increased across the board compared to the prior year, partly in support of the increase in sales and the inclusion of LAICA's full year results, but also caused by global inflationary prices increases seen in major supply chain channels in all industries due to remnant impacts of recovery from the COVID-19 pandemic.

Cost of sales (excluding exceptional costs) increased to £72.0m (FY 2020: £55.9m). In addition to increases in line with sales, the main drivers of increase in costs were higher commodity and labour costs, increased inward carriage and freight costs, and higher energy costs, all following general global inflationary trends as the world recovered from the pandemic. Higher costs were also seen for product approvals in line with a number of new product launches within the Group's appliances category which prompted new patent and trademark applications to be filed in line with the Group's vision and mission of offering safer and sustainable products.

Distribution costs increased to £9.2m (FY 2020: £5.0m), continuing on from the upward trends seen in the first half of the year, with main drivers being higher outward carriage and freight costs, higher payroll costs, and increased advertising and promotional costs as the Group widened its reach to the markets with new product listings.

Administration costs (excluding exceptional costs) increased to £5.1m (FY 2020: £3.5m), increasing mainly due to the inclusion of LAICA, and also as a result of higher payroll costs seen across all departments as the Group increased its headcount in line with management expectations and medium-term targets, and increased ERP costs as the Group continues to improve on its newly implemented ERP system in the prior year in order to increase operational efficiencies.

Exceptional costs increased mainly due to LAICA acquisition-related strategic costs, the removal and write-off of assets and land and factory relocation costs associated with the move from the old factory to the new Chinese manufacturing plant as of 27 August 2021, which was completed within the budget of c.£20m. Refer to note 6 of the Group's financial statements for details on exceptional items.

Cash flow

Net cash generated from operating activities decreased to £22.3m (FY 2020: £31.2m) mainly due to the Group's investment in net working capital in the current year. Net working capital movements in FY 2021 increased, reflecting a cash outflow of £11.4m compared to prior year (FY 2020: £1.7m outflow). The increase is shown mainly in increased stock holdings at year end due to forward procurement of commodities to secure future profits, and increased debtors in line with an increase in sales, and also due to Chinese VAT of £4.2m receivable from completion of the new factory, which will be reclaimed in FY 2022/23. Change in creditors remained relatively flat during the year.

Cash outflows for investing activities decreased by £7.2m from the prior year mainly due to cash outflows in the prior year to fund the acquisition of LAICA, which were much lower in the current year. The new manufacturing plant in China was fully operational as of the 27 August 2021, with production and assembly lines installed, and having been completed on budget and on time. Total factory construction costs were in line with budget of c.£20m.

Cash outflows for financing activities decreased by £3.8m from prior year, driven by the offsetting impact of increased drawdowns from the revolving credit facility to fund investment in anticipated future commodity price inflation.

Balance sheet

Property, plant and equipment increased to £42.8m (FY 2020: £37.2m), a net increase of £5.6m. The majority of the increase, amounting to £4.7m (FY 2020: £9.1m) is attributable to capital expenditure in the current year to complete the construction of the new factory in China, which became fully operational on 27 August 2021 and was completed on time and within budget of £20m. The remainder of the increase in property, plant and equipment is attributable to the increase in plant and machinery and production tools of £6.3m for the new factory, and the increase of equipment and other assets of £2.5m, partly in the form of computer equipment in support of the new ERP system that was implemented in the prior year, partially offset by the write-off of old assets from the old factory with a net book value of c.£1.6m, the sale of LAICA buildings with a net book value of c.£1.7m in a sale and leaseback arrangement, and depreciation charges of £4.6m (FY 2020: £4.5m).

Intangible assets increased to £30.5m (FY 2020: £29.7m) reflecting a net increase of £0.8m. The net increase is due to additions of c.£5.1m, the majority of which are capitalised development costs from the new product development projects of c.£3.6m, and computer software and intellectual property totalling £1.5m. These additions were offset by amounts totalling c.£2.0m relating to foreign exchange losses from translation of intangible assets recognised at acquisition date that are held by LAICA as a foreign operation, reassessment (during the measurement period) of the fair values of LAICA net assets acquired and recognised in the prior year, and transfers of intangible assets under construction to property, plant and equipment. The total amortisation charge was £2.3m (FY 2020: £1.5m).

Current assets increased to £45.5m (FY 2020: £35.9m), an increase of £9.6m. This is attributable mainly to increases in inventories by £4.8m due to higher stocks held at year end to protect against increases in commodity prices, and increases in trade debtors and prepayments by £4.8m in line with an increase in sales.

Chief Financial Officer's statement continued

Current liabilities (including tax liabilities, but excluding short-term portions of long-term liabilities) decreased to £27.5m (FY 2020: £30.2m), a decrease of £2.7m. The majority of the decrease is driven by payments in the current year of additional earn-out entitlements that had been accrued as payable in the prior year for the acquisition of LAICA, as well as a decrease in the tax liabilities due to payments made in the current year.

Non-current liabilities (including short-term portions) increased to £85.0m (FY 2020: £66.0m), an increase of £18.9m, mainly driven by further drawdowns in the year from the revolving credit facility as aforementioned, and outstanding amounts accrued as contingent liabilities (earn-out provisions) payable in FY 2022 and FY 2023 to the previous owners of LAICA upon meeting certain performance conditions and providing post-combination services as part of the acquisition of the subsidiary in the prior year.

Net debt

The Group's net debt position, excluding IFRS 16 lease liabilities, pension liabilities, deferred tax liabilities and earnout provisions, as at 31 December 2021 increased to £51.2m (FY 2020: £37.2m).

Total committed debt facilities at 31 December 2021 amounted to £70.0m, giving available liquidity of £28.8m. Net debt equated to 1.31 times trailing 12 months' EBITDA, which compares favourably to our debt covenant of 2.50 times. This continues to underpin the Group's strong cash generation ability.

Dividend

The Board proposes an increased final dividend of 5.60p per share (FY 2020: 5.25p) which would represent a total dividend of 8.35p per share (2020: 7.85p) and given the Group's performance in FY 2021 and confidence in the continued strength of its cash generation, reiterates our intention to implement a progressive dividend policy linked to underlying earnings for the full year.

The final dividend will be paid on 10 June 2022 to shareholders on the register at 13 May 2022 and the shares will trade ex-dividend from 12 May 2022.

Raudres Wong
Chief Financial Officer

Board of Directors

Gary Lamb

Chairman (55) Appointed: At IPO Nationality: British Committees: (A)(N)(R)

Experience: Gary is currently the CEO of Manx Telecom, a leading communication solutions provider on the Isle of Man. Prior to this, he was a founding director of Bladon Micro Turbine Limited, and is now a Non-Executive Director of the company. For 11 years, prior to Bladon Micro Turbine Limited, Gary was the Finance and IT Director of Strix, leaving in 2007.

Gary is a qualified accountant (CIMA) who has gained extensive business experience over the past 25 years in public, private equity and founder/ manager owned businesses. Gary is also a board member of the Digital Isle of Man Agency.

Mark Bartlett

Chief Executive Officer (57) Appointed: 2006 Nationality: British

Experience: Mark joined Strix in 2006. He leads the organisation, setting the strategic direction and policy and works closely with his leadership team to translate Strix's strategy into tangible results. His experience includes various positions ranging from Engineering Director through to Managing Director for multinationals in Europe and the Americas, with his most recent positions being Managing Director of a company within the Ametek Inc. Group and latterly ABS Waste Water Limited.

Raudres Wong

Chief Financial Officer (59) Appointed: 2011 Nationality: Chinese

Experience: Raudres has over 25 years of international experience in corporate finance, business management and mergers and acquisitions. She has worked in Toronto, Japan, Beijing and Hong Kong for multinationals such as IDT International Ltd, Nortel Networks Inc., Level 3 Communications Inc., Nike International Ltd, and ASSA ABLOY Ltd, holding senior finance and strategic planning positions. Raudres has a BComm and an MBA from McMaster University and qualified as a Chartered Accountant in Canada.

Mark Kirkland

Non-Executive Director (54) Appointed: At IPO Nationality: British Committees: (A)(N)(R)

Experience: Mark's initial career was in corporate finance, predominantly spent at UBS Limited. He has been CFO of numerous public companies and latterly was CEO of Delin Property, a pan-European logistics developer, investor and manager.

Mark qualified as a Chartered Accountant with PricewaterhouseCoopers in London and has extensive corporate experience gained over the last 25 years having held numerous senior roles in public and private companies.

Richard Sells

Non-Executive Director (63) Appointed: March 2020 Nationality: British Committees: (R)(A)

Experience: Richard previously served as Chairman of AMDEA, the Association of Manufacturers of Domestic Appliances, and was on the board of London listed Alba plc. Additionally, he has worked with a number of entrepreneur-led private companies and served as a deal advisor for a large private equity firm. Richard currently also serves as an Associate at The Foundation, a growth consulting firm.

Richard is an experienced company director and advisor with over 30 years' experience working across multinational corporations, public companies, entrepreneur-led SME enterprises, and private-equity backed businesses. He was previously Chief Innovation Officer at Electrolux AB, ran Electrolux's refrigeration business, and was Group Managing Director for Electrolux in the UK.

(A) Audit Committee (N) Nomination Committee (R) Remuneration Committee

Senior management team

Frank Gao
Chief Operating Officer Joined 2012

Frank joined Strix in 2012. He directs and leads the global operations team which spans Strix's Guangzhou and Ramsey facilities, and oversees the Group's overall manufacturing, supply chain and technology footprint.

Harry Kyriacou
Chief Commercial Officer Joined 2019

Harry joined Strix in 2019 and directs and leads the Sales, Marketing, Engineering, Commercial Operations and Water Category functions as well as the commercialisation of new products and technologies to support the next phase of the Group's growth.

Ceyda Gibson
Chief Technology Officer Joined 2021

Ceyda joined Strix in 2021 and is responsible for driving the company's growth through innovation and technology solutions. She has over 20 years of international experience within Quality, Engineering, Regulatory Compliance, Program Management and Mergers & Acquisitions.

Neil Geoghegan
Director of Group Finance Joined 2021

Neil joined Strix in 2021 and directs the Finance teams across all Group locations, having worked at a number of multinational companies in the UK, the US, and elsewhere. Neil directs the Finance team, responsible for the accuracy of financial reporting and financial controls.

David Trustrum
Commercial Director Joined 1991

David joined Strix in 1991 and directs the Commercial Operations department, optimising commercial activities through IPR and product safety, market intelligence and pricing management.

Emma Cox
Group Human Resources Director Joined 2020

Emma joined Strix in 2020 and drives the Group's human capital strategy focusing mainly on attraction, recruitment, retention and development of talented people across the organisation to ensure the Group has the right people, doing the right things to get the right results.

Nick Gibbs
Engineering Director Joined 1992

Nick joined Strix in 1992 and directs the global engineering team, which includes the research and development facility in the Isle of Man and the Engineering department at Guangzhou.

Matt Thomas
Director of Divisional Operations and Group Project Delivery for Appliances Joined 2003

Matt originally joined Strix in 2003. Based in Guangzhou, he leads the global manufacturing engineering teams looking for innovative methods of manufacture, including automation and customer quality teams.

Board activities

Board roles

Our current Board is made up of three Non-Executive Directors, including the Chairman, and two Executive Directors, the CEO and CFO. All members have been selected for their diverse experience, which draws from a range of industries and backgrounds that align to promote the Group's long-term sustainable success. The Board has determined that all its Non-Executive members are independent. Annually, the Board conducts an appraisal evaluation of its own performance whereby each Director will complete questionnaires which are reviewed and feedback discussed.

Our Chairman

- Chairing Board meetings, Nomination and Remuneration Committee meetings and the AGM, and also setting the Board agenda;
- Ensuring there is effective communication between the Board, management, shareholders and the Group's wider stakeholders, while promoting a culture of openness and constructive debate;
- Ensuring Directors receive accurate, timely and clear information;
- Overseeing the annual Board evaluation and addressing any subsequent actions;
- Promoting the highest standards of corporate governance; and
- Ensuring the views of stakeholders are taken into account when making decisions.

Our Non-Executive Directors

- Providing effective and constructive challenge to the Board and scrutinising the performance of management;
- Assisting in the development and approval of the Group's strategy;
- Reviewing Group financial information and ensuring there are effective systems of governance, risk management and internal controls;
- Ensuring there is regular, open and constructive dialogue with shareholders.

Our CEO

- Day-to-day management of the Group;
- Responsible for commercial, operational and risk elements, and strategy of the Group;
- Developing and implementing strategic direction;
- Ensuring effective communication and information to the Board and Chairman;
- Representing the Group to external stakeholders;
- Responsible for the oversight of the following key functions: finance, engineering, design, marketing, supply chain, human resources, ethics, responsibility, strategy and global commercial.

Board

The Board is committed to effective corporate governance as the basis for delivering long-term value growth and meeting shareholder expectations for proper leadership and oversight of the business.

Audit Committee

Chaired by Mark Kirkland

The Audit Committee report can be read on page 82.

Nomination Committee

Chaired by Gary Lamb

The Nomination Committee is responsible for leading the process for all potential appointments to the Board and making recommendations to the Board accordingly.

The Nomination Committee report can be found on page 83.

Remuneration Committee

Chaired by Gary Lamb

The Remuneration Committee reviews the Group's remuneration policy for the Executive Directors and senior management on an annual basis to ensure continued alignment with the principles set out within the Directors' remuneration report on pages 84 to 91.

ESG Committee

Chaired by Richard Sells

The Environmental, Social and Governance ('ESG') Committee was put in place in this current year and its main objective is to ensure that the Board exercises sustainable governance by staying focused and proactive in supporting sustainability initiatives across the Group. Refer to pages 56 to 59 for our report on sustainable investing.

CEO and Executive Committee

The Board delegates the day-to-day responsibility of running the Group to the CEO, who is responsible for all commercial, operational, risk and financial elements. He is also responsible for the management and development of the strategic direction for consideration and approval by the Board. The Officers and Operational Board assist the CEO in implementing the strategy as approved by the Board.

Corporate governance statement

The Board is committed to effective corporate governance as the basis for delivering long-term value growth and for meeting shareholder expectations for proper leadership and oversight of the business.

Strix applies the principles of the Quoted Companies Alliance Corporate Governance Code (the 'QCA Code') as the Board believes that adherence to the QCA Code provides a strong foundation for delivering shareholder value and serves to mitigate and minimise risks. Directors of companies incorporated in the Isle of Man are required to comply with certain duties that are contained in the Isle of Man Companies Act, and the Directors comply with those duties.

> 'For Strix Plc, 'best-in-class' underpins our whole business model. Effective and transparent corporate governance is a fundamental part of Strix encapsulating our Group's nature, culture and values.'
>
> **Gary Lamb**
> Non-Executive Chairman

Going concern basis

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Group financial statements on pages 98 to 136, together with the financial position of the Group, its cash flows, liquidity position and borrowing facilities. In addition, note 22 to the Group financial statements includes: the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of financial instruments and hedging activities; and its exposure to price, interest rate, credit and liquidity risk.

Accordingly, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future based on the following factors:

- The strong historic trading performance of the Group;
- Budgets and cash flow forecasts for the period to December 2023;
- The current financial position of the Group, including its cash and cash equivalents balances of £19.7m;
- The availability of further funding should this be required (including the headroom of £10.0m on the revolving credit facility and the access to the AIM market afforded by the Company's admission to AIM);
- The low liquidity risk the Group is exposed to;
- The fact that the Group operates within a sector that is experiencing relatively stable demand for its products, amidst the global COVID-19 pandemic; and
- That there has been no disruption to the Group's manufacturing or supply chain.

On the basis of the above, the Directors continue to adopt the going concern basis of accounting in preparing the annual Group financial statements.

Forward-looking statements

This annual report and accounts 2021 contains forward-looking statements that involve risk and uncertainties. The Group's actual results could differ materially from those estimated or anticipated in the forward-looking statements as a result of many factors. Information contained in this annual report and accounts relating to the Company should not be relied upon as a guide to future performance.

Annual General Meeting – voluntary disclosure

The business to be conducted at the Annual General Meeting of the Company is set out in the separate Notice of Annual General Meeting which accompanies the annual report and accounts 2021. Resolutions put before shareholders at the Annual General Meeting will usually include resolutions for the appointment of Directors, approval of the Directors' remuneration report, declaration of the final dividend and authorisation for the Board to allot and repurchase shares. At each Annual General Meeting there is an update on the progress of the business over the last year and also on current trading conditions.

How we govern

Board composition and operation

The Board is made up of three Non-Executive and two Executive Directors. The Board meets frequently throughout the year to consider strategy, performance and the framework of internal controls. To enable the Board to discharge its duties, all Directors receive appropriate and timely information. Briefing papers are distributed to all Directors in advance of Board meetings.

All Directors have access to the advice and services of the Chief Financial Officer, who is responsible for ensuring that the Board procedures are followed, and that applicable rules and regulations are complied with. In addition, procedures are in place to enable the Directors to obtain independent professional advice in the furtherance of their duties, if necessary, at the Group's expense.

The Board has conducted an appraisal of its own performance and that of each Director for 2021. This was completed by the use of questionnaires completed by all Directors. The results of this exercise were reviewed and feedback discussed in full by the Board. Feedback was given by the independent Non-Executive Directors in respect of the Chairman, and by the Chairman in respect of assessments of each of the other Directors and the Board as a whole. The outcome of the appraisal is that the Board has been effective in discharging its duties during 2021.

Internal control

The Board has overall responsibility for ensuring that the Group maintains a system of internal control, to provide it ith reasonable assurance regarding the reliability of financial information that is used within the business and for publication and the safeguarding of assets.

There are inherent limitations in any system of internal control and accordingly even the most effective system can provide only reasonable, and not absolute, assurance against material misstatement or loss. Some examples of internal controls operated by the Group are given below and elsewhere in this statement.

The Group's organisational structure has clear lines of responsibility. Operating and financial responsibility for subsidiary companies is delegated to functional management, which is in most cases the members of the senior management team (internally referred to as the 'Operational Board').

The Board has an ongoing process for identifying, evaluating and managing the Group's significant risks. The process includes:

- Preparation and approval of budgets and regular monitoring of actual performance against budget;
- Preparation of monthly management accounts for each subsidiary and for the Group, including investigation of significant variances from budget; these are summarised and reviewed at Board level;
- Preparation of updated profitability and cash flow forecasts to reflect actual performance and revised outlook as the year progresses, including an assessment of the adequacy of funds for the foreseeable future; and
- Investment policy acquisition proposals and major capital expenditure projects are authorised and monitored by the Group Board.

Throughout the year, the Board has carried out assessments of internal controls by considering documentation from the Executive Directors and the Audit Committee as well as taking into consideration events since the year end. The internal controls extend to the financial reporting process and the preparation of the consolidated accounts.

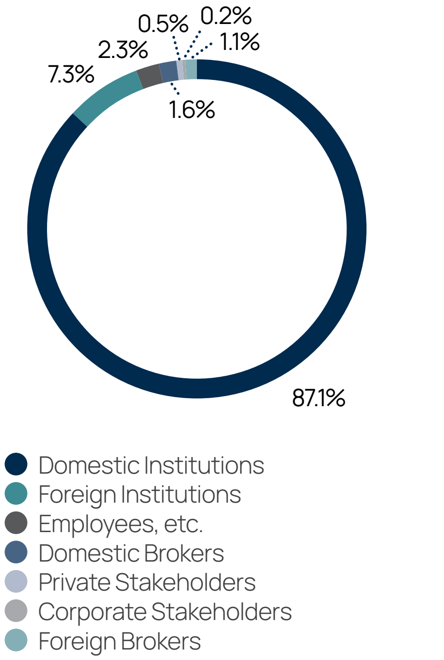
The Group continues to take steps to embed internal control and risk management further into the operations of the business and to deal with areas for improvement which come to the attention of management and the Board. The Group has ethical guidelines and a defined fraud reporting and whistleblowing process which are issued to all employees within the Group.

The Group's risk management programme, which assesses key risks and the required internal controls that are delegated to Functional Directors is reviewed regularly in order to ensure that it continues to meet the Board's requirements.

Shareholders

The Chairman and the Non-Executive Directors will always make themselves available to meet with shareholders. Normal relationships with shareholders are maintained by the Executive Directors who brief the Board on shareholder issues and who relay the views of the Group's advisors to the Board. The Board believes that the disclosures set out in the strategic report on pages 2 to 71 of the annual report provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

The Board is aiming to achieve a mix of institutional, retail and management shareholders which is appropriate for Strix. As at 14 April 2022, the Board considers that the Company's shareholders can be categorised in the following manner:



Substantial shareholding

As at 14 April 2022, the Company has been advised, in accordance with the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority, of the following notifiable interests in 3% or more of its voting rights:

	Number
Number of securities in issue:	206,671,946
AIM securities not in public hands:	2.31%

Identity of significant shareholders (over 3%) as follows:

Registered shareholder	Shares held	% holding
Octopus Investments	25,728,994	12.45
Canaccord Genuity Wealth Mgt	11,000,000	5.32
AEGON Asset Mgt	10,710,273	5.18
Schroder Investment Mgt	10,660,485	5.16
Rathbone Investment Mgt	7,865,597	3.81
Premier Miton Investors	7,859,185	3.80
Investec Wealth & Investment (RS)	7,556,990	3.66
abrdn (Standard Life)	7,123,734	3.45
Close Asset Mgt	6,362,094	3.08
Hargreaves Lansdown Asset Mgt	6,330,986	3.06

Share capital structure

Details of the Company's share capital can be found in note 24 to the Group financial statements.

Remuneration policy

The Remuneration Committee reviews the Group's remuneration policy for the Executive Directors and senior management on an annual basis to ensure continued alignment with the principles set out below. In doing so, we will consult with our major shareholders where necessary and where required, independent, specialist advice sought.

Our objective is to ensure that remuneration incentivises and rewards the growth of shareholder value through full alignment with the Company's strategy and with the interests of shareholders. We have been guided by a number of fundamental principles:

- Remuneration should be set by taking into account pay levels in the various jurisdictions in which the Company operates, whilst complying with UK PLC structural norms and good practice;
- The policy should attract, retain and motivate high-calibre Executive Directors and senior management through a significant weighting on performance-related pay;
- Incentive plans should be robust and include metrics and targets which are directly relevant to Strix;
- Pay should be simple and understandable, both externally and to colleagues;
- Good practice features such as clawback and malus arrangements should be included;
- Share ownership should be encouraged across the executive team to ensure a long-term focus and alignment of interest with shareholders; and
- Pay structures should not reward behaviour that inappropriately increases the Company's exposure to risks outside our risk appetite.

Application of the remuneration policy in 2021

For 2021 minimal changes were made to the remuneration policy set out at the time of admission to trading on AIM, being a mix of fixed pay, annual bonus scheme and LTIP.

In respect of the annual bonus scheme, targets are based on profit before tax ('PBT'). PBT is a key measure of profitability for Strix and this change aligns with a metric which is closely followed by our shareholders. In addition, if a separate free cash flow target is not met, then the maximum award payable will be reduced by 50%.

The 2021 LTIP grant is based on the achievement of stretched EPS targets and will involve the measurement of performance over a conventional three-year period, consistent with industry practice.

Full details of how we intend to operate the policy for 2022 are set out on page 91.

QCA Principles and Strix

Governance principle	Strix response	
Establish a strategy and business model which promote long-term value for shareholders	Strix has developed a clear strategy to act as a guiding principle and to articulate how long-term value will be generated for shareholders. The Board has refined and updated this strategy during the year to ensure it remains fit for purpose given the changes in the environment in which the Group operates. Strix has an established risk management framework which assists the Board in achieving an appropriate balance between risk and reward. In turn, this allows the Board to take actions to mitigate unnecessary or undesirable risk and to safeguard the long-term viability of the Group. Strix also has significant resources available to create medium to long-term value. These include: • A market-leading share of the global kettle controls market; • Significant, long-standing customer relationships; • A large portfolio of intellectual property; and • A strong pipeline of new products.	Disclosure of the Group's strategic pillars is included on pages 30 to 33. Strix's value chain is explained on page 25. The way in which we deliver value for our stakeholders is set out on pages 46 to 47. Strix's risk management framework is set out on page 48.
Seek to understand and meet shareholder needs and expectations	The Executive Directors engage regularly with investors and analysts at meetings and investor roadshows in order to articulate the Group's strategy, business model and performance, and ensure they are clearly understood. This also provides the Executive Directors with an opportunity to understand what shareholders' expectations and needs are. This two-way dialogue is key to driving the Group forward and informs the decision-making process that the Board undertakes on key matters. The Board also seeks to engage with shareholders throughout the year, in particular via our regular reporting of performance and key news announcements via Regulatory News Service ('RNS'). Subject to COVID-19 travel restrictions, all members of the Board attend the Annual General Meeting ('AGM') in person and the Board encourages shareholders to attend this meeting and ask questions (where possible). In the event of a substantial vote (more than 20%) against any particular resolution, the Board will engage with shareholders in order to determine the appropriate course of action. The Board also engages with both institutional and private shareholders to understand the needs and expectations of both of these groups.	Our RNS notifications and annual reports are available on the Group's website as well as the results of the AGM voting outcomes, showing the percentage of votes for, against and withheld for each resolution.

Governance principle	Strix response	
Take into account wider stakeholder and social responsibilities and their implications for long-term success	Strix's long history has enabled it to develop a good understanding of its key stakeholders. This understanding helps the Board and the management team make well-informed business decisions and to deliver on our strategic objectives. Strix's key stakeholder groups are: • Shareholders (both institutional and private) • Employees • Customers • Suppliers • Communities • Environment As part of our HR strategy, management are committed to making positive changes in the Group which will increase our engagement index score. Strix also holds regular discussions with its customers and suppliers, many of whom have worked with Strix for decades, which helps us to understand the importance of these relationships in order to continue to succeed.	Please refer to pages 46 to 47 for further information on why and how we engage with these stakeholders.
Embed effective risk management, considering both opportunities and threats, throughout the organisation	Strix has in place a risk management framework which assists the Board in identifying, assessing and mitigating the risks faced by the Group to an acceptable level. This is reviewed on an ongoing basis and actions are taken as needed to reduce the risks to an acceptable level, if required.	The risk management framework is set out on pages 48 to 54.
Maintain the Board as a well-functioning, balanced team led by the Chair	The Board includes three Non-Executive Directors, being Gary Lamb, Mark Kirkland and Richard Sells. In the Board's judgement, Gary Lamb, Mark Kirkland and Richard Sells are independent although it is noted in this regard that Gary Lamb also chairs the Board, having been appointed on a permanent basis on 6 March 2018. Given the relatively small size of the Board (5 Directors), the Directors consider that the Board has an appropriate balance between Executive and Non-Executive Directors, and that this is sufficient for the Board to be considered independent as a whole. The Directors consider that this structure is appropriate for the size and nature of the Group, although this is kept under regular review.	See page 74 which covers Directors' independence, time commitment, and the Board's key committees. Further information on Directors' independence and interests is included in the Directors' report on pages 92 and 93.
Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities	The Board is composed of individuals with an appropriate mix of experience and skills, including experience serving on the Boards of listed companies. The Board is represented by an appropriately diverse mix of individuals, given its size. The Board is not dominated by any one person or group of people. All Directors have the ability to challenge proposals put forward to the meeting and decisions are reached democratically.	A short biography of each Director is provided on pages 72 and 73.

QCA Principles and Strix continued

Governance principle	Strix response	
Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement	During the year, the Board has undertaken an assessment of its own performance, and the performance of each Director, in order to conclude that it has an appropriate balance of skills and that the composition of the Board remains appropriate. The key assessments made in relation to the effectiveness of the Directors are: • Their contributions are relevant and effective; • Their skills remain current and relevant for their role on the Board; • They are committed and able to devote a suitable amount of time to undertaking their duties as a Director; and • If their role is as an independent Director, that they remain independent. All senior nominations, including nominations to the Board of Directors, require approval by the Nomination Committee. The Company's Articles of Association require that one-third of the Directors must stand for re-election by shareholders annually in rotation and that any new Director appointed during the year must stand for election at the AGM immediately following their appointment. Mark Kirkland retired by rotation at the 2021 AGM and was duly re-elected.	Further details on corporate governance are provided on page 75.
Promote a corporate culture that is based on ethical values and behaviours	Strix has a responsibility towards its employees and partners. The Group is proud to provide opportunities for the next generation and is passionate about supporting social causes, both on the Isle of Man and beyond. The Group has defined zero tolerance policies in place for anti-slavery and anti-human trafficking, anti-corruption and anti-bribery efforts. There are whistleblowing facilities in place to report any suspected instances of corruption or bribery to one of the Directors.	Further details on corporate social responsibility, including ethical conduct and sustainable investing, is provided on pages 56 to 59.
Maintain governance structures and processes that are fit for purpose and support good decision making by the Board	The Board normally meets on a monthly basis and not fewer than ten times a year, supplemented by additional meetings as and when required. The Board discusses strategy, performance and internal controls based on a formal agenda, which is circulated in advance of each meeting. The Board is also responsible for the approval of RNS announcements and the annual and interim results. The following matters are reserved for consideration and approval by the Board: • Strategy and management • Structure and capital • Financial reporting and controls • Internal controls • Contracts • Communication • Board membership and other appointments • Remuneration • Delegation of authority • Corporate governance matters • Policies	Further details on the Group's corporate governance including details of the Audit, Nomination and Remuneration Committees are provided on pages 74 to 85.

Governance principle	Strix response	
Maintain governance structures and processes that are fit for purpose and support good decision making by the Board continued	Any Director is free to challenge any proposals put to a Board meeting, and decisions are made democratically, after discussion. Senior members of staff attend certain Board meetings by invitation to discuss matters in relation to their specific areas of expertise. The Chairman is responsible for running the business of the Board and for ensuring appropriate strategic focus and direction. The CEO is responsible for proposing the strategic direction to the Board, implementing it once approved, and managing the performance of the Group through the management team. The Board is supported by the Audit, Remuneration and Nomination Committees in discharging its responsibilities. The Board also has access to an Executive Assistant to help the Directors fulfil their duties. Each of the Committees has access to such resources, information and advice as it deems necessary, at the cost of the Group, to enable the Committee to discharge its duties. The Board believe this structure is appropriate for the current size of the Group and the nature of its business, but this is assessed at least annually as part of the review of the Board's performance. The size and composition of the Board, plus the governance structures and processes which support it, may change in response to a change in the nature and/or composition of the Group.	**Further details on the Group's corporate governance including details of the Audit, Nomination and Remuneration Committees are provided on pages 74 to 85.**
Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	Strix communicates principally with its shareholders and other stakeholders through: • The Annual Report And Accounts; • Half-Year Announcements; • The London Stock Exchange's RNS; • The AGM; • One-to-one meetings with large existing or potential new shareholders; and • Internal staff meetings or through written/email communication. The Board receives regular updates on the views of shareholders through briefings and reports from the CEO, CFO and the Group's joint brokers. The Group communicates with institutional investors frequently through briefings with management. In addition, analysts' notes and brokers' briefings are reviewed to achieve a wide understanding of investors' views. Site visits are hosted with key analysts in order to demonstrate the work being undertaken by the Group to execute its strategy. The Group completes an employee engagement survey on a biennial basis and has created an 'Employee Engagement Forum', staffed by a diverse mix of staff within the business, to act as the focal point between the management team and the employees. This open dialogue continues to result in positive changes being introduced. The outcome of the employee engagement survey is a key performance indicator on which all of the management team's performance is assessed for over the two-year period.	**Refer to pages 46 to 47.**

Audit Committee report

The Committee confirms that for the year ended 31 December 2021, the Group fulfilled its Audit Committee responsibilities, as set out in this report, and fulfilled its mandatory audit processes.

The Committee has an open and constructive relationship with management and I thank the management team on behalf of the Committee for their assistance during the year. I am confident that the Committee has upheld its high standards and effectively carried out its duties throughout the year.

Audit Committee membership

Mark Kirkland and Gary Lamb served as members of the Committee through the year ended 31 December 2021.

The Committee met formally twice throughout the year with all members attending scheduled meetings. In addition to the formal meetings, Committee members also attended additional ad hoc meetings as required.

All Committee members are independent Non-Executive Directors and the Board is satisfied that Mark Kirkland and Gary Lamb have significant, recent and relevant financial experience. Furthermore, both members have held Chief Financial Officer roles for significant periods and are considered suitably qualified in accounting and auditing.

The CEO, CFO and other senior finance staff will attend meetings of the Audit Committee by invitation. The external auditors attend the meetings to discuss the planning and conclusions of their work and have the option to meet with the members of the Committee without any members of the executive team present after each meeting.

The Committee is able to call for information from management and consults with the external auditors directly if required. The objectivity and independence of the external auditors is safeguarded by reviewing the auditors' formal declarations of independence, assessing the level of non-audit fees payable to the auditors, and monitoring relationships between key audit staff and the Group.

The role of the Committee

The role of the Audit Committee is set out in a terms of reference document and is to:

- Monitor the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance, reviewing significant financial reporting judgements contained in them;
- Review the Company's internal financial controls and, unless expressly addressed by a separate Board risk committee composed of independent Directors, or by the Board itself, to review the Company's internal control and risk management systems;
- Monitor and review the effectiveness of the Group's internal audit function or, if such a function does not exist, evaluate the need to establish one;
- Make recommendations to the Board, for it to put to the shareholders for their approval in general meeting, in relation to the appointment, reappointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor;
- Review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements;
- Develop and implement policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm; and
- To report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken.

Significant issues considered in relation to the financial statements

At the request of the Board, the Audit Committee considered whether the annual report and accounts 2021 were fair, balanced and understandable and whether they provided the necessary information for shareholders to assess the Group's performance, business model and strategy. The Committee was satisfied that this is the case.

> 'I am confident that the Committee has upheld its high standards and effectively carried out its duties throughout the year.'
>
> **Mark Kirkland**
> Chairman of the Audit Committee

The Audit Committee assess whether suitable accounting policies have been adopted and whether appropriate estimates and judgements have been made by management. The Committee also reviews accounting papers prepared by management, and reviews reports by the external auditors. The specific areas reviewed by the Committee during the year were:

- Accounting for exceptional items including review of the underlying accounting policy;
- Determination of the functional currency for Strix (China) Limited and Strix Guangzhou Limited;
- Cyber incident which occurred post year end. There was no impact on the Group's financial records;
- Finalisation of the acquisition accounting relating to LAICA S.p.A. and its subsidiaries allowable within the measurement period stipulated under IFRS;
- Management's impairment assessment of goodwill and other intangible assets with an indefinite useful life;
- Completion of the construction of the new factory in China; and
- Appropriateness of the disclosures in the financial statements.

Mark Kirkland
Chairman of the Audit Committee

Nomination Committee report

Role of the Committee

The role of the Committee includes reviewing the composition of the Board, succession planning for the Board and, together with the CEO, succession planning for senior leadership positions throughout the Group. It also considers:

- The structure, size and composition of the Board and its Committees including evaluating the balance of skills, experience, independence and knowledge of its members;
- The independence and time commitments of Non-Executive Directors;
- The Board's policy on diversity as it relates to appointments to the Board;
- Succession planning for the Board and the Executive Committee roles;
- The Committees' effectiveness; and
- The Committees' terms of reference.

Nomination Committee membership

The members of the Nomination Committee, all of whom held office since listing and to the date of this report, are:

- Gary Lamb (Chairman)
- Mark Kirkland

The Nomination Committee did not meet during the year.

Gary Lamb
Chairman of the Nomination Committee

Directors' remuneration report

Statement from the Chairman of the Remuneration Committee

This report sets out the Directors' remuneration policy, the basis for the remuneration paid to Directors in respect of 2021 and explains how we intend to implement the policy for 2022. The key elements of our approach are summarised below.

The Remuneration Committee

The members of the Remuneration Committee during 2021 were Gary Lamb (Chairman), Mark Kirkland and, with effect from 1 March 2021, Richard Sells. All three are independent Non-Executive Directors. Gary Lamb is also Chairman of the Board.

The Committee held three meetings during 2021. All members of the Committee attended all meetings.

Duties

The main duties of the Remuneration Committee are set out in its terms of reference and include:

- Determining the remuneration policy for the Chairman and all Executive Directors, having regard to the risk appetite of the Company and alignment to the Company's long-term strategic goals;
- Reviewing the ongoing appropriateness and relevance of the remuneration policy, having regard to pay and employment conditions across the wider Group;
- Approving the design of, and determining targets for any performance-related pay schemes operated by the Company and approving the total annual payments made under such schemes;
- Reviewing the design of all share incentive plans for approval by the Board and shareholders;
- Determining the policy for, and scope of, pension arrangements for each Executive Director and other senior executives;
- Approving the terms of the service contracts for Executive Directors and other senior executives, and determining the policy for and scope of termination payments;
- Determining the total individual remuneration package of each Executive Director and other designated senior executives including bonuses, incentive payments and share awards; and
- Establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee.

Remuneration policy

The Committee's objective is to ensure that remuneration incentivises and rewards the growth of shareholder value through full alignment with the Company's strategy and with the interests of shareholders. We are guided by a number of fundamental principles:

- Remuneration should be set by taking into account pay levels in the various jurisdictions in which the Company operates, whilst complying with UK PLC structural norms and good practice;
- The policy should attract, retain and motivate high-calibre Executive Directors and senior management through a significant weighting on performance-related pay;
- Incentive plans should be robust and include metrics and targets which are directly relevant to Strix;
- Pay should be simple and understandable, both externally and to colleagues;
- Good practice features such as clawback and malus arrangements should be included;
- Share ownership should be encouraged across the executive team to ensure a long-term focus and alignment of interest with shareholders; and
- Pay structures should not reward behaviour that inappropriately increases the Company's exposure to risks beyond the Company's risk appetite.

We will keep the remuneration policy under review and will make changes as required to ensure continued alignment with the principles set out above. In doing so, we will consult with our major shareholders where necessary.

Application of the remuneration policy in 2021

As disclosed in last year's report, the Committee agreed to implement salary adjustments for the Executive Directors in April 2021. This included an increase in salary for Mark Bartlett, the CEO, which was originally planned for January 2020 but was deferred following the outbreak of the COVID-19 pandemic. The rationale for this increase was set out in last year's report.

A new grant under the Company's Long-Term Incentive Plan ('LTIP') was made in April 2021. The performance conditions for this award were disclosed in last year's report and require EPS growth of at least 6% per annum over the three-year performance period for full vesting.

In last year's report we stated an intention to include an Environmental, Social and Governance ('ESG') performance measure in the annual bonus scheme for 2021. After further reflection, the Committee decided that additional work was required to determine the appropriate ESG measure for the bonus scheme and, as a result, no such measure applied for 2021 bonuses. The bonus scheme for the year was dependent on the achievement of a profit before tax performance condition. Although the Company's overall trading performance for the year was strong, the Committee determined that no bonuses should be paid to the Executive Directors. Vesting of the LTIP award granted in 2019 was assessed at 34% in light of performance over the relevant three-year performance period.

Proposed application of the remuneration policy for 2022

The Committee has agreed salary increases of 2% for both of the Executive Directors with effect from 1 January 2022, consistent with the level of increases across the wider workforce. Pension provision, at 10% of salary, will remain unchanged.

We have reviewed the performance metrics to apply to the annual bonus scheme. Bonus payments will remain primarily dependent on the satisfaction of targets linked to financial performance, with 45% of the bonus based on adjusted profit after tax and 40% on Net Debt/EBITDA. For the remaining 15% of the bonus scheme, we have decided that now is the right time to introduce an ESG measure. This follows the launch of the 'Sustainable. Innovative. Dependable' strategy in 2021 and the publication of specific KPIs within the sustainability report published last year. For the 2022 bonus scheme, we have chosen a metric aligned with our stated intention to achieve net zero Scope 1 and 2 carbon emissions. Full details of all bonus targets will be disclosed in next year's Directors' Remuneration Report when they are no longer considered commercially sensitive. The maximum annual bonus opportunity for 2022 will remain at 100% of basic salary.

We also intend to make a new LTIP grant in 2022. The grant level for the Executive Directors will remain at 100% of basic salary and vesting will remain primarily subject to the achievement of EPS performance conditions over a three-year period. The target range will be EPS growth of between 3% per annum (for threshold vesting) and 7% per annum (for maximum vesting), in line with the targets applied to awards granted before 2020. These targets are considered appropriately stretching by the Committee.

The EPS targets will apply to 85% of the LTIP award. For the other 15%, we have decided to echo the approach taken for the annual bonus scheme and introduce a new target linked to our ESG and sustainability strategy. Vesting of this element of the award will require a minimum 5% per annum reduction in Group energy intensity over the three-year performance period. Together, the EPS and energy reduction targets represent a balanced mix of performance conditions which reflect key priorities for the business over the coming years.

Engagement with shareholders

The Remuneration Committee would welcome any feedback from shareholders on any matter to do with Directors' remuneration; please contact me if you have any comments.

In line with our normal practice, we will again present shareholders with the opportunity to vote on this Directors' remuneration report by way of a separate resolution at the forthcoming Annual General Meeting ('AGM'). I hope that you will support the resolution. I will also be available at the AGM to answer any questions you may have.

Gary Lamb
Chairman of the Remuneration Committee

Directors' remuneration policy

The objective of the remuneration policy for Executive Directors is to ensure remuneration incentivises and rewards the growth of shareholder value through full alignment with the Group's strategy and with the interests of shareholders.

The total remuneration package is structured so that a significant proportion is linked to performance conditions measured over both the short and long term. A high proportion of the potential remuneration is paid in shares, thereby ensuring that executives have a strong ongoing alignment with shareholders through the Company's share price performance.

When setting the levels of short-term and long-term variable remuneration and the balance of cash and share-based elements, consideration is given to obtaining the appropriate balance so as not to encourage unnecessary risk-taking, whilst ensuring that performance hurdles are suitably challenging.

In addition to the elements of remuneration set out in the table below, Executive Directors are required to work towards meeting share ownership guidelines. Further details are provided on page 90.

Element	Purpose and link to strategy	Operation	Maximum opportunity
Base salary	To recruit and reward high-calibre executives for the role required.	Reviewed annually by the Committee, taking account of Group performance, individual performance, changes in responsibility and levels of increase for the workforce generally. Reference is also made to comparator benchmarks from time to time. The Committee considers the impact of any basic salary increase on the total remuneration package.	There is no prescribed maximum annual increase. The Committee is guided by movements in market rates, the performance of the business and the general salary increase for the broader employee population, but on occasions may need to take into account factors such as development in role, change in responsibility, and/or specific retention issues.
Benefits	To provide market-competitive benefits and to help ensure the overall wellbeing of employees.	The Group typically provides: • Car allowance • Medical insurance • Health insurance • Cost-of-living allowance • Other ancillary benefits, including relocation expenses (as required) Executive Directors are also entitled to 25 days' leave per annum.	Benefits provision is set at a level considered appropriate taking into account a variety of factors, including market practice elsewhere.
Pension	To provide market-competitive benefits and to assist post-retirement financial planning.	A Group contribution to a defined contribution pension scheme or provision of cash allowance in lieu of pension.	Up to 10% of basic salary.

Element	Purpose and link to strategy	Operation	Maximum opportunity
Annual bonus scheme	To encourage and reward excellent performance over the course of the financial year.	Annual bonus payments are based on performance against challenging targets linked to the Group's strategic objectives. Bonuses are currently paid in cash. The Remuneration Committee may review on an ongoing basis whether a proportion of the bonuses should be deferred into shares. A recovery and withholding mechanism applies in the event of a material misstatement of the Group's accounts and also for other defined reasons.	Maximum annual opportunity of 100% of basic salary.
Long-Term Incentive Plan ('LTIP')	To encourage and reward delivery of the Group's long-term strategic objectives and provide alignment with shareholders through the use of share-based remuneration.	The Company makes annual awards of nil-cost options. Awards are released subject to continued employment and satisfaction of challenging performance conditions measured over three years. A recovery and withholding mechanism applies in the event of a material misstatement of the Group's accounts and also for other defined reasons.	There is no formal individual limit within the LTIP rules. However, the Remuneration Committee applies a limit of 100% of basic salary to grants made under the LTIP to Executive Directors. 25% of the award is payable for threshold performance. In line with the LTIP rules, the Committee may decide to allow participants to receive dividend-equivalent payments.
Non-Executive Director fees	To attract and retain a high-calibre Chairman and Non-Executive Directors.	Fee levels are set as appropriate for the role and responsibility for each Non-Executive Director position and with reference to market levels in comparably sized public companies. Fees are paid in cash. The Chairman is paid a single fee for all his responsibilities. Other Non-Executive Directors are also paid a single fee.	There is no prescribed maximum annual increase. Any increases to fee levels are guided by movements in market rates and the general salary increase for the broader employee population. On occasion, however, fee increases may need to recognise, for example, change in responsibility and/or time commitments.

Directors' remuneration report continued

Service contracts and payments for loss of office

The Remuneration Committee is responsible for approving the terms of the service contracts for Executive Directors and other senior executives. Directors' service contracts are available for inspection at the Company's registered office.

Mark Bartlett and Raudres Wong have both entered into two service agreements with the Company, one governed by the law of the Isle of Man and the other governed by the law of Hong Kong.

The service agreements for Mark Bartlett and Raudres Wong are terminable on 12 months' notice from either side. Other than payment of salary and benefits in lieu of notice, the Executive Directors' service agreements do not provide for benefits upon termination of employment.

The Non-Executive Directors have entered into letters of appointment with the Company which can be terminated by either party providing three months' prior written notice.

Directors' remuneration for 2021

		Salary and fees[1] £k	Benefits[2] £k	Pension £k	Annual bonus £k	Long-term incentives[3] £k	Total £k
Executive Directors							
Mark Bartlett	**2021**	**347**	**44**	**43**	**–**	**155**	**589**
	2020	312	68	64	51	338	833
Raudres Wong	**2021**	**312**	**23**	**29**	**–**	**153**	**517**
	2020	305	12	31	51	311	710
Non-Executive Directors							
Gary Lamb	**2021**	**80**	**–**	**–**	**–**	**–**	**80**
	2020	72	–	–	–	–	72
Mark Kirkland	**2021**	**48**	**–**	**–**	**–**	**–**	**48**
	2020	46	–	–	–	–	46
Richard Sells[4]	**2021**	**47**	**–**	**–**	**–**	**–**	**47**
	2020	32	–	–	–	–	32

1. As previously disclosed, the 2020 fee for Gary Lamb for serving as Chairman of the Board and Non-Executive Director was increased from £70,000 to £80,000 with effect from 1 January 2020 following a review. The fee for Mark Kirkland for serving as a Non-Executive Director was increased from £45,000 to £48,000. In light of the COVID-19 outbreak, both Directors agreed that their fees would revert to their former levels with effect from March 2020. Following a further review later in 2020, and in recognition of the overall resilience of the Company against the backdrop of the pandemic, it was agreed that the fees would be restored to the January 2020 levels with effect from 1 January 2021.
2. Mark Bartlett's benefits include participation in the Company's private medical insurance scheme, a car allowance and a cost-of-living allowance reflecting his residence in Hong Kong. Raudres Wong's benefits include participation in the Company's medical insurance and permanent health insurance schemes.
3. The numbers in this column for 2021 reflect the value of the 2019 LTIP award based on the vesting level of the award (34%), and the share price on the exercise date, 21 April 2022 (£2.09), plus an amount reflecting the value of dividend equivalents. This award was based on performance measured up to 31 December 2021. The numbers in this column for 2020 reflect the value of the 2018 LTIP award based on the vesting level for the award (53.2%) and the share price on the exercise date, 21 April 2021 (£2.90), plus an amount reflecting the value of dividend equivalents. This award was based on performance measured up to 31 December 2020.
4. Richard Sells was appointed to the Board on 18 March 2020 as a Non-Executive Director. As disclosed in last year's report, his annual fee was increased to £48,000 with effect from 1 March 2021. This aligned his fee with that of Mark Kirkland and recognised his appointment to the Remuneration Committee and his work leading the Board's approach to ESG matters.

Annual bonus scheme outcome for 2021

Executive Directors had an entitlement to an annual bonus up to a maximum opportunity of 100% of basic salary for 2021. Achievement of the bonus was based on performance conditions linked to the achievement of a challenging PAT target. Payment of the bonus required minimum PAT for 2021 of £31.4m.

Given a PAT outturn for the year of £31.4m, the Committee determined that no bonuses should be paid to the Executive Directors.

LTIP award granted in 2021

Executive Directors and other senior employees were granted an award of shares under the LTIP in April 2021. For the Executive Directors, the award was granted at a level of 100% of basic salary. Vesting of the award is subject to the achievement of performance conditions based on the Company's EPS performance over the three financial years ending 31 December 2023. The specific targets were disclosed in last year's report and are also set out below.

Annual EPS growth to be achieved in the period ending 31 December 2023	Level of vesting
Below 3%	0%
3%	25%
Between 3% and 6%	Vesting on a straight-line basis between 25% and 100%
6% or above	100%

The awards are subject to malus and clawback provisions, as set out in the remuneration policy on page 84.

Performance under the LTIP award granted in 2019

Executive Directors and other members of senior management were granted an award of shares under the LTIP in May 2019. Vesting of the awards was based on EPS performance measured over the period to 31 December 2021. The specific EPS targets, and the performance achieved, are set out below.

Annual EPS growth to be achieved in the period ended 31 December 2021	Level of vesting
Below 3%	0%
3%	25%
Between 3% and 7%	Vesting on a straight-line basis between 25% and 100%
7% or above	100%

The Committee assessed the level of performance achieved after the year end and determined that the targets had been partially met. As a result, the LTIP award vested at a level of 34%. As determined at the start of the performance period, EPS was calculated on the basis of 190 million shares in issue. The Committee considered that the level of vesting was appropriate in light of the overall performance of the Group over the performance period.

Dividend equivalents were also payable on vested awards. Clawback provisions apply to the awards for a period of two years following vesting.

Directors' remuneration report continued

Directors' participation in the LTIP

Details of the numbers of shares held by the Executive Directors under the LTIP are set out in the following table.

Executive	Scheme	Grant date	Exercise price	Number of LTIP shares at 31 December 2020	Granted during year	Vested during year	Lapsed during year	Number of shares at 31 December 2021	End of performance period	Vesting date[1]
Mark Bartlett	LTIP	1 Nov 2018	nil	208,417	–	110,878	97,539	–	31 Dec 2020	1 Jan 2021[2]
	LTIP	20 May 2019	nil	198,398	–	–	–	198,398	31 Dec 2021	1 Apr 2022[3]
	LTIP	6 Apr 2020	nil	197,138	–	–	–	197,138	31 Dec 2022	1 Apr 2023
	LTIP	21 Apr 2021	nil	–	123,995	–	–	123,995	31 Dec 2023	1 Apr 2024
Raudres Wong	LTIP	1 Nov 2018	nil	191,870	–	102,075	89,795	–	31 Dec 2020	1 Jan 2021[2]
	LTIP	20 May 2019	nil	196,267	–	–	–	196,267	31 Dec 2021	1 Apr 2022[3]
	LTIP	6 Apr 2020	nil	196,060	–	–	–	196,060	31 Dec 2022	1 Apr 2023
	LTIP	21 Apr 2021	nil	–	107,593	–	–	107,593	31 Dec 2023	1 Apr 2024

1. These LTIP options cannot be exercised until the Remuneration Committee determines the performance conditions have been met.
2. As explained in the 2020 Directors' remuneration report, the performance conditions for this award were formally tested after the 2020 year end and it was deemed that this award had vested at a level of 53.2%. The options were exercised on 21 April 2021.
3. As explained above, the performance conditions for this award were formally tested after the 2021 year end and it was deemed that the award had vested in part.

Directors' shareholding guidelines and share interests

To align their interests with shareholders, Executive Directors are required to work towards meeting specific shareholding guidelines. These guidelines require the Directors to retain at least 50% of the net of taxes gain arising from any shares vesting or acquired under the LTIP until such time as the share ownership target has been met. The guidelines require the CEO to build a holding equivalent in value to 200% of basic salary, and the CFO to build a holding equivalent in value to 150% of basic salary.

The Chairman and Non-Executive Directors are encouraged to hold shares in the Company but are not subject to a formal shareholding guideline. Details of the Directors' interests in shares are shown in the table below:

Director	Beneficially owned at 31 December 2021	Shareholding guideline achieved at 31 December 2021 as % of 2021 basic salary[1]
Mark Bartlett	2,410,878	>200%
Mark Kirkland	8,710	n/a
Gary Lamb[2]	250,000	n/a
Raudres Wong[3]	1,802,075	>150%
Richard Sells	–	n/a

1. Based on the year end share price of £3.035.
2. Shares registered in the name of GEL Investments Limited, a company controlled by Gary Lamb.
3. Shares held in the name of her husband, Wing Yip Fong.

Following the sale of shares by Mark Bartlett and Raudres Wong on 19 October 2021, they provided an undertaking that they will not dispose of any further shares for a period of 12 months.

Application of the remuneration policy for 2022

Fixed remuneration

The salaries for the Executive Directors have been increased by 2% with effect from 1 January 2022, as set out in the table below. This is consistent with the budgeted salary increase for the wider workforce.

Director	Salary with effect from 1 January 2022	% increase
Mark Bartlett	£367,200	2.0%
Raudres Wong	£318,471	2.0%

The level of pension provision for both of the Executive Directors will remain at 10% of basic salary.

Annual bonus scheme

The annual bonus scheme will continue to incentivise the delivery of performance over the short term. The scheme will primarily be based on the achievement of challenging financial targets linked to profit before tax (45% of the total bonus) and cash (40%). The remaining 15% of the bonus will depend upon the satisfaction of a target linked to the achievement of net zero carbon emissions (Scope 1 & 2).

We intend to disclose the specific bonus targets in the 2022 Directors' remuneration report, alongside details of performance against the targets.

The maximum annual bonus opportunity for the Directors for 2022 will be 100% of basic salary, payable in cash.

LTIP

The Committee intends to grant LTIP awards over shares with a value equivalent to 100% of basic salary for the Executive Directors. A total of 85% of the award will be subject to the achievement of performance conditions based on the Group's EPS performance over the three financial years ending 31 December 2024. The performance targets to be used are set out below.

Annual EPS growth to be achieved in the period ending 31 December 2024	Level of vesting
Below 3%	0%
3%	25%
Between 3% and 7%	Vesting on a straight-line basis between 25% and 100%
7% or above	100%

The Committee believes that the above targets are appropriately stretching when taking into account expectations of the Group's performance over the forthcoming three-year period.

In light of the increasing importance of ESG to Strix, for the other 15% of the award the Committee has decided to introduce a new target linked to a reduction in energy usage over the three-year period. This target will require a reduction in energy intensity of at least 5% per annum over the period in order for this element of the award to vest.

A payment equivalent to the value of the dividend paid over the vesting period will also be payable at the time of vesting. The awards will be subject to malus and clawback provisions, as set out in the remuneration policy on page 84.

Chairman and Non-Executive Directors

No changes are proposed to the fees payable to the Board Chairman and the other Non-Executive Directors for 2022. As a result, Gary Lamb will continue to receive a fee of £80,000 and Mark Kirkland and Richard Sells will each receive a fee of £48,000.

This report was approved by the Board of Directors and signed on its behalf by:

Gary Lamb
Chairman of the Remuneration Committee

Directors' report

For the year ended 31 December 2021

The Directors present their report together with the audited consolidated financial statements of Strix Group Plc ('the Company') for the year ended 31 December 2021.

Principal activities of the Group

The principal activities of Strix Group Plc and its subsidiaries (together 'the Group') are the design, manufacture and supply of kettle safety controls and other components and devices involving water heating and temperature control, steam management and water filtration.

Business review and future developments

The Group has remained resilient during 2021 as the world recovers from the global impact of the COVID-19 pandemic in the wake of a 'new normal'. As a result of further funding for the completion of the new factory and adverse effects of net working capital movements to fund ongoing operations, the Group's net debt position increased to £51.2m (2020: £37.2m), excluding the impact of IFRS 16 lease liabilities.

The new manufacturing operations within Zengcheng district in Guangzhou, China are now fully operational and were delivered on time and to budget, and all was executed during a global pandemic.

Results and dividends

The Group recorded revenue in the year of £119.4m (2020: £95.3m) and a profit after tax of £20.6m (2020: £24.1m).

The Directors recommend a final dividend for the year of 5.6p per share which, if approved at the Annual General Meeting ('AGM') on 26 May 2022, will be payable on 10 June 2022 to shareholders who are on the register at 13 May 2022 and the shares will trade ex-dividend from 12 May 2022. Together with the interim dividend paid during the year of 2.75p per share, this will result in a total dividend of 8.35p per share.

Financial risk management

Information relating to the financial risks of the Group have been included within note 22, 'Financial risk management'.

Directors and their interests

The Directors of the Company who were in office during the year and up to the date of signing the consolidated financial statements were:

- Mark Bartlett
- Mark Kirkland
- Gary Lamb
- Raudres Wong
- Richard Sells

Mark Kirkland will retire by rotation in accordance with the Company's Memorandum and Articles of Association and will be proposed for re-election at the AGM on 26 May 2022. The Directors who held office during the year and as at 31 December 2021 had the following interests in the number of ordinary shares of the Company:

Name of Director	2021	2020
Mark Bartlett	**2,410,878**	3,400,000
Mark Kirkland	**8,710**	–
Gary Lamb	**250,000**	500,000
Raudres Wong	**1,802,075**	2,200,000
Richard Sells	**–**	–

In addition to the interests in ordinary shares shown above, the Group operates a performance share plan ('the LTIP') for senior executives, under which certain Directors have been granted conditional share awards. Subject to achieving performance targets, the maximum number of ordinary shares which could be issued to Directors in the future under such awards at 31 December 2021 is shown below:

	2021	2020
Mark Bartlett	**519,531**	603,953
Raudres Wong	**499,920**	584,197

The market price of the Company's shares at the end of the financial year was 303.5p (2020: 220.0p) and the range of market prices in the year was between 220.0p and 385.0p (2020: between 134.8p and 245.5p).

No changes took place in the interests of Directors between 31 December 2021 and the date of signing the consolidated financial statements.

Directors' indemnities and insurance

The Articles permit the Board to grant the Directors indemnities in relation to their duties as Directors, including third-party indemnity provisions (within the meaning of the Isle of Man Companies Act 2006) in respect of any liabilities incurred by them in connection with any negligence, default, breach of duty or breach of trust in relation to the Company. Deeds of indemnity have been granted to each Director, but do not cover criminal acts. Directors' and Officers' liability insurance cover is in place at the date of this report. The Board remains satisfied that an appropriate level of cover is in place and a review of the levels of cover takes place on an annual basis.

Going concern

After making appropriate enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future and for at least one year from the date of issue of these consolidated financial statements. As a result, the Directors continue to adopt the going concern basis in preparing the consolidated financial statements.

Further details are provided in note 2 of the financial statements.

Independent auditor

The auditor, PricewaterhouseCoopers LLC, has indicated its willingness to continue in office and a resolution concerning reappointment will be proposed at the AGM.

On behalf of the Board

Raudres Wong
Director
29 March 2022

Statement of Directors' responsibilities in respect of the financial statements

For the year ended 31 December 2021

The Directors are responsible for preparing the consolidated financial statements in accordance with applicable laws and regulations. The Directors have elected to prepare the consolidated financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union.

In preparing the consolidated financial statements, the Directors are responsible for:

- Selecting suitable accounting policies and applying them consistently;
- Stating whether IFRSs as adopted by the European Union, have been followed subject to any material departures disclosed and explained in the financial statements;
- Making judgements and accounting estimates that are reasonable and prudent;
- Preparing the consolidated financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business; and
- Preparing consolidated financial statements which give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Raudres Wong
Director
29 March 2022

Independent auditor's report

Independent auditor's report

To the members of Strix Group Plc

Our opinion
In our opinion the consolidated financial statements give a true and fair view of the consolidated financial position of Strix Group Plc (the 'Company') and its subsidiaries (together the 'Group') as at 31 December 2021 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

What we have audited
Strix Group Plc's consolidated financial statements (the 'financial statements') comprise:
- The consolidated statement of financial position as at 31 December 2021;
- The consolidated statement of comprehensive income for the year then ended;
- The consolidated statement of changes in equity for the year then ended;
- The consolidated statement of cash flows for the year then ended; and
- The notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing ('ISAs'). Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ('IESBA Code'). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Our audit approach
As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key audit matters
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent auditor's report continued

To the members of Strix Group Plc

Key audit matters	How our audit addressed the key audit matters
Revenue recognition Refer to notes 2 and 7 to the financial statements. Fraud Risk – Revenue recognition through inappropriate manual journal entries. The Directors and management participate in reward and incentive schemes, including share-based payment programmes that may incentivise or place pressure on the Directors and management to manipulate revenue recognition. There is a risk that management may override controls to intentionally misstate revenue transactions by recording fictitious revenue transactions through inappropriate manual journal entries.	Our audit work included, but was not restricted to: • Obtaining a detailed understanding of the standard flows of transactions for each material revenue stream; • Employing data analytics tools to trace revenue transactions to cash receipts; and to identify transactions which did not follow the standard flows, which were verified to originating documentation to confirm that the entries were valid; • Considering the stated accounting policy in respect of revenue recognition and whether it is compliant with International Financial Reporting Standards ('IFRS') 15 'Revenue from contracts with customers'; • Testing significant controls in relation to the sales process, including the automated generation of invoices and packing lists, and approval of changes to standing data; • Testing revenue cut-off around the year-end by selecting a sample of transactions from either side of the year-end to supporting documentation, as well as reviewing post year-end credit notes issued for indications of revenue manipulation; and • Testing a sample of revenue transactions back to the purchase order, the invoice and proof of receipt from the client to confirm occurrence and accuracy of the transaction. Based on our work we did not identify any evidence of inappropriate management override in respect of the amount of revenue recorded through inappropriate journal entries.

Other information

The other information comprises the Directors' report and the Statement of Directors' responsibilities (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of the auditor's report, and the other information to be included in the annual report and accounts, which is expected to be made available to us after that date. The Directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard. When we read the other information to be included in the annual report and accounts, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Directors.

Responsibilities of the Directors for the financial statements

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and Isle of Man law, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with our engagement letter dated 27 January 2022 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Nicholas Halsall
for and on behalf of PricewaterhouseCoopers LLC
Chartered Accountants
Douglas, Isle of Man
29 March 2022

Consolidated statement of comprehensive income

For the year ended 31 December 2021

	Note	2021 £000s	2020 £000s
Revenue	7	**119,410**	95,305
Cost of sales – before exceptional items		**(71,986)**	(55,896)
Cost of sales – exceptional items	6	**(3,578)**	(504)
Cost of sales		**(75,564)**	(56,400)
Gross profit		**43,846**	38,905
Distribution costs		**(9,168)**	(5,001)
Administrative expenses – before exceptional items		**(5,107)**	(3,479)
Administrative expenses – exceptional items	6	**(6,363)**	(4,952)
Administrative expenses		**(11,470)**	(8,431)
Share of (losses)/profits from joint ventures		**(50)**	61
Other operating income		**562**	1,101
Operating profit		**23,720**	26,635
Analysed as:			
Adjusted EBITDA[1]		**40,540**	38,080
Amortisation	11	**(2,310)**	(1,477)
Depreciation	12	**(3,173)**	(3,042)
Right-of-use depreciation	12	**(1,396)**	(1,470)
Exceptional items	6	**(9,941)**	(5,456)
Operating profit		**23,720**	26,635
Finance costs	8	**(2,226)**	(1,194)
Finance income		**13**	13
Profit before taxation		**21,507**	25,454
Income tax expense	9	**(860)**	(1,384)
Profit for the year		**20,647**	24,070
Other comprehensive (expense)/income			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		**(1,693)**	31
Total comprehensive income for the year		**18,954**	24,101
Profit for the year attributable to:			
Equity holders of the Company		**20,599**	24,049
Non-controlling interests		**48**	21
		20,647	24,070
Total comprehensive income for the year attributable to:			
Equity holders of the Company		**18,736**	24,120
Non-controlling interests		**218**	(19)
		18,954	24,101
Earnings per share (pence)			
Basic	10	**10.0**	12.2
Diluted	10	**9.8**	11.7

1. Adjusted EBITDA, which is defined as earnings before finance costs, tax, depreciation, amortisation and exceptional items, is a non-GAAP metric used by management and is not an IFRS disclosure.

The notes on pages 102 to 136 form part of these consolidated financial statements.

Consolidated statement of financial position

As at 31 December 2021

	Note	2021 £000s	2020 £000s
ASSETS			
Non-current assets			
Intangible assets	11	**30,468**	29,648
Property, plant and equipment	12	**42,763**	37,205
Investments in joint ventures		**28**	92
Net investments in finance leases		**15**	–
Total non-current assets		**73,274**	66,945
Current assets			
Inventories	15	**20,022**	15,224
Trade and other receivables	16	**25,511**	20,672
Cash and cash equivalents	17	**19,670**	15,446
Total current assets		**65,203**	51,342
Total assets		**138,477**	118,287
EQUITY AND LIABILITIES			
Equity			
Share capital and share premium	24	**13,139**	13,130
Share-based payment reserve	23	**2,039**	1,913
Retained earnings		**10,146**	6,290
Non-controlling interests		**681**	716
Total equity		**26,005**	22,049
Current liabilities			
Trade and other payables	18	**25,886**	27,151
Borrowings	19	**1,064**	2,220
Future lease liabilities	26	**773**	1,254
Contingent consideration	14	**6,082**	–
Current income tax liabilities	18	**1,631**	3,048
Total current liabilities		**35,436**	33,673
Non-current liabilities			
Future lease liabilities	26	**2,598**	2,846
Deferred tax liability	14	**2,303**	2,558
Borrowings	19	**69,782**	50,426
Contingent consideration	14	**1,382**	5,380
Post-employment benefits	5(c)	**971**	1,355
Total non-current liabilities		**77,036**	62,565
Total liabilities		**112,472**	96,238
Total equity and liabilities		**138,477**	118,287

The consolidated financial statements on pages 98 to 136 were approved and authorised for issue by the Board of Directors on 29 March 2022 and were signed on its behalf by:

Mark Bartlett
Director

Raudres Wong
Director

Consolidated statement of changes in equity

For the year ended 31 December 2021

	Share capital and share premium £000s	Share-based payment reserve £000s	Retained (deficit)/ earnings £000s	Total equity attributable to owners £000s	Non-controlling interests £000s	Total equity £000s
Balance at 1 January 2020	1,900	13,063	(14,052)	911	–	911
Profit for the year	–	–	24,049	24,049	21	24,070
Other comprehensive income/(expenses)	–	–	71	71	(40)	31
Total comprehensive income for the year	–	–	24,120	24,120	(19)	24,101
Dividends paid (note 25)	–	–	(15,310)	(15,310)	–	(15,310)
Dividends paid to non-controlling interests	–	–	108	108	(108)	–
Acquisition of LAICA S.p.A. (note 14)	–	–	–	–	843	843
Transfers between reserves (note 23)	–	(13,019)	13,019	–	–	–
Issue of shares (note 24)	11,230	–	–	11,230	–	11,230
Share-based payment transactions (note 23)	–	1,869	–	1,869	–	1,869
Total transactions with owners recognised directly in equity	11,230	(11,150)	(2,183)	(2,103)	735	(1,368)
Other transactions recognised directly in equity (note 23)	–	–	(1,595)	(1,595)	–	(1,595)
Balance at 1 January 2021	**13,130**	**1,913**	**6,290**	**21,333**	**716**	**22,049**
Profit for the year	**–**	**–**	**20,599**	**20,599**	**48**	**20,647**
Other comprehensive income/(expenses)	**–**	**–**	**(1,863)**	**(1,863)**	**170**	**(1,693)**
Total comprehensive income for the year	**–**	**–**	**18,736**	**18,736**	**218**	**18,954**
Dividends paid (note 25)	**–**	**–**	**(16,510)**	**(16,510)**	**–**	**(16,510)**
Dividends paid to non-controlling interests	**–**	**–**	**253**	**253**	**(253)**	**–**
Transfers between reserves (note 23)	**9**	**(1,249)**	**1,240**	**–**	**–**	**–**
Share-based payment transactions (note 23)	**–**	**1,549**	**–**	**1,549**	**–**	**1,549**
Total transactions with equity holders recognised directly in equity	**9**	**300**	**(15,017)**	**(14,708)**	**(253)**	**(14,961)**
Other transactions recognised directly in equity	**–**	**(174)**	**137**	**(37)**	**–**	**(37)**
Balance at 31 December 2021	**13,139**	**2,039**	**10,146**	**25,324**	**681**	**26,005**

The notes on pages 102 to 136 form part of these consolidated financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2021

	Note	2021 £000s	2020 £000s
Cash flows from operating activities			
Cash generated from operations	27	**24,206**	32,120
Tax paid		**(1,916)**	(908)
Net cash generated from operating activities		**22,290**	31,212
Cash flows from investing activities			
Purchase of property, plant and equipment		**(12,049)**	(12,999)
Capitalised development costs	11	**(3,609)**	(2,808)
Purchase of LAICA S.p.A. net of cash acquired	14	**(1,605)**	(6,735)
Purchase of other intangibles	11	**(1,487)**	(1,642)
Proceeds on sale of property, plant and equipment		**1,750**	–
Finance income		**13**	13
Net cash used in investing activities		**(16,987)**	(24,171)
Cash flows from financing activities			
Drawdowns under credit facility	19	**24,000**	22,193
Repayment of borrowings	19	**(5,820)**	(12,339)
Finance costs paid	19	**(1,170)**	(1,951)
Principal elements of lease payments	26	**(1,562)**	(1,455)
Proceeds from issue of new shares	23	**–**	3,800
Dividends paid	25	**(16,510)**	(15,310)
Dividends paid to non-controlling interests		**(254)**	(63)
Net cash used in financing activities		**(1,316)**	(5,125)
Net increase in cash and cash equivalents		**3,987**	1,916
Cash and cash equivalents at the beginning of the year		**15,446**	13,658
Effects of foreign exchange on cash and cash equivalents		**237**	(128)
Cash and cash equivalents at the end of the year		**19,670**	15,446

The notes on pages 102 to 136 form part of these consolidated financial statements.

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

1. GENERAL INFORMATION
Strix Group Plc ('the Company') was incorporated and registered in the Isle of Man on 12 July 2017 as a company limited by shares under the Isle of Man Companies Act 2006 with the registered number 014963V. The address of its registered office is Forrest House, Ronaldsway, Isle of Man, IM9 2RG.

The Company's shares were admitted to trading on AIM, a market operated by the London Stock Exchange, on 8 August 2017. The principal activities of Strix Group Plc and its subsidiaries (together 'the Group') are the design, manufacture and supply of kettle safety controls and other components and devices involving water heating and temperature control, steam management, water filtration and small household appliances for personal health and wellness.

2. PRINCIPAL ACCOUNTING POLICIES
The Group's principal accounting policies, all of which have been applied consistently to all of the years presented, are set out below.

Basis of preparation
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') and International Financial Reporting Standards Interpretation Committee ('IFRS IC') interpretations as adopted by the European Union. The financial statements comply with IFRS as issued by the International Accounting Standards Board ('IASB'). The financial statements have been prepared on the going concern basis.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 3.

Historical cost convention
The financial statements have been prepared on a historical cost basis, except for the following:
- Contingent consideration – measured at fair value.

Basis of consolidation
The consolidated financial statements comprise the financial statements of the Company and all of its subsidiary undertakings. Subsidiaries are fully consolidated from the date on which control commences and are deconsolidated from the date that control ceases. The financial statements of all Group companies are adjusted, where necessary, to ensure the use of consistent accounting policies.

Subsidiaries
Subsidiaries are entities controlled by the Group. Control exists when the Group is exposed to or has the rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. Consolidation of subsidiaries ceases from the date that control also ceases.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated statement of financial position, respectively.

Joint ventures
Joint ventures are joint arrangements of which the Group has joint control, with rights to the net assets of those arrangements. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Interests in joint ventures are accounted for using the equity method of accounting (detailed below) after being recognised at cost in the consolidated statement of financial position.

2. PRINCIPAL ACCOUNTING POLICIES continued

Equity method of accounting

Under the equity method of accounting, investments in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses from the joint arrangement in profit or loss, and the Group's share of movements in other comprehensive income of the joint arrangement in other comprehensive income. Dividends received from joint ventures are recognised as a reduction in the carrying amount of the investment.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in these entities.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the impairment of assets policy as described below in this note.

Transactions eliminated on consolidation

Intra-group balances, and any gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date with the assets and liabilities of subsidiaries being measured at their fair values. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. The Group measures goodwill at the acquisition date as:
- The fair value of the consideration transferred; plus
- The recognised amount of any non-controlling interests in the acquiree; plus
- If the business combination is achieved in stages, the fair value of the pre-existing interest in the acquiree; less
- The fair value of the identifiable assets acquired and liabilities assumed.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis at the non-controlling interest's proportionate share of the fair value of the acquired entity's net identifiable assets. Transaction costs that the Group incurs in connection with a business combination are expensed as incurred.

If the initial accounting for a business combination is preliminary by the end of the reporting period in which the business combination occurs, provisional amounts are reported. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities recognised to reflect the facts and circumstances that existed as at the acquisition date.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value, with changes in fair value recognised in profit or loss.

Going concern

These consolidated financial statements have been prepared on the going concern basis.

The Directors have made enquiries to assess the appropriateness of continuing to adopt the going concern basis. The Directors no longer consider going concern to be a critical accounting judgement as was previously disclosed in the prior year financial statements. In determining that going concern is no longer a critical accounting judgement they have taken into account the following:
- The strong historic trading performance of the Group;
- Budgets and cash flow forecasts for the period to December 2023;
- The current financial position of the Group, including its cash and cash equivalents balances of £19.7m;
- The availability of further funding should this be required (including the headroom of £10m on the revolving credit facility and the access to the AIM market afforded by the Company's admission to AIM);
- The low liquidity risk the Group is exposed to;
- The fact that the Group operates within a sector that is experiencing relatively stable demand for its products, amidst the global COVID-19 pandemic; and
- That there has been no disruption to the Group's manufacturing or supply chain.

Based on these considerations, the Directors have concluded that there are no material uncertainties that may cast significant doubt on its ability to continue as a going concern and the Group has adequate resources to continue in operational existence for the foreseeable future. As a result, the Directors continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

Notes to the consolidated financial statements continued

For the year ended 31 December 2021

2. PRINCIPAL ACCOUNTING POLICIES continued

Foreign currency translation

Functional and presentational currency

Items included in the financial information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Pound Sterling, which is Strix Group Plc's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates, are recognised in the consolidated statement of comprehensive income within cost of sales.

Group companies

The results and financial position of foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets, including intangible assets and goodwill arising on acquisition of those foreign operations, and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position, or at historic rates for certain line items;
- Income and expenses for each statement of comprehensive income presented are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- All resulting exchange differences are recognised in other comprehensive income. Such translation differences are reclassified to profit or loss only on disposal or partial disposal of the foreign operation.

Standards, amendments and interpretations adopted

The Group has applied the amendments to IFRS 9 in relation to Interest Rate Benchmark Reform in the year. For the borrowings measured using amortised cost measurement where interest rates have been modified to be linked to SONIA rather than LIBOR, this change has been reflected by adjusting the effective interest rate. No immediate gain or loss has been recognised. Other than the above, there are no other standards, amendments to standards or interpretations that the Group has applied for the first time in the reporting period commencing 1 January 2021 that have had a material impact on the financial statements.

Standards, amendments and interpretations which are not effective or early adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Property, plant and equipment

Initial recognition and measurement

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. When parts of an item of property, plant and equipment have different useful lives, the components are accounted for as separate items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying value of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Subsequent measurement

Depreciation is calculated using the straight-line method to allocate the cost of the assets, net of any residual values, over their estimated useful lives as follows:

- Plant and machinery — 3–10 years
- Fixtures, fittings and equipment — 2–5 years
- Motor vehicles — 3–5 years
- Production tools — 1–5 years
- Right-of-use assets — 2–8 years, based on the lease terms
- Land and buildings — 50 years

2. PRINCIPAL ACCOUNTING POLICIES continued

The Group manufactures some of its production tools and equipment. The costs of construction are included within a separate category within property, plant and equipment ('assets under construction') until the tools and equipment are ready for use at which point the costs are transferred to the relevant asset category and depreciated. Any items that are scrapped are written off to the consolidated statement of comprehensive income.

The assets' residual values and useful lives are reviewed at the end of each reporting period.

Fixtures, fittings and other equipment includes computer hardware.

Derecognition

Property, plant and equipment assets are derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of property, plant and equipment, measured as the difference between net disposal proceeds and the carrying amount of the asset, are recognised in the consolidated statement of comprehensive income on derecognition.

Impairment

Tangible assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Intangible assets

Initial recognition and measurement

The Group's intangible assets relate to goodwill, capitalised development costs, intellectual property, customer relationships, brands and computer software. Goodwill is the excess of the consideration paid over the fair value of the identifiable assets, liabilities and contingent liabilities in a business combination and relates to assets which are not capable of being individually identified and separately recognised. Goodwill acquired is allocated to those cash-generating units ('CGUs') expected to benefit from the business combination in which the goodwill arose. Goodwill is measured at cost less any accumulated impairment losses and is held in the functional currency of the acquired entity to which it relates and remeasured at the closing exchange rate at the end of each reporting period, with the movement taken through other comprehensive income. The CGUs represent the lowest level within the Group at which goodwill is monitored for internal management purposes.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use. Internal costs that are incurred during the development of significant and separately identifiable new products and manufacturing techniques for use in the business are capitalised when the following criteria are met:

- It is technically feasible to complete the project so that it will be available for use;
- Management intends to complete the project and use or sell it;
- It can be demonstrated how the project will develop probable future economic benefits;
- Adequate technical, financial, and other resources to complete the project and to use or sell the project output are available; and
- Expenditure attributable to the project during its development can be reliably measured.

Capitalised development costs include employee, travel and other directly attributable costs necessary to create, produce and prepare the asset to be capable of operating in the manner intended by management. Refer to note 6(a) for details.

Intellectual property is capitalised where it is probable that future economic benefits associated with the patent will flow to the Group, and the cost can be measured reliably. The costs of renewing and maintaining patents are expensed in the consolidated statement of comprehensive income as they are incurred.

Customer relationships, intellectual property and brands are recognised on acquisitions where it is probable that future economic benefits will flow to the Group.

Computer software is only capitalised when it is probable that future economic benefits associated with the software will flow to the Group, and the cost of the software can be measured reliably. Computer software that is integral to an item of property, plant and equipment is included as part of the cost of the asset recognised in property, plant and equipment.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred.

Notes to the consolidated financial statements continued

For the year ended 31 December 2021

2. PRINCIPAL ACCOUNTING POLICIES continued

Subsequent measurement

The Group amortises intangible assets with a limited useful life using the straight-line method over the following periods:

• Capitalised development costs	2–5 years
• Intellectual property	Lower of useful or legal life
• Technology and software	2–10 years
• Customer relationships	10–13 years
• Brands	Indefinite useful life

Brands have an indefinite useful life because there is no foreseeable limit on the period during which the Group expects to consume the future economic benefits embodied in the asset. The LAICA brand has been trading since inception and has been a well recognisable brand amongst the Group's trading partners, and the Group does not foresee a time limit by when these partnerships will cease.

Amortisation is charged to the consolidated statement of comprehensive income on a straight-line basis over the estimated useful lives above.

Derecognition

Intangible assets are derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of intangible assets, measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognised in the consolidated statement of comprehensive income when the asset is derecognised. Where a subsidiary is sold, any goodwill arising on acquisition, net of any impairment, is included in determining the profit or loss arising on disposal.

Impairment

Intangible assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Intangible assets with indefinite useful lives impairment assessments

Intangible assets with indefinite useful lives arising on business combinations are allocated to the relevant CGU and are treated as the foreign operation's assets.

Impairment reviews are performed at least annually, or more frequently if there are indicators that goodwill might be impaired.
The Group has assessed the carrying values of goodwill and brands to determine whether any amounts have been impaired.
The recoverable amount of the underlying CGU was based on a value in use model where future cash flows were discounted using a weighted average cost of capital as the discount rate with terminal values calculated applying a long-term growth rate. In determining the recoverable amount, the Group considered several sources of estimation uncertainty and made certain assumptions or judgements about the future. Future events could cause the assumptions used in the impairment review to change with an impact on the results and net position of the Group.

Leases

The leasing activities of the Group and how these are accounted for

The Group leases office space, workshops, warehouses and factory space. Rental contracts are typically made for periods of 3–10 years, but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognised as right-of-use ('ROU') assets and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability, finance costs and foreign exchange (where the lease is denominated in a foreign currency). The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The ROU asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

2. PRINCIPAL ACCOUNTING POLICIES continued

Measurement of future lease liabilities

Assets and liabilities arising from a lease are initially measured on a present value basis. Future lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that are based on an index or a rate;
- Amounts expected to be payable by the lessee under residual value guarantees;
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that options; and
- The payment of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to the consolidated statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Measurement of right-of-use assets

ROU assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs; and
- Restoration costs.

ROU assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the consolidated statement of comprehensive income. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise primarily IT equipment.

Extension and termination options

Extension and termination options are included in a number of property leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts.

Lease income

Lease income from operating leases where the Group is a lessor, and where substantially all the risks and rewards associated with the leased asset remain with the Group, is recognised in other income on a straight-line basis over the lease term.

Financial assets

Classification

The Group classifies its financial assets as financial assets held at amortised cost. Management determines the classification of its financial assets at initial recognition.

The Group classifies its financial assets as at amortised cost only if both of the following criteria are met:

- The asset is held within a business model whose objective is to collect the contractual cash flows; and
- The contractual terms give rise to cash flows that are solely payments of principal and interest.

Financial assets held at amortised cost are initially recognised at fair value, and are subsequently stated at amortised cost using the effective interest method. Financial assets at amortised cost comprise cash and cash equivalents and trade and other receivables (excluding prepayments and the advance purchase of commodities). Trade receivables are amounts due from customers for products sold performed in the ordinary course of business. They are due for settlement either on a cash in advance basis, or generally within 45 days, and are therefore all classified as current. Other receivables generally arise from transactions outside the usual operating activities of the Group.

Notes to the consolidated financial statements continued

For the year ended 31 December 2021

2. PRINCIPAL ACCOUNTING POLICIES continued

Impairment of financial assets

The Group assesses, on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group applies the expected credit loss model to financial assets at amortised cost. For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. Given the nature of the Group's receivables, expected lifetime losses are not material.

Financial liabilities

With the exception of contingent consideration, the Group initially recognises its financial liabilities at fair value net of transaction costs where applicable and subsequently they are measured at amortised cost using the effective interest method. Financial liabilities comprise trade payables, payments in advance from customers and other liabilities. They are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Contingent consideration is measured at fair value with changes in fair value recognised in profit or loss.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Other liabilities include rebates.

Borrowing costs

Borrowings, including option-type arrangements, are recognised initially at fair value. Option-type borrowing arrangements are subsequently measured at amortised cost. Fees paid on the establishment of such option-type arrangements are recognised as a 'right to borrow' asset, and are capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which the fees relate. This prepayment has been deducted from the carrying value of the financial liability.

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings, pending their expenditure on qualifying assets, is deducted from the borrowing costs eligible for capitalisation. Other borrowing costs are expensed in the period in which they are incurred.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with a maturity of three months or less. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, impairment losses are not material.

Employee benefits

The Group provides a range of benefits to employees, including annual bonus arrangements, paid holiday entitlements and defined benefit and contribution pension plans.

Short-term benefits

Short-term benefits, including holiday pay and similar non-monetary benefits, are recognised as an expense in the period in which the service is rendered. The Group recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

Pensions

Subsidiary companies operate both defined contribution and defined benefit plans for the benefit of their employees.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. A defined benefit plan is a pension plan that is not a defined contribution plan.

2. PRINCIPAL ACCOUNTING POLICIES continued

Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors, such as age, years of service or compensation.

The liability recognised in the consolidated statement of financial position in respect of the defined benefit scheme is the present value of the defined benefit obligation at the statement of financial position date less the fair value of the scheme assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated by qualified independent actuaries using the projected unit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

The net pension finance cost is determined by applying the discount rate, used to measure the defined benefit pension obligation at the beginning of the accounting period, to the net pension obligation at the beginning of the accounting period taking into account any changes in the net pension obligation during the period as a result of cash contributions and benefit payments.

Pension scheme expenses are charged to the consolidated statement of comprehensive income within administrative expenses. Actuarial gains and losses are recognised immediately in the consolidated statement of comprehensive income. Net defined benefit pension scheme deficits before tax relief are presented separately in the consolidated statement of financial position within non-current liabilities.

Share-based payments

The Group has issued conditional equity-settled share-based options and conditional share awards under a Long-Term Incentive Plan ('LTIP') in the parent company to certain employees. Under the LTIP, the Group receives services from employees as consideration for equity instruments of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense.

The total amount to be expensed is determined by reference to the fair value of the options granted:

- Including any market performance conditions such as the requirement for the Group's shares to be above a certain price for a pre-determined period;
- Excluding the impact of any service and non-market performance vesting conditions, including earnings per share targets, dividend targets, and remaining an employee of the Group over a specified period of time; and
- Including the impact of any non-vesting conditions, where relevant.

These awards are measured at fair value on the date of the grant using an option pricing model and expensed in the consolidated statement of comprehensive income on a straight-line basis over the vesting period, after making an allowance for the estimated number of shares that will not vest. The level of vesting is reviewed and adjusted bi-annually in the consolidated statement of comprehensive income, with a corresponding adjustment to equity.

If the terms of an equity-settled award are modified, at a minimum, an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity award is cancelled by forfeiture, where the vesting conditions (other than market conditions) have not been met, any expense not yet recognised for that award as at the date of forfeiture is treated as if it had never been recognised. At the same time, any expense previously recognised on such cancelled equity awards is reversed, effective as at the date of forfeiture.

The dilutive effect, if any, of outstanding options is included in the calculation of diluted earnings per share.

Further details on the awards is included in note 23.

Inventories

Inventories consist of raw materials and finished goods which are valued at the lower of cost and net realisable value. Cost is determined using the weighted average cost formula. Cost comprises expenditure which has been incurred in the normal course of business in bringing the products to their present location and condition, and include all related production and engineering overheads at cost. Net realisable value is the estimated selling price in the ordinary course of business, less applicable selling expenses. At the end of each reporting period, inventories are assessed for impairment. If inventory is impaired, the identified inventory is reduced to its selling price less costs to complete and an impairment charge is recognised in the consolidated statement of comprehensive income.

Notes to the consolidated financial statements continued

For the year ended 31 December 2021

2. PRINCIPAL ACCOUNTING POLICIES continued

Revenue

The Group primarily recognises revenue from the sales of goods to its customers. The amount of revenue relating to the provision of services is minimal and the Group does not undertake any significant long-term contracts with its customers where revenue is recognised over time.

The transaction price is based on the sales agreement with the customer. Revenue is reported net of sales rebates, which are based on a certain volume of purchases by a customer within a given period. Other than sales rebates, there is no variable consideration. Rebates are contractually agreed taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. No element of financing is deemed present because the sales are made under normal credit terms, which is consistent with market practice. Revenues associated with sales rebates are recognised on an expected value approach.

The performance obligation is the delivery of goods to customers, and revenue is recognised on dispatch for most revenue transactions. Otherwise, revenue is recognised when the products have been shipped to a specific location, or when the risks of obsolescence and loss have been transferred to the Original Equipment Manufacturer ('OEM') or wholesaler. There are a very small number of revenue transactions where different performance obligations and/or recognition patterns occur. All of the amounts recognised as revenue are based on contracts with customers.

The Group does not create any contract assets and all amounts are recognised as trade receivables as there are no performance conditions other than the passage of time. Payment terms for the majority of customers are to pay cash in advance of the goods being delivered. The Group recognises these balances within trade and other payables on the consolidated statement of financial position as 'Payments in advance from customers'. At the point the revenue is recognised, these balances are transferred from 'Payments in advance from customers' to revenue. For the majority of other customers payment is normally due within 30 to 45 days from the date of sale.

Due to the simple nature of the Group's revenue no significant judgements have been made in the application of IFRS 15.

All revenue is derived from the principal activities of the Group.

Cost of sales

Cost of sales comprise costs arising in connection with the manufacture of thermostatic controls, cordless interfaces, and other products such as water jugs and filters. Cost is based on the cost of purchases on a first in, first out basis and includes all direct costs and an appropriate portion of fixed and variable overheads where they are directly attributable to bringing the inventories into their present location and condition. This also includes an allocation of non-production overheads, costs of designing products for specific customers and amortisation of capitalised development costs.

Exceptional items

An item is treated as exceptional if it is considered unusual by its nature or size, and is of such significance that separate disclosure is required in order to assess the underlying operating performance of the Group. These items are unusual or infrequent in nature, and also meet the following criteria of classification:

- If a certain event (defined as exceptional) had not occurred, the costs would not have been incurred or the income would not have been earned; or the costs attributable to the event have been identified using a reliable methodology of splitting amounts on an ongoing basis; and
- Economic resources have been expended in order to directly contribute towards the related activities; and
- Costs have been incurred that cannot be recovered due to the event and the related activities.

The Board considers the quantitative and qualitative factors in classifying items as exceptional in nature, including frequency and predictability of occurrence of the related event, as well as the nature and size of the items, looked at individually and in aggregate with other items of a similar nature. Exceptional items charges are excluded from EBITDA to calculate adjusted EBITDA. Refer to note 6(b) for further details.

Research and development

Research expenditure is written off to the consolidated statement of comprehensive income within cost of sales in the year in which it is incurred. Development expenditure is written off in the same way unless the Directors are satisfied as to the technical, commercial and financial viability of the individual projects. In this situation, the expenditure is classified on the consolidated statement of financial position as a capitalised development cost.

2. PRINCIPAL ACCOUNTING POLICIES continued

Finance costs
Finance costs comprise interest charges on lease liabilities, pension liabilities, interest on non-current borrowings, and finance charges relating to letters of credit. Finance costs are recognised when the right to make a payment is established.

Finance income
Finance income comprises bank interest receivable on funds invested. Finance income is recognised when the right to receive a payment is established.

Income tax
Income tax for the years presented comprises current tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the statement of financial position date in the countries where the Company and its subsidiaries operate and generate taxable income, and any adjustment to tax payable in respect of previous years.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Share capital and share premium
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction from the proceeds. Share premium arising on the issue of shares is distributable. Share capital and share premium have been grouped for the purposes of financial statement presentation.

Dividends
Dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is when declared by the Directors. In the case of final dividends, this is when approved by the shareholders at the Annual General Meeting ('AGM').

Segment reporting
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing the performance of the operating segments, has been identified as the Board of Directors. The Board of Directors consists of the Executive Directors and the Non-Executive Directors.

Notes to the consolidated financial statements continued

For the year ended 31 December 2021

2. PRINCIPAL ACCOUNTING POLICIES continued

Government grants

Subsidiary companies receive grants from the Isle of Man and Chinese governments towards revenue and capital expenditure. Government grants are recognised at their fair value where there is a reasonable assurance that the grant will be received and all attached conditions complied with.

Revenue grants are recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. The grant income is presented within other operating income in the consolidated statement of comprehensive income.

Capital grants are initially recognised as deferred income liabilities when received, and subsequently recognised as other income in profit or loss on a straight-line basis over the useful life of the related asset. The grants are dependent on the subsidiary company having fulfilled certain operating, investment and profitability criteria in the financial year, primarily relating to employment.

EBITDA and adjusted EBITDA – non-GAAP performance measures

Earnings before interest, taxation, depreciation and amortisation ('EBITDA') and adjusted EBITDA are non-GAAP measures used by management to assess the operating performance of the Group. Exceptional items charges are excluded from EBITDA to calculate adjusted EBITDA.

The Directors primarily use the adjusted EBITDA measure when making decisions about the Group's activities. As these are non-GAAP measures, EBITDA and adjusted EBITDA measures used by other entities may not be calculated in the same way and hence are not directly comparable.

3. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

In the application of the Group's accounting policies, which are described in note 2, the Directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. There is no change in applying accounting policies for critical accounting estimates and judgements from the prior year.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the entity's accounting policies

Functional currency

The Directors consider the factors set out in paragraphs 9, 10 and 11 of IAS 21, 'The effects of changes in foreign currency' to determine the appropriate functional currency of its overseas operations. These factors include the currency that mainly influences sales prices, labour, material and other costs, the competitive market serviced, financing cash flows and the degree of autonomy granted to the subsidiaries.

The Directors have applied judgement in determining the most appropriate functional currency for all entities to be Pound Sterling, with the exception of Strix (Hong Kong) Ltd which has a Hong Kong Dollar functional currency, Strix (USA), Inc. which has a United States Dollar functional currency, HaloSource Water Purification Technology (Shanghai) Co. Ltd which have a Chinese Yuan functional currency, LAICA S.p.A. and LAICA Iberia Distribution S.L. which both have a Euro functional currency, and LAICA International Corp. and Taiwan LAICA Corp. which both have a Taiwan Dollar functional currency. This may change as the Group's operations and markets change in the future.

Capitalisation of development costs

The Directors consider the factors set out in the paragraphs entitled 'Intangible assets – initial recognition and measurement' in note 2 with regard to the timing of the capitalisation of the development costs incurred. This requires judgement in determining when the different stages of development have been met.

4. SEGMENTAL REPORTING

Management has determined the operating segments based on the operating reports reviewed by the Board of Directors that are used to assess both performance and strategic decisions. Management has identified that the Board of Directors is the chief operating decision maker in accordance with the requirements of IFRS 8 'Operating Segments'.

The Group's activities consist of the design, manufacture and sale of thermostatic controls, cordless interfaces, and other products such as water jugs and filters, primarily to OEMs based in China and Italy.

The Board of Directors has identified three reportable segments from a product perspective, namely: kettle controls, water category and appliances category.

The Board of Directors primarily uses a measure of gross profit to assess the performance of the operating segments, broken down into revenue and cost of sales for each respective segment which is reported to them on a monthly basis. Information about segment revenue is disclosed below, as well as in note 7.

	Reported gross profit 2021 (£000s)			
	Kettle controls	Water category	Appliances category	Total
Revenue	**85,117**	**21,404**	**12,889**	**119,410**
Cost of sales	**(52,880)**	**(14,617)**	**(8,067)**	**(75,564)**
Gross profit	**32,237**	**6,787**	**4,822**	**43,846**

	Reported gross profit 2020 (£000s)			
	Kettle controls	Water category	Appliances category	Total
Revenue	79,816	11,744	3,745	95,305
Cost of sales	(44,022)	(9,387)	(2,991)	(56,400)
Gross profit	35,794	2,357	754	38,905

Included in cost of sales are amounts of depreciation and amortisation totalling £4,072,000 for kettle controls, £1,168,000 for water category, and £609,000 for appliances category (2020: £3,910,000 for kettle controls, £834,000 for water category, and £266,000 for appliances category).

	Adjusted gross profit[1] 2021 (£000s)			
	Kettle controls	Water category	Appliances category	Total
Revenue	**85,117**	**21,404**	**12,889**	**119,410**
Cost of sales	**(49,455)**	**(14,500)**	**(8,031)**	**(71,986)**
Gross profit	**35,662**	**6,904**	**4,858**	**47,424**

	Adjusted gross profit[1] 2020 (£000s)			
	Kettle controls	Water category	Appliances category	Total
Revenue	79,816	11,744	3,745	95,305
Cost of sales	(43,582)	(9,334)	(2,980)	(55,896)
Gross profit	36,234	2,410	765	39,409

1. Adjusted gross profit excludes exceptional items, which include strategic project costs as detailed in note 6(b). Adjusted results are non-GAAP metrics used by management and are not an IFRS disclosure.

Notes to the consolidated financial statements continued

For the year ended 31 December 2021

4. SEGMENTAL REPORTING continued

Assets and liabilities

No analysis of the assets and liabilities of each operating segment is provided to the Board of Directors as part of monthly management reporting. Therefore, no analysis of segmented assets or liabilities is disclosed in this note.

Non-current assets (i) attributed to country of domicile and (ii) attributable to all other foreign countries

A geographical analysis of revenue from external customers has not been presented, as the OEMs to whom the majority of sales are made are primarily based in China and Italy.

In accordance with IFRS 8, the following table discloses the non-current assets located in both the Company's country of domicile (the Isle of Man) and foreign countries, primarily China, where one of the Group's principle subsidiaries is domiciled.

	2021 £000s	2020 £000s
Country of domicile		
Intangible assets	**9,756**	8,888
Property, plant and equipment	**2,742**	2,958
Total country of domicile non-current assets	**12,498**	11,846
Foreign countries		
Intangible assets	**20,712**	20,760
Property, plant and equipment	**40,021**	34,247
Total foreign non-current assets	**60,733**	55,007
Total non-current assets	**73,231**	66,853

Major customers

In 2021, there were two major customers that individually accounted for at least 10% of total revenues (2020: two customers). The revenues relating to these customers in 2021 were £15,390,000 and £12,133,000 (2020: £13,683,000 and £11,618,000).

5. EMPLOYEES AND DIRECTORS

(a) Employee benefit expenses

	2021 £000s	2020 £000s
Wages and salaries	**28,167**	18,347
Defined contribution pension cost (note 5(c)(i) and 5(c)(ii))	**684**	631
Employee benefit expenses	**28,851**	18,978
Share-based payment transactions (note 23)	**1,549**	1,869
Total employee benefit expenses	**30,400**	20,847

(b) Key management compensation

The following table details the aggregate compensation paid in respect of the key management, which includes the Directors and the members of the Trading Board, representing members of the senior management team from all key departments of the Group.

	2021 £000s	2020 £000s
Salaries and other short-term employee benefits	**2,025**	1,673
Post-employment benefits	**149**	160
Termination benefits	**–**	99
Share-based payment transactions	**311**	404
	2,485	2,336

There are no defined benefit schemes for key management. Pension costs under defined contribution schemes are included in the post-employment benefits disclosed above.

5. EMPLOYEES AND DIRECTORS continued

(c) Retirement benefits

(i) The Strix Limited Retirement Fund

The Strix Limited Retirement Fund is a defined contribution scheme under which the assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents costs payable by the Group to the fund and amounted to £684,000 (2020: £611,000).

(ii) LAICA S.p.A. Termination Indemnity

LAICA S.p.A. operates a defined benefit plan for its employees in accordance with the Italian Termination Indemnity (named 'Trattamento di Fine Rapporto' or 'TFR') provisions defined by the National Civil Code (Article 2120). In accordance with IAS 19, the TFR provision is a defined benefit plan, which is based on the principle to allocate the final cost of benefits over the periods of service which give rise to an accrual of deferred rights under each particular benefit plan.

The calculation of the liability is based on both the length of service and on the remuneration received by the employee during that period of service. Article 2120 states that severance pay is due to the employee by the companies in any case of termination of the employment contract. For each year of service, severance pay accruals are based on total annual compensation divided by 13.50. Although the benefit is paid in full by the employer, part (0.5% of pay) of the annual accrual is paid to Istituto Nazionale della Previdenza Sociale ('INPS') by the employer, and is subtracted from the severance pay accruals for the contribution reference period. As of 31 December of every year, the severance pay accrued as of 31 December of the preceding year is revalued by an index stipulated by law as follows: 1.5% plus 75% of the increase over the last 12 months in the consumer price index, as determined by the Italian Statistical Institute.

In accordance with IAS 19, the determination of the present value of the liability is carried out by an independent actuary under the projected unit method. This method considers each period of service provided by workers at the Company as a unit of additional right. The actuarial liability must therefore be quantified based on seniority reached at the valuation date and reproportioned based on the ratio between the years of service accrued at the reference date of the assessment and the overall seniority reached at the time scheduled for the payment of the benefit. Furthermore, this method provides to consider future salary increases, due to any cause (inflation, career, contract renewals, etc), up to the time of termination of the employment relationship.

The below chart summarises the defined benefit pension liability of LAICA S.p.A. at 31st December 2021:

	2021 £000s	2020 £000s
Liability as at 1 January	**898**	878
Current service cost for the period	**58**	20
Exchange differences on translation of foreign operations	**(59)**	–
Liability as at 31 December	**897**	898

The key actuarial assumptions used in arriving at these figures include:

- Annual discount rate of 0.87% (2020: 2.5%)
- Annual price inflation of 1.6% (2020: 6.0%)
- Annual TFR increase of 2.7% (2020: 2.1%)
- Demographic assumptions based on INPS published data

The remainder of the post-employment benefit liability of £74,000 (2020: £457,000) as at 31 December 2021 is made up of contractual post-employment liabilities within LAICA S.p.A. that do not meet the definition of a defined benefit plan in accordance with IAS 19.

6. EXPENSES

(a) Expenses by nature

	2021 £000s	2020 £000s
Employee benefit expense	**28,851**	18,978
Depreciation charges	**3,173**	3,042
ROU depreciation charges	**1,396**	1,470
Amortisation and impairment charges	**2,310**	1,477
Exceptional items (see below)	**9,941**	5,456
Foreign exchange losses	**186**	505

Research and development expenditure totalled £5,324,000 (2020: £4,117,000), and £3,609,000 (2020: £2,808,000) of development costs have been capitalised during the year.

Notes to the consolidated financial statements continued

For the year ended 31 December 2021

6. EXPENSES continued

(b) Exceptional items

The main categories of exceptional items relate to major exceptional events or projects impacting the Group's underlying operations, namely strategic projects undertaken relating to the construction of, and relocation to, the new Chinese factory for costs which were not eligible for capitalisation, strategic projects relating to mergers and acquisitions with particular reference to the acquisition of LAICA in the prior year and its continued integration into the Group in the current year, COVID-19-related costs and related impacts on Group operations, reorganisation and restructuring projects, and the Group's share incentive initiatives for conditional share options and awards issued to certain employees of the Group (refer to note 23 for further details).

Exceptional items have been broken down as follows:

	2021 £000s	2020 £000s
Exceptional items in cost of sales:		
Assets written off due to relocation to new factory	**1,679**	–
Other costs relating to relocation to new factory	**1,596**	–
COVID-19-related costs	**226**	439
Reorganisation costs	**77**	65
	3,578	504
Exceptional items in administrative expenses:		
Share-based payments	**1,549**	1,869
Other costs relating to relocation to new factory	**1,140**	–
Mergers and acquisitions-related costs	**2,749**	2,623
COVID-19-related costs	**819**	191
Reorganisation costs	**106**	269
	6,363	4,952
Total exceptional items	**9,941**	5,456

Also included as an exceptional item are finance costs of £780,000 (2020: £nil) relating to the discount unwinding of the present values of contingent liabilities recognised per note 14. These costs have been included within finance costs in note 8.

Costs relating to the new Chinese factory project were made up of assets written off with a net book value of £1.7m which could not be relocated as they would not be fit for the manufacturing operations at the new factory, and other relocation costs totalling £2.7m relating to disassembly of machinery at the old factory, moving costs, reassembly of machinery at the new factory, labour costs incurred for the relocation, set-up and cleaning costs, logistics services, approvals and inspections, consultancy and security services, and other costs directly related to the relocation.

Mergers and acquisitions exceptional costs relate mainly to the accrual of costs amounting to £1.7m for 2021 as part of a supplemental consulting arrangement with the vendor shareholders of LAICA relating to compensation for post-combination services as these services are rendered to LAICA in 2021 and 2022 (refer to note 14). Other mergers and acquisitions costs totalling £1.0m relate to legal and consultancy fees incurred relating to the downstream merger of Strix Italy S.R.L. and LAICA in 2021, other legal and professional costs relating to the LAICA acquisition, and labour costs incurred on integration of LAICA into the Group.

COVID-19-related exceptional costs are those items that are incremental and directly attributable to COVID-19. These are costs that would not have been incurred if the COVID-19 pandemic had not occurred and are not expected to recur once the effects have largely receded. In the current year, these mainly consisted of incremental labour costs as a result of the pandemic. Other COVID-19 exceptional costs included mothballing of certain activities as resources were reorganised in response to the impact of COVID-19 on the Group's operations, additional cleaning and sanitation costs incurred as part of infection control or prevention, and exceptional freight and carriage costs paid to fill shortages of supplies, materials and products directly caused by impacts of COVID-19 on shipping and freight supply chains.

Reorganisation exceptional costs relate to costs incurred to relocate to new premises for the Group's US office.

6. EXPENSES continued

(c) Auditor's remuneration

During the year the Group (including its subsidiaries) obtained the following services from the Company's auditor as detailed below:

	2021 £000s	2020 £000s
Fees payable to Company's auditor and its associates for the audit of the consolidated financial statements	**201**	178
Fees payable to Company's auditor and its associates for other services:		
– the audit of Company's subsidiaries	**8**	24
– other assurance services	**56**	12
– tax compliance and other	**4**	7
	269	221

7. REVENUE

The following table shows a disaggregation of revenue into categories by product line:

	2021 £000s	2020 £000s
Kettle controls	**85,117**	79,816
Water category	**21,404**	11,744
Appliances category	**12,889**	3,745
Total revenue	**119,410**	95,305

8. FINANCE COSTS

	2021 £000s	2020 £000s
Letter of credit charges	**95**	89
ROU lease interest	**105**	103
Discount unwinding of present value of contingent liabilities	**780**	–
Borrowing costs	**1,246**	1,002
Total finance costs	**2,226**	1,194

The discount unwinding of present values relate to the contingent liabilities recognised per note 14. The amount has been included in finance costs as an exceptional item (refer to note 6).

9. TAXATION

Analysis of charge in year	2021 £000s	2020 £000s
Current tax (overseas) and deferred tax		
Current tax on overseas profits for the year	**1,115**	1,384
Movement in deferred tax liabilities	**(255)**	–
Total tax charge	**860**	1,384

Overseas tax relates primarily to tax payable by the Group's subsidiaries in China and Italy. During 2016, the Group's Chinese subsidiary paid additional tax of £1.1m following a benchmarking assessment by the Chinese tax authorities relating to contract processing businesses in the years 2009 to 2014. The potential additional liabilities for 2015 to 2018 of £0.9m (2020: £0.9m), has been included within the current tax liability balance in the consolidated statement of financial position as a result. The Chinese subsidiary converted to an import processing model in 2019.

Notes to the consolidated financial statements continued

For the year ended 31 December 2021

9. TAXATION continued

A deferred tax liability of £2,303,000 (2020: £2,558,000) relates to timing differences arising on the recognition of intangible assets in LAICA S.p.A. Reconciliation of the movement in deferred tax liabilities has been presented below:

	2021 £000s	2020 £000s
Deferred tax liability on 1 January	**2,558**	–
Deferred tax on recognition of intangible assets on acquisition of LAICA S.p.A.	**–**	2,558
Reversal of deferred tax on utilisation of temporary differences	**(255)**	–
Deferred tax liability as at 31 December	**2,303**	2,558

As the most significant subsidiary in the Group is based on the Isle of Man, this is considered to represent the most relevant standard rate for the Group. The tax assessed for the year is higher than the standard rate of income tax in the Isle of Man of 0% (2020: 0%). The differences are explained below:

	2021 £000s	2020 £000s
Profit on ordinary activities before tax	**21,507**	25,454
Profit on ordinary activities multiplied by the rate of income tax in the Isle of Man of 0% (2020: 0%)	**–**	–
Impact of higher overseas tax rate	**860**	1,384
Total taxation charge	**860**	1,384

The Group is subject to Isle of Man income tax on profits at the rate of 0% (2020: 0%), Chinese income tax on profits at the rate of 25% (2020: 25%) and Italian income tax on profits at a rate of 27.9% (2020: 27.9%).

10. EARNINGS PER SHARE

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

	2021	2020
Earnings (£000s)		
Earnings for the purposes of basic and diluted earnings per share	**20,599**	24,049
Number of shares (000s)		
Weighted average number of shares for the purposes of basic earnings per share	**206,271**	197,432
Weighted average dilutive effect of share awards	**3,381**	8,947
Weighted average number of shares for the purposes of diluted earnings per share	**209,652**	206,379
Earnings per ordinary share (pence)		
Basic earnings per ordinary share	**10.0**	12.2
Diluted earnings per ordinary share	**9.8**	11.7
Adjusted earnings per ordinary share (pence)[1]		
Basic adjusted earnings per ordinary share[1]	**15.2**	14.9
Diluted adjusted earnings per ordinary share[1]	**14.9**	14.3

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

	2021 £000s	2020 £000s
Profit for the year	**20,599**	24,049
Add back:		
Reorganisation costs/exit costs	**183**	334
Strategic project costs	**8,988**	3,253
Share-based payment transactions	**1,549**	1,869
Adjusted earnings[1]	**31,319**	29,505

1. Adjusted earnings and adjusted earnings per share exclude exceptional items, which include share-based payment transactions, COVID-19-related costs, reorganisation costs and other strategic project costs. Adjusted results are non-GAAP metrics used by management and are not an IFRS disclosure.

The denominators used to calculate both basic and adjusted earnings per share are the same as those shown above for both basic and diluted earnings per share.

11. INTANGIBLE ASSETS

	2021							
	Development costs £000s	Software £000s	Intellectual property £000s	Customer relationships £000s	Brand name £000s	Goodwill £000s	Intangible assets under construction £000s	Total £000s
At 1 January								
Cost	12,346	3,286	834	2,406	6,643	9,906	–	35,421
Accumulated amortisation and impairment	(4,999)	(710)	(64)	–	–	–	–	(5,773)
Net book value	7,347	2,576	770	2,406	6,643	9,906	–	29,648
Period ended 31 December								
Additions	3,609	950	299	–	–	–	238	5,096
Acquisition of LAICA S.p.A. (note 14)	–	–	–	–	–	(487)	–	(487)
Transfers	–	–	–	–	–	–	(172)	(172)
Disposals (cost)	(29)	(8)	(1)	–	–	–	–	(38)
Disposals (accumulated amortisation)	–	8	–	–	–	–	–	8
Amortisation charge	(1,563)	(495)	(47)	(205)	–	–	–	(2,310)
Exchange differences	42	2	(4)	(165)	(469)	(683)	–	(1,277)
Closing net book value	9,406	3,033	1,017	2,036	6,174	8,736	66	30,468
At 31 December								
Cost	15,971	4,186	1,128	2,232	6,174	8,736	66	38,493
Accumulated amortisation and impairment	(6,565)	(1,153)	(111)	(196)	–	–	–	(8,025)
Net book value	9,406	3,033	1,017	2,036	6,174	8,736	66	30,468

Amortisation charges have been treated as an expense, and are allocated to cost of sales (£2,029,000), distribution costs £nil and administrative expenses (£281,000) in the consolidated statement of comprehensive income.

During the current year, £172,000 (2020: £nil) of intangible assets under construction have been reclassified to property, plant and equipment, and £nil (2020: £861,000) of assets from property, plant and equipment (note 12) have been reclassified to intangible assets.

The Group's goodwill and brands predominantly relate to those arising on the acquisition of LAICA S.p.A. which was completed in 2020 (note 14) which represents a single CGU. In the current year, the carrying values of goodwill and brands have been subject to an annual impairment test, and the recoverable amount of the CGU was determined on the basis of value in use calculations over a five-year forecast period. The key assumptions applied in the value in use calculations are a discount rate of 8.24%, variable trading margins, variable revenue growth rates as well as the terminal growth rate of 2%. Based on these calculations, there is sufficient headroom over the carrying values of goodwill and brands, hence no impairment has been recognised in the current year and there were no reversals of prior year impairments during the year (2020: same).

The results of the Group impairment tests are dependent upon estimates and judgements, particularly in relation to the key assumptions described above. Sensitivity analysis to a reasonable and possible change in the most sensitive assumption, being the discount rate, was undertaken. An increase of 1% would decrease the headroom by £5.2m but still leave sufficient headroom over the carrying values of the goodwill and brands.

Notes to the consolidated financial statements continued

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11. INTANGIBLE ASSETS continued

	2020						
	Development costs £000s	Software £000s	Intellectual property £000s	Customer relationships £000s	Brand name £000s	Goodwill £000s	Total £000s
At 1 January							
Cost	9,837	922	488	–	–	384	11,631
Accumulated amortisation and impairment	(4,006)	(540)	(17)	–	–	–	(4,563)
Net book value	5,831	382	471	–	–	384	7,068
Period ended 31 December							
Additions	2,808	2,363	140	–	–	–	5,311
Acquisition of LAICA S.p.A. (note 14)	–	–	214	2,406	6,643	9,522	18,785
Disposals (cost)	(300)	–	–	–	–	–	(300)
Disposals (accumulated depreciation)	267	–	–	–	–	–	267
Amortisation charge	(1,260)	(170)	(47)	–	–	–	(1,477)
Exchange differences	1	1	(8)	–	–	–	(6)
Closing net book value	7,347	2,576	770	2,406	6,643	9,906	29,648
At 31 December							
Cost	12,346	3,286	834	2,406	6,643	9,906	35,421
Accumulated amortisation and impairment	(4,999)	(710)	(64)	–	–	–	(5,773)
Net book value	7,347	2,576	770	2,406	6,643	9,906	29,648

Amortisation charges in the prior year were treated as an expense, and were allocated to cost of sales (£1,410,000), distribution costs £nil, and administrative expenses (£67,000) in the consolidated statement of comprehensive income.

£861,000 of assets from property, plant and equipment (note 12) have been reclassified to intangible assets. These amounts are included within the additions of software and intellectual property.

12. PROPERTY, PLANT AND EQUIPMENT

	2021							
	Plant & machinery £000s	Fixtures, fittings & equipment £000s	Motor vehicles £000s	Production tools £000s	Land & buildings £000s	ROU assets (note 26) £000s	Assets under construction £000s	Total £000s
At 1 January								
Cost	22,750	4,367	137	14,013	3,737	6,533	16,751	68,288
Accumulated depreciation	(12,686)	(3,428)	(95)	(12,140)	(129)	(2,605)	–	(31,083)
Net book value	10,064	939	42	1,873	3,608	3,928	16,751	37,205
Period ended 31 December								
Additions	86	2,474	20	1	–	1,474	10,086	14,141
Transfers	5,257	–	–	1,183	18,386	–	(24,654)	172
Disposals (cost)	(7,021)	(1,238)	(5)	(901)	(2,297)	(1,469)	–	(12,931)
Disposals (accumulated depreciation)	5,720	1,140	4	833	322	772	–	8,791
Depreciation charge	(1,776)	(568)	(27)	(724)	(78)	(1,396)	–	(4,569)
Exchange differences	(49)	2	(1)	–	71	(62)	(7)	(46)
Closing net book value	12,281	2,749	33	2,265	20,012	3,247	2,176	42,763
At 31 December								
Cost	26,093	5,833	218	12,829	20,541	6,450	2,176	74,140
Accumulated depreciation	(13,812)	(3,084)	(185)	(10,564)	(529)	(3,203)	–	(31,377)
Net book value	12,281	2,749	33	2,265	20,012	3,247	2,176	42,763

12. PROPERTY, PLANT AND EQUIPMENT continued

Depreciation charges are allocated to cost of sales (£3,821,000), distribution costs (£90,000) and administrative expenses (£658,000) in the consolidated statement of comprehensive income. During the year £172,000 (2020: £nil) of intangible assets under construction have been reclassified to property, plant and equipment. These amounts are included within the transfers in note 11. In addition, borrowing costs of £306,000 (2020: £190,000), calculated at prevailing rates of the revolving credit facility (note 19), have been capitalised to land and buildings in the year.

Included in disposals during the period were (i) assets with net book value of £1,679,000 that were scrapped for £nil due to the move from the old to the new manufacturing plant in China, (ii) land and buildings with net book value of £1,794,000 in the Group's subsidiary LAICA International Corp. disposed of in a sale and leaseback arrangement in line with the acquisition agreement for £1,750,000, and other assets with net book values of £668,000 that were disposed of for £nil, in particular ROU assets that were terminated before lease expiry dates due to relocations and early terminations.

	2020							
	Plant & machinery £000s	Fixtures, fittings & equipment £000s	Motor vehicles £000s	Production tools £000s	Land & buildings £000s	ROU assets (note 26) £000s	Assets under construction £000s	Total £000s
At 1 January								
Cost	21,924	4,126	130	13,298	1,996	5,386	8,569	55,429
Accumulated depreciation	(14,444)	(2,935)	(66)	(11,291)	(33)	(1,135)	–	(29,904)
Net book value	7,480	1,191	64	2,007	1,963	4,251	8,569	25,525
Period ended 31 December								
Additions	–	413	–	–	–	–	13,094	13,507
Acquisition of LAICA S.p.A.	769	37	7	–	1,769	1,150	–	3,732
Transfers	3,239	–	–	715	7	–	(4,822)	(861)
Disposals (cost)	(3,136)	(209)	–	–	–	–	–	(3,345)
Disposals (accumulated depreciation)	3,125	208	–	–	–	–	–	3,333
Depreciation charge	(1,367)	(701)	(29)	(849)	(96)	(1,470)	–	(4,512)
Exchange differences	(46)	–	–	–	(35)	(3)	(90)	(174)
Closing net book value	10,064	939	42	1,873	3,608	3,928	16,751	37,205
At 31 December								
Cost	22,750	4,367	137	14,013	3,737	6,533	16,751	68,288
Accumulated depreciation	(12,686)	(3,428)	(95)	(12,140)	(129)	(2,605)	–	(31,083)
Net book value	10,064	939	42	1,873	3,608	3,928	16,751	37,205

Depreciation charges in the prior year were allocated to cost of sales (£3,601,000), distribution costs (£137,000), and administrative expenses (£774,000) in the consolidated statement of comprehensive income.

During the prior year, £861,000 of assets under construction have been reclassified to intangible assets. These amounts are included within the additions in note 11. In addition, borrowing costs of £190,000 (2019: £54,000) have been capitalised to land and buildings in the year.

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13. PRINCIPAL SUBSIDIARY UNDERTAKINGS AND JOINT ARRANGEMENTS OF THE GROUP

A list of all subsidiary undertakings controlled by the Group, and existing joint arrangements the Group is currently part of, which are all included in the consolidated financial statements, is set out below.

Name of entity	Nature of business	Country of incorporation	% of ordinary shares held by the Group	Nature of shareholding
Sula Limited	Holding company	Isle of Man	100	Subsidiary
Strix Limited	Manufacture and sale of products	Isle of Man	100	Subsidiary
Strix Guangzhou Limited	Manufacture and sale of products	China	100	Subsidiary
Strix (U.K.) Limited	Group's sale and distribution centre	UK	100	Subsidiary
Strix Hong Kong Limited	Sale and distribution of products	Hong Kong	100	Subsidiary
Strix (China) Limited	Manufacture and sale of products	China	100	Subsidiary
HaloSource Water Purification Technology (Shanghai) Co. Limited	Manufacture and sales of products	China	100	Subsidiary
Strix (USA), Inc.	Research and development, sales, and distribution of products	USA	100	Subsidiary
Strix Italy S.R.L. (merged with LAICA S.p.A.)	Holding company (merged with LAICA S.p.A.)	Italy	100	Subsidiary
LAICA S.p.A.	Manufacture and sales of products	Italy	100	Subsidiary
LAICA Iberia Distribution S.L.	Sale and distribution of products	Spain	100	Subsidiary
LAICA International Corp.	Sale and distribution of products	Taiwan	67	Subsidiary
Taiwan LAICA Corp.	Sale and distribution of products	Taiwan	67	Subsidiary
Foshan Yilai Life Electric Appliances Co. Limited.	Sale and distribution of products	China	45	Joint venture
LAICA Brand House Limited	Holding and licensing of trademarks	Hong Kong	45	Joint venture

Downstream merger of Strix Italy S.R.L. and LAICA S.p.A.

As part of a Group restructuring that occurred during April 2021, Strix Italy S.R.L. was merged into LAICA S.p.A. in a downstream merger transaction effective 1 January 2021, resulting in Strix (U.K.) Limited owning 100% of the merged entity's share capital. All assets and liabilities of the merged entity were recognised at net book values on the effective date of the downstream merger, however, there was no resulting impact on the fair values of the assets and liabilities acquired as part of the acquisition of LAICA S.p.A., including its subsidiaries and interests in joint ventures.

Group restrictions

Cash and cash equivalents held in China are subject to local exchange control regulations. These regulations provide for restrictions on exporting capital from those countries, other than through normal dividends. The carrying amount of the assets included within the consolidated financial statements to which these restrictions apply is £3,681,000 (2020: £4,618,000).

There are no other restrictions on the Group's ability to access or use the assets and settle the liabilities of the Group's subsidiaries.

14. ACQUISITIONS

Acquisitions made in the year ended 31 December 2021:

During the current year, there were no acquisitions of new subsidiaries or interests in joint ventures or associates.

Acquisitions made in the year ended 31 December 2020:

Acquisition of LAICA S.p.A.:

On 26 October 2020 (during the prior year), the Group completed the acquisition of 100% of the issued share capital of LAICA S.p.A. ('LAICA') through its newly incorporated subsidiary, Strix Italy S.R.L. ('Strix Italy'), which has since been fully merged with LAICA S.p.A. in a downstream merger in the current year. LAICA is an Italian company focused on water purification and the sale of small household appliances for personal health and wellness. The Group entered into a share purchase agreement with vendor shareholders of LAICA, pursuant to which it acquired control of LAICA, including its subsidiaries and interests in joint ventures. The total consideration transferred for the acquisition was €26.9m (£24.4m), made up of €13.0m (£11.7m) paid in cash, the issue of 3,192,236 Strix Group Plc ordinary shares of £0.01 each with a total fair value of €8.0m (£7.3m), and a further contingent consideration with a fair value of €5.9m (£5.4m) representing an amount payable in cash subject to certain conditions being met, including threshold financial targets for the financial years ending 31 December 2021 and 2022. The present value of the contingent consideration as at 31 December 2021 was €6.9m (£5.8m).

14. ACQUISITIONS continued

In addition, a supplemental consulting arrangement was entered into with the vendor shareholders of LAICA under which total costs amounting to €4.9m (£4.4m) are payable in the financial years ending 31 December 2021 and 2022, relating to compensation for post-combination services. These costs are being accrued as the services are rendered to LAICA. As at 31 December 2021, €2.0m (£1.7m) was accrued for services rendered to date.

In the prior year financial statements, the accounting for the acquisition of LAICA included preliminary amounts of fair values of assets and liabilities acquired. Initially, these were measured on a provisional basis to allow for any potential adjustments resulting from any new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition. As at the end of the current financial year ended 31 December 2021, one year had passed after the acquisition, and it was confirmed that new information came to light that prompted a revision to the fair value amounts recognised for inventory at acquisition date. Consequently, the amounts recognised at acquisition date have been updated to reflect the an increase in the fair value of inventory in the amount of £487,000 which has resulted in a decrease in the amount of goodwill recognised of £487,000.

The final fair values at acquisition date of the assets and liabilities acquired were as follows:

	Book values £000s	Fair value adjustments £000s	Fair values £000s
Non-current assets			
Intangible assets	437	8,826	**9,263**
Property, plant and equipment	3,732	–	**3,732**
Investment in joint ventures	20	–	**20**
Total non-current assets	4,189	8,826	**13,015**
Current assets			
Inventories	5,543	487	**6,030**
Trade and other receivables	7,869	–	**7,869**
Cash and cash equivalents	3,371	–	**3,371**
Total current assets	16,783	487	**17,270**
Total assets	20,972	9,313	**30,285**
Non-current liabilities			
Long-term borrowings	1,182	–	**1,182**
Post-employment benefits	1,322	–	**1,322**
Lease liabilities	895	–	**895**
Deferred tax liability	–	2,558	**2,558**
Total non-current liabilities	3,399	2,558	**5,957**
Current liabilities			
Current borrowings	2,513	–	**2,513**
Lease liabilities	255	–	**255**
Trade and other payables	5,403	–	**5,403**
Total current liabilities	8,171	–	**8,171**
Total liabilities	11,570	2,558	**14,128**
Net assets acquired	9,402	6,755	**16,157**

The fair value of the intangible assets was calculated based on a discounted cash flow model, based on the expected future income they will generate. The discount rate applied was the Group's weighted average cost of capital, and a growth rate of 2% was assumed in perpetuity, based on the target inflation rate of the European Central Bank. A deferred tax liability has arisen on the fair value adjustments to intangible assets at the Italian corporate tax rate. As at 31 December 2021, the deferred tax liability was €2.7m, being £2.3m translated into Pound Sterling.

Inventory fair values were revised to reflect new information that arose from commercial data obtained during the measurement period and updated inventory provision policies aligned with the wider Group.

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14. ACQUISITIONS continued

The fair value of acquired receivables shown in the table above and gross contractual amounts differed by a loss allowance of €105,000 (£95,000).

Acquisition costs included within 'Administration expenses – exceptional items' in the consolidated statement of comprehensive income for the year ended 31 December 2020 amounted to £2.6m. These have been designated as a 'separate transaction' per IFRS 3 and therefore were not included as part of the purchase consideration.

The revised goodwill at acquisition of €9.9m (£9.0m) was calculated as the purchase consideration of €26.9m (£24.4m), less the fair value of the net assets acquired of €17.9m (£16.2m) plus non-controlling interests of €0.9m (£0.8m). Goodwill amount as at 31 December 2021 is £8.4m, which decreased in Pound Sterling value due to exchange rate movements. Goodwill arising on the acquisition of LAICA, its subsidiaries and interests in joint ventures, is treated as LAICA's asset and is expressed in Euro. For purposes of initial recognition, it is calculated using the exchange rate on the acquisition date. Subsequently, the goodwill is translated into the Group's presentation currency, Pound Sterling, for consolidation purposes, at the closing rate each period. The goodwill was attributable to intangible assets that do not qualify for separate recognition, such as the cumulative skills and knowledge of the members of staff who became employees of the Group at the date of acquisition, together with the synergies expected to be generated by the Group following the acquisition, particularly within the water and small appliances categories. None of the goodwill is expected to be deductible for tax purposes.

15. INVENTORIES

	2021 £000s	2020 £000s
Raw materials and consumables	**12,139**	9,154
Finished goods and goods in transit	**7,883**	6,070
	20,022	15,224

The cost of inventories recognised as an expense and included in cost of sales amounted to £52,396,000 (2020: £39,052,000). The provision for impaired inventories is £2,063,000 (2020: £2,513,000).

16. TRADE AND OTHER RECEIVABLES

	2021 £000s	2020 £000s
Amounts falling due within one year:		
Trade receivables – current	**10,958**	11,565
Trade receivables – past due	**2,493**	1,790
Trade receivables – gross	**13,451**	13,355
Loss allowance	**(104)**	(159)
Trade receivables – net	**13,347**	13,196
Prepayments	**496**	1,108
Advance purchase of commodities	**5,389**	2,788
VAT receivables	**5,261**	2,577
Other receivables	**1,018**	1,003
	25,511	20,672

Trade and other receivables carrying values are considered to be equivalent to their fair values.

The amount of trade receivables impaired at 31 December 2021 is equal to the loss allowance provision (2020: same).

The advance purchase of commodities relates to a payment in advance to secure the purchase of key commodities at an agreed price to mitigate the commodity price risk.

Other receivables include government grants due of £300,000 (2020: £433,000). There were no unfulfilled conditions in relation to these grants at the year end, although if the Group ceases to operate or leaves the Isle of Man within ten years from the date of the last grant payment, funds may be reclaimed.

16. TRADE AND OTHER RECEIVABLES continued

The Group's trade and other receivables are denominated in the following currencies:

	2021 £000s	2020 £000s
Pound Sterling	**5,471**	5,110
Chinese Yuan	**9,465**	4,356
US Dollar	**1,478**	1,863
Euro	**8,668**	8,210
Hong Kong Dollar	**118**	114
Taiwan Dollar	**–**	1,019
Other	**311**	–
	25,511	20,672

Movements on the Group's provision for impairment of trade receivables and the inputs and estimation technique used to calculate expected credit losses have not been disclosed on the basis the amounts are not material. The provision at 31 December 2021 was £104,000 (2020: £159,000).

17. CASH AND CASH EQUIVALENTS

The carrying amounts of the cash and cash equivalents are denominated in the following currencies:

	2021 £000s	2020 £000s
Pound Sterling	**4,424**	4,594
Chinese Yuan	**3,622**	3,851
US Dollar	**8,183**	3,228
Euro	**2,584**	2,058
Hong Kong Dollar	**207**	108
Taiwan Dollar	**650**	1,607
	19,670	15,446

Cash and cash equivalents include £nil (2020: £401,000) of cash deposits held as a guarantee to China SuiDong Customs office. Refer to note 13 for details of cash and cash equivalents held in China are subject to local exchange control regulations.

18. TRADE AND OTHER PAYABLES

	2021 £000s	2020 £000s
Trade payables	**11,060**	10,499
Current income tax liabilities	**1,631**	3,048
Social security and other taxes	**352**	316
Customer rebates provisions	**2,152**	3,187
Capital creditors	**2,256**	1,635
VAT liabilities	**130**	199
Other liabilities	**3,204**	3,221
Payments in advance from customers	**1,936**	2,955
Accrued expenses	**4,796**	3,620
Consideration payable (note 14)	**–**	1,519
	27,517	30,199

The fair value of financial liabilities approximates their carrying value due to short maturities.

Other liabilities include deferred government grants of £583,000 (2020: £709,000) There were no unfulfilled conditions in relation to these grants at the year end.

Notes to the consolidated financial statements continued

For the year ended 31 December 2021

18. TRADE AND OTHER PAYABLES continued

Movement in payments in advance from customers were all driven by normal trading, with the full amounts due at beginning of the year released to revenues in the current year.

As at the end of the prior financial year ended 31 December 2020, consideration payable was an amount due in relation to the acquisition of LAICA S.p.A. (note 14). This amount was settled on the 8 March 2021.

The carrying amounts of the Group's trade and other payables are denominated in the following currencies:

	2021 £000s	2020 £000s
Pound Sterling	**13,604**	8,414
Chinese Yuan	**7,249**	12,493
US Dollar	**1,951**	1,800
Euro	**4,030**	383
Hong Kong Dollar	**253**	6,460
Taiwan Dollar	**430**	649
	27,517	30,199

19. BORROWINGS

	2021 £000s	2020 £000s
Total current borrowings	**1,064**	2,220
Total non-current borrowings	**69,782**	50,426

All of the current bank loans comprise of small individual short-term arrangements for financing purchases and optimising cash flows within the Italian subsidiary and were entered into by LAICA S.p.A. prior to acquisition by the Group.

Current and non-current borrowings are shown net of loan arrangement fees of £181,000 (2020: £175,000) and £513,000 (2020: £700,000), respectively.

Term and debt repayment schedule for long-term borrowings

	Currency	Interest rate	Maturity date	31 December 2021 Carrying value (£000s)	31 December 2020 Carrying value (£000s)
Revolving credit facility, net of loan arrangement fees	GBP	LIBOR +1.50% to +2.85%	27 May 25	**69,306**	49,126
UniCredit facility	EUR	EURIBOR +1.10% to +3.60%	28 Jun 24	**210**	317
Banco BPM	EUR	EURIBOR +1.10% to +3.60%	30 Nov 23	**329**	536
BNP Paribas	EUR	0.3115%	30 Sep 21	**–**	632
Banca Intesa Sanpaolo	EUR	0.2%	29 Oct 21	**–**	170
Banca Intesa Sanpaolo	EUR	EURIBOR 3M +1.10%	27 Oct 21	**–**	142
Banca Monte dei Paschi di Siena	EUR	0.9%	1 Feb 21	**–**	659
BANK SINOPAC CO.LTD.	TWD	LIBOR 1Y + Spread 0.755%	29 May 27	**–**	275
BANK SINOPAC CO.LTD.	TWD	LIBOR 3M + Spread 0.750%	23 Jun 21	**–**	789
BNP Paribas	EUR	0.18%	30 Apr 22	**172**	–
Banca Monte dei Paschi di Siena	EUR	0.18%	31 Jan 22	**425**	–
Banco BPM	EUR	0.18%	31 Mar 22	**404**	–
				70,846	52,646

19. BORROWINGS continued

On 27 July 2017, the Company entered into an agreement with The Royal Bank of Scotland Plc (as agent), and the Royal Bank of Scotland International Limited and HSBC Bank Plc (as original lenders) in respect of a revolving credit facility of £70,000,000. During 2020, the Company refinanced this by entering into an agreement with The Royal Bank of Scotland Plc (as agent), along with the Bank of China (UK) Limited and the Bank of Ireland in respect of a revolving credit facility of £80,000,000, with materially the same terms and covenants as the existing facility. As at 31 December 2021, the total facilities available are £80,000,000 (2020: £80,000,000).

Under the amended agreement, the initial drawdowns totalling £50,000,000 in the prior 2020 year allowed for the refinancing of the original revolving credit facility as well as to fund the acquisition of LAICA S.p.A. (note 14). Further drawdowns were made during the current 2021 year for financing working capital and for construction of the new factory.

All amounts become immediately repayable and undrawn amounts cease to be available for drawdown in the event of a third-party gaining control of the Company. The Company and its material subsidiaries have entered into the agreement as guarantors, guaranteeing the obligations of the borrowers under the agreement (2020: same).

Transactions costs amounting to £875,000 incurred as part of the new debt financing facility were capitalised in 2020 and are being amortised over the period of the five year facility.

The various agreements contain representations and warranties which are usual for an agreement of this nature. The agreement also provides for the payment of a commitment fee, agency fee and arrangement fee, contains certain undertakings, guarantees and covenants (including financial covenants), and provides for certain events of default. During 2021, the Group has not breached any of the financial covenants contained within the agreements (2020: same) – see note 22(d) for further details.

Interest applied to the revolving credit facility is calculated as the sum of the margin and LIBOR, and after 31 December 2021 LIBOR will be replaced by SONIA. An amendment to the facility agreement was signed during the current 2021 year for the transition from LIBOR to SONIA. The margin is a calculated based on the Group's leverage as follows:

Leverage	Annualised margin
Greater than or equal to 2.5x	2.85%
Less than 2.5x but greater than or equal to 2.0x	2.50%
Less than 2.0x but greater than or equal to 1.5x	2.20%
Less than 1.5x but greater than or equal to 1.0x	2.00%
Less than 1.0x	1.50%

At 31 December 2021, the margin applied was 2.00% (2020: 2.00%).

The fair values of the borrowings are not materially different from their carrying amounts, since the interest payable on those borrowings is either close to current market rates and the borrowings are of a short-term nature.

20. CAPITAL COMMITMENTS

	2021 £000s	2020 £000s
Contracted for but not provided in the consolidated financial statements – Property, plant and equipment	**2,001**	4,307

The above commitments include capital expenditure of £1,639,000 (2020: £2,810,000) relating to the new factory in Zengcheng district, China.

21. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

There continues a number of ongoing intellectual property infringement cases initiated by the Group, as well as patent validation challenges brought by the defendants. All of these cases are still subject to due legal process in the countries in which the matters have been raised. As a result, no contingent assets have been recognised as receivable at 31 December 2021 (2020: same), as any receipts are dependent on the final outcome of each case. There are also no corresponding contingent liabilities at 31 December 2021 (2020: same).

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22. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and commodity price risk), credit risk, liquidity risk and capital management risk.

Risk management is carried out by the Directors. The Group uses financial instruments where required to provide flexibility regarding its working capital requirements and to enable it to manage specific financial risks to which it is exposed. Transactions are only undertaken if they relate to actual underlying exposures and hence cannot be viewed as speculative.

(a) Market risk

(i) Foreign exchange risk

The Group operates predominantly in the Isle of Man, UK, EU, US and China and is therefore exposed to foreign exchange risk. Foreign exchange risk arises on sales and purchases made in foreign currencies and on recognised assets and liabilities and net investments in foreign operations.

The Group monitors its exposure to currency fluctuations on an ongoing basis. The Group uses foreign currency bank accounts to reduce its exposure to foreign currency translation risk, and the Group is naturally hedged against foreign exchange risk as it both generates revenues and incurs costs in the major currencies with which it deals. The major currencies the Group transacts in are:

- British Pounds (GBP)
- United States Dollar (USD)
- Chinese Yuan (CNY)
- Euro (EUR)
- Hong Kong Dollar (HKD)
- Taiwan Dollar (TWD)

In December 2021, the Group entered into USD/GBP and USD/EUR forward exchange rate contracts to sell the notional amount of US$12m and hence mitigate the risk and impact of volatile exchange rate movements seen during the year on Group profits. The value of these contracts at year end is considered not material.

Exposure by currency is analysed in notes 16, 17 and 18.

(ii) Interest rate risk

The Group is exposed to interest rate risk on its long-term borrowings, being the revolving credit facility and other borrowings disclosed in note 19. The interest rates on the revolving credit facility are variable, based on SONIA and certain other conditions dependent on the financial condition of the Group, which exposes the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. Other borrowings are made up of both fixed rate loans and variable loans based on EURIBOR. This exposure is not considered by the Directors to be significant.

(iii) Price risk

The Group is exposed to price risk, principally in relation to commodity prices of raw materials. The Group enters into forward commodity contracts or makes payments in advance in order to mitigate the impact of price movements on its gross margin. The Group has not designated any of these contracts as hedging instruments in either 2021 or 2020 as they relate to physical commodities being purchased for the Group's own use. At 31 December 2021 and 2020, payments were made in advance to buy certain commodities at fixed prices, as disclosed in note 16.

(iv) Sensitivity analysis

- **Foreign exchange risk:** The Group is primarily exposed to exchange rate fluctuations between GBP and USD, CNY, HKD, EUR and TWD. Assuming a reasonably possible change in FX rates of +10% (2020: +10%), the impact on profit would be a decrease of £751,000 (2020: a decrease of £805,000), and the impact on equity would be an increase of £1,877,000 (2020: an increase of £1,232,000). A -10% change (2020: -10%) in FX rates would cause an increase in profit of £918,000 (2020: an increase in profit of £1,832,000) and a £1,603,000 decrease in equity (2020: £1,505,000 decrease in equity). This has been calculated by taking the profit generated by each currency and recalculating a comparable figure on a constant currency basis, and by retranslating the amounts in the consolidated statement of financial position to calculate the effect on equity.
- **Interest rate risk:** The Group is exposed to interest rate fluctuations on its non-current borrowings, as disclosed in note 19. Assuming a reasonably possible change in the SONIA/EURIBOR rate of ±0.5% (2020: ±0.5%), the impact on profit would be an increase/decrease of £313,000 (2020: £234,000), and the impact on equity would be an increase/decrease of £138,000 (2020: £37,000). This has been calculated by recalculating the loan interest using the revised rate to calculate the impact on profit, and recalculating the year end loan interest balance payable using the same rate.
- **Commodity price risk:** The Group is exposed to commodity price fluctuations, primarily in relation to copper and silver. Assuming a reasonably possible change in commodity prices of ±14% for silver (2020: ±39%) and ±14% for copper (2020: ±23%) based on volatility analysis for the past year, the impact on profit would be an increase/decrease of £3,766,000 (2020: £3,353,000). The Group does not

22. FINANCIAL RISK MANAGEMENT continued

hold significant quantities of copper and silver inventory, therefore the impact on equity would be the same as the profit or loss impact disclosed (2020: same). This has been calculated by taking the average purchase price of these commodities during the year in purchase currency and recalculating the cost of the purchases with the price sensitivity applied.

(b) Credit risk

The Group has policies in place to ensure that sales of goods are made to clients with an appropriate credit history. The Group uses letters of credit and advance payments to minimise credit risk. Management believe there is no further credit risk provision required in excess of normal provision for doubtful receivables, as disclosed in note 16. The amount of trade and other receivables written off during the year amounted to less than 0.08% of revenue (2020: less than 0.04% of revenue).

Cash and cash equivalents are held with reputable institutions. All material cash amounts are deposited with financial institutions whose credit rating is at least B based on credit ratings according to Standard & Poor's. The following table shows the external credit ratings of the institutions with whom the Group has cash deposits:

	2021 £000s	2020 £000s
A	**3,989**	5,497
BBB	**15,633**	9,909
B	**11**	14
n/a	**37**	26
	19,670	15,446

As a result of the measures described above, the Group has no external concentrations of credit risk.

(c) Liquidity risk

The Group maintained significant cash balances throughout the period and hence suffers minimal liquidity risk. Cash flow forecasting is performed for the Group by the finance function, which monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs and so that the Group minimises the risk of breaching borrowing limits or covenants on any of its borrowing facilities. The Group has put into place revolving credit facilities to provide access to cash for various purposes, and headroom of £10,000,000 (2020: £30,000,000) remains available on this facility at 31 December 2021.

The table below analyses the Group's financial liabilities as at 31 December 2021 into relevant maturity groupings based on their contractual maturities for all non-derivative financial liabilities. There are no derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 6 months £000s	6–12 months £000s	Between 1 and 2 years £000s	Between 2 and 5 years £000s	Over 5 years £000s	Total contractual cash flows £000s	Carrying amount (assets)/ liabilities £000s
Trade and other payables	**27,517**	–	–	–	–	**27,517**	**27,517**
Borrowings	**2,540**	**1,551**	**1,666**	**70,635**	–	**76,392**	**70,846**
Lease liabilities	**548**	**533**	**963**	**2,427**	**293**	**4,764**	**3,371**
Contingent consideration payable	**6,081**	–	**3,994**	–	–	**10,075**	**7,464**
Total financial liabilities	**36,686**	**2,084**	**6,623**	**73,062**	**293**	**118,748**	**109,198**

In the prior year, the Group's non-derivative financial liabilities included trade and other payables (less payment received in advance); substantially all had a contractual maturity date of less than three months. The Group's borrowings were represented by several credit facilities detailed in note 19, including current borrowings that were repaid in 2021 of £2,392,000, and the remainder fell due between two and seven years. The contingent consideration payable in relation to the acquisition of LAICA S.p.A. as disclosed in note 14, will only become payable in 2022 after 2021 performance criteria have been assessed.

(d) Capital risk management

The Group manages its capital to ensure its ability to continue as a going concern and to maintain an optimal capital structure to reduce the cost of capital. The aim of the Group is to maintain sufficient funds to enable it to make suitable capital investments whilst minimising recourse to bankers and/or shareholders. In order to maintain or adjust capital, the Group may adjust the amount of cash distributed to shareholders, return capital to shareholders, issue new shares or raise debt through its access to the AIM market.

Notes to the consolidated financial statements continued

For the year ended 31 December 2021

22. FINANCIAL RISK MANAGEMENT continued

Capital is monitored by the Group on a monthly basis by the finance function. This includes the monitoring of the Group's gearing ratios and monitoring the terms of the financial covenants related to the revolving credit facilities as disclosed in note 19. These ratios are formally reported on a quarterly basis. The financial covenants were complied with throughout the period. At 31 December 2021 these ratios were as follows:

- **Interest cover ratio:** 27.3x (2020: 33.4x) – minimum per facility terms is 4.0x; and
- **Leverage ratio:** 1.31x (2020: 1.1x) – maximum per facility terms is 2.5x.

(e) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level is as follows:

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

The resulting fair value estimate for contingent consideration payable in relation to the acquisition of LAICA S.p.A. (note 14), where the fair values have been determined based on probability estimates of meeting threshold financial targets for the financial years ending 31 December 2021 and 2022 and discounted using a rate of 12.7%, has been classified as a level 3. There have been no other movements into or out of any levels during the year.

				Probability weighted inputs		
Description	2021 £000s	2020 £000s	Unobservable inputs	2021	2020	Relationship of unobservable inputs to fair value
Contingent consideration (on performance conditions only)	**5,785**	5,380	Risk-adjusted discount rate	**12.7%**	12.7%	A change in the discount rate by 100 bps would increase/ decrease the fair value by £12,000
			Probability weighted cash flows	**£5,961,000**	Minimum £nil – Maximum £6,425,000	If actual EBITDA increased to the highest probability level, fair value would increase by £137,000. If actual EBITDA decreased to the lowest probability level, fair value would decrease by £151,000

23. SHARE-BASED PAYMENTS

Long-Term Incentive Plan terms

The Group granted a number of share options to employees of the Group. All of the shares granted are subject to service conditions, being continued employment with the Group until the end of the vesting period. The shares granted to the Executive Directors and senior staff also include certain performance conditions which must be met, based on predetermined earnings per share, dividend pay-out, and share price targets for the three financial years from grant date.

During 2020, the Group amended the terms of the Isle of Man share options to conditional share awards.

Participation in the plan is at the discretion of the Board and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits. Where the employee is entitled to share options, these remain exercisable until the ten-year anniversary of the award date. Where the employee is entitled to conditional share awards, these are exercised on the vesting date.

The dividends that would be paid on a share in the period between grant and vesting reduce the fair value of the award if, in not owning the underlying shares, a participant does not receive the dividend income on these shares during the vesting period. All of the options and conditional share awards are granted under the plan for nil consideration and carry no voting rights. A summary of the options and conditional share awards is shown in the table below:

	2021 Number of shares	2020 Number of shares
At 1 January	**3,590,383**	11,173,522
Granted during the year	**1,115,098**	1,230,358
Exercised during the year	**(925,651)**	(8,754,059)
Forfeited during the year	**(725,669)**	(59,438)
As at 31 December	**3,054,161**	3,590,383
Vested and exercisable at 31 December	**–**	124,793

The Group has recognised a total expense of £1,549,000 (2020: £1,869,000) in respect of equity-settled share-based payment transactions in the year ended 31 December 2021.

For each of the tranches, the first day of the exercise period is the vesting date and the last day of the exercise period is the expiry date, as listed in the valuation model input table below. The weighted average contractual life of options and conditional share awards outstanding at 31 December 2021 was 8.4 years (2020: 8.5 years).

Valuation model inputs

The key inputs to the model for the purposes of estimating the fair values of the share options outstanding at the end of the year are as follows:

Grant date	Share price on grant date (p)	Expiry date	Weighted average probability of meeting performance criteria	Share options outstanding at 31 December 2021	Share options outstanding at 31 December 2020
15 August 2017	133.38	15 August 2027	100.00%	–	124,793
12 February 2018	138.00	12 February 2028	100.00%	–	19,500
1 November 2018	148.00	1 November 2028	51.16%	–	748,853
26 November 2018	136.00	26 November 2028	100.00%	–	10,760
4 March 2019	155.00	4 March 2029	100.00%	–	200,215
20 May 2019	157.80	20 May 2029	41.0%	**525,602**	525,602
6 April 2020	170.00	6 April 2030	100.0%	**310,867**	7,288
1 May 2020	183.40	1 May 2030	34.0%	**502,495**	339,567
6 May 2020	181.00	6 May 2030	100.0%	**36,364**	502,495
21 April 2021	290.00	21 April 2031	66.0%	**820,285**	36,364
Total share options				**2,195,613**	2,515,437

Notes to the consolidated financial statements continued

For the year ended 31 December 2021

23. SHARE-BASED PAYMENTS continued

The key inputs to the model for the purposes of estimating the fair values of the conditional share awards outstanding at the end of the year are as follows:

Grant date	Share price on grant date (p)	Vesting date	Weighted average probability of meeting performance criteria	Conditional share awards outstanding at 31 December 2021	Conditional share awards outstanding at 31 December 2020
12 February 2018	138.00	1 January 2021	100.0%	–	14,000
12 February 2018	138.00	22 April 2021	100.0%	–	60,500
1 November 2018	148.00	5 April 2021	100.0%	–	348,233
20 May 2019	157.80	1 April 2022	41.0%	**304,254**	304,254
19 August 2019	158.00	1 April 2022	100.0%	**4,250**	4,250
24 February 2020	179.80	24 April 2022	100.0%	**10,772**	15,500
6 April 2020	170.00	6 April 2022	100.0%	**90,104**	101,381
1 May 2020	183.40	31 December 2022	34.0%	**165,759**	198,347
6 May 2020	181.00	31 December 2022	100.0%	**28,481**	28,481
21 April 2021	290.00	31 December 2023	60.4%	**229,515**	–
6 December 2021	296.50	31 December 2023	59.0%	**16,090**	–
6 December 2021	296.50	31 December 2024	59.0%	**9,323**	–
Total conditional share awards				**858,548**	1,074,946
Total share options and conditional share awards				**3,054,161**	3,590,383

The reduction in the fair value of the awards as a consequence of not being entitled to dividends reduced the charge for the options granted during the year by £nil (2020: £47,000) and the expected charge over the life of the options by a total of £nil (2020: £420,000).

Other factors in determining the fair values of the share options and conditional awards do not affect the calculation and have not been disclosed, as the share options were issued for nil consideration and do not have an exercise price. The weighted average fair value of the options outstanding at the period end was £2.1217 (2020: £1.4120).

The movement within the share-based payment reserve during the period is as follows:

	2021 £000s	2020 £000s
Share-based payments reserve at beginning of the year	**1,913**	13,063
Share-based payments transactions note 5(a)	**1,549**	1,869
Other share-based payments	**(174)**	–
Share-based payments transferred to other reserves upon exercise/vesting	**(1,249)**	(13,019)
Share-based payments reserve at year end	**2,039**	1,913

Share-based payments transferred to other reserves upon exercise/vesting in the prior year included the settlement of dividend entitlements previously accrued as part of the LTIP programme, amounts released from forfeited LTIP shares, and a warrant exercised on 27 November 2020 by Zeus Capital Limited for 3,800,000 ordinary shares at an exercise price of £1.00.

24. SHARE CAPITAL AND SHARE PREMIUM

	Number of shares (000s)	Par value £000s	Total £000s
Allotted and fully paid: ordinary shares of 1p each			
Balance at 1 January 2021	205,746	2,057	2,057
Shares issues during the year	926	9	9
Balance at 31 December 2021	**206,672**	**2,066**	**2,066**

Under the Isle of Man Companies Act 2006, the Company is not required to have an authorised share capital.

In the current year, all share issues related to the exercise of vested share options (refer to note 23).

In the prior year, the Company issued shares for a total value of £11,230,000 which included 3,192,236 shares at nominal value of £31,992 issued as part of total consideration paid for the acquisition of LAICA S.p.A. on 27 October 2020, (note 14), 3,800,000 shares at a nominal value of £38,000 issued to Zeus Capital Limited on exercising their warrant (note 23), and the remainder relate to employee share-based payments (note 23). Accordingly, £11,073,000 was recognised as share premium.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank pari passu in all respects including voting rights and dividend entitlement.

See note 23 for further information regarding share-based payments which may impact the share capital in future periods.

25. DIVIDENDS

The following amounts were recognised as distributions in the year:

	2021 £000s	2020 £000s
Interim 2021 dividend of 2.75p per share (2020: 2.6p)	**5,679**	5,167
Final 2020 dividend of 5.25p per share (2019: 5.1p)	**10,831**	10,143
Total dividends recognised in the year	**16,510**	15,310

In addition to the above dividends, since year end the Directors have proposed the payment of a final dividend of 5.6p per share (2020: 5.25p). The aggregate amount of the proposed final dividend expected to be paid on 10 June 2022 out of retained earnings at 31 December 2021, but not recognised as a liability at year end, is shown in the table below. The payment of this dividend will not have any tax consequences for the Group.

	2021 £000s	2020 £000s
Final 2021 dividend of 5.6p per share (2020: 5.25p)	**11,574**	10,802
Total dividends proposed but not recognised in the year, and estimated to be recognised in the following year	**11,574**	10,802

Notes to the consolidated financial statements continued

For the year ended 31 December 2021

26. LEASES

a) Amounts recognised in the consolidated statement of financial position

The consolidated statement of financial position shows the following amounts relating to leases:

	2021 £000s	2020 £000s
ROU assets		
Land and buildings	**3,247**	3,928
Total ROU assets	**3,247**	3,928
Current future lease liabilities (due within 12 months)	**773**	1,254
Non-current future lease liabilities (due in more than 12 months)	**2,598**	2,846
Total future lease liabilities	**3,371**	4,100

Additions to the ROU liabilities during the 2021 financial year were £1,474,000 (2020: £1,150,000). Disposals of ROU liabilities during the current year were £735,000 (2020: £nil)

Short-term leases and leases of low values were recognised directly in the statement of comprehensive income, amounting to £209,000 (2020: £280,000).

Total cash outflows relating to all lease payments, including short-term leases and leases of low values were £1,771,000 (2020: £1,735,000).

The movement in lease liabilities is as follows:

	2021 £000s	2020 £000s
Balance as at 1 January	**4,100**	4,468
Additions	**1,474**	1,150
Disposals	**(735)**	–
Adjustments due to lease modifications	**35**	–
Repayments	**(1,562)**	(1,455)
Interest expense (included in finance cost)	**105**	103
Sub-lease income	**(40)**	(160)
Foreign exchange gains	**(6)**	(6)
Balance as at 31 December	**3,371**	4,100

b) Amounts recognised in the consolidated statement of comprehensive income

The statement of consolidated comprehensive income shows the following amounts relating to leases:

	2021 £000s	2020 £000s
Depreciation of ROU assets	**(1,396)**	(1,470)
Interest expense (included in finance cost)	**(105)**	(103)
Foreign exchange gains	**6**	6
Total cost relating to leases	**(1,495)**	(1,567)

27. STATEMENT OF CASH FLOWS NOTES

a) Cash generated from operations

	Note	2021 £000s	2020 £000s
Cash flows from operating activities			
Operating profit		**23,720**	26,635
Adjustments for:			
Depreciation of property, plant and equipment	12	**3,173**	3,042
Depreciation of ROU assets	12	**1,396**	1,470
Amortisation of intangible assets	11	**2,310**	1,477
Share of losses/(profits) from joint ventures		**50**	(61)
Loss on disposal of property, plant and equipment	12	**1,679**	12
Other non-cash flow items		**1,703**	–
Share-based payment transactions	23	**1,400**	687
Net exchange differences	6(a)	**186**	505
		35,617	33,767
Changes in working capital:			
(Increase)/decrease in inventories		**(5,320)**	(138)
Increase in trade and other receivables		**(6,649)**	(4,294)
Increase in trade and other payables		**558**	2,785
Cash generated from operations		**24,206**	32,120

Other non-cash flow items include accrual of amounts relating to compensation for post-combination services, which were accrued as part of the acquisition of LAICA S.p.A. as the services were rendered (see note 14).

Share-based payment transactions include other transactions recognised directly in equity included in the statement of changes of equity.

b) Movement in net debt

			Non-cash movements		
	At 1 January 2021 £000s	Cash flows £000s	Currency movements £000s	Other movements £000s	At 31 December 2021 £000s
Borrowings, net of loan arrangement fees	(52,646)	(18,180)	206	(226)	**(70,846)**
Lease liabilities	(4,100)	1,562	6	(839)	**(3,371)**
Total liabilities from financing activities	(56,746)	(16,618)	212	(1,065)	**(74,217)**
Cash and cash equivalents	15,446	3,987	237	–	**19,670**
Net debt	(41,300)	(12,631)	449	(1,065)	**(54,547)**

28. ULTIMATE BENEFICIAL OWNER

There is not considered to be any ultimate beneficial owner, as the Company is listed on AIM. No single shareholder beneficially owns more than 25% of the Company's share capital.

Notes to the consolidated financial statements continued

For the year ended 31 December 2021

29. RELATED PARTY TRANSACTIONS

(a) Identity of related parties

Related parties include all of the companies within the Group, however, these transactions and balances are eliminated on consolidation within the consolidated financial statements and are not disclosed, except for related party balances held with joint ventures which are not eliminated.

The Group also operates a defined contribution pension scheme which is considered a related party.

(b) Related party balances

Trading balances

	Balance due from		Balance due to	
	2021 £000s	2020 £000s	2021 £000s	2020 £000s
Related party				
The Strix Limited Retirement Fund	**–**	–	**–**	–
Foshan Yilai Life Electric Appliances Co. Limited	**165**	94	**–**	–
LAICA Brand House Limited	**25**	–	**–**	–

(c) Related party transactions

The following transactions with related parties occurred during the year:

Name of related party	2021 £000s	2020 £000s
Transactions with other related parties		
Revenue earned from Foshan Yilai Life Electric Appliances Co. Limited	**298**	72
Revenue earned from LAICA Brand House Limited	**3**	–
Contributions paid to The Strix Limited Retirement Fund (note 5(c)(i))	**(684)**	(611)

Further information is given on the related party balances and transactions below:

- Key management compensation is disclosed in note 5(b).
- Information about the pension schemes operated by the Group is disclosed in note 5(c), and transactions with the pension schemes operated by the Group relate to contributions made to those schemes on behalf of Group employees.
- Information on dividends paid to shareholders is given in note 25.

30. POST BALANCE SHEET EVENTS

The Group does not have any material events after the reporting period to disclose.

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