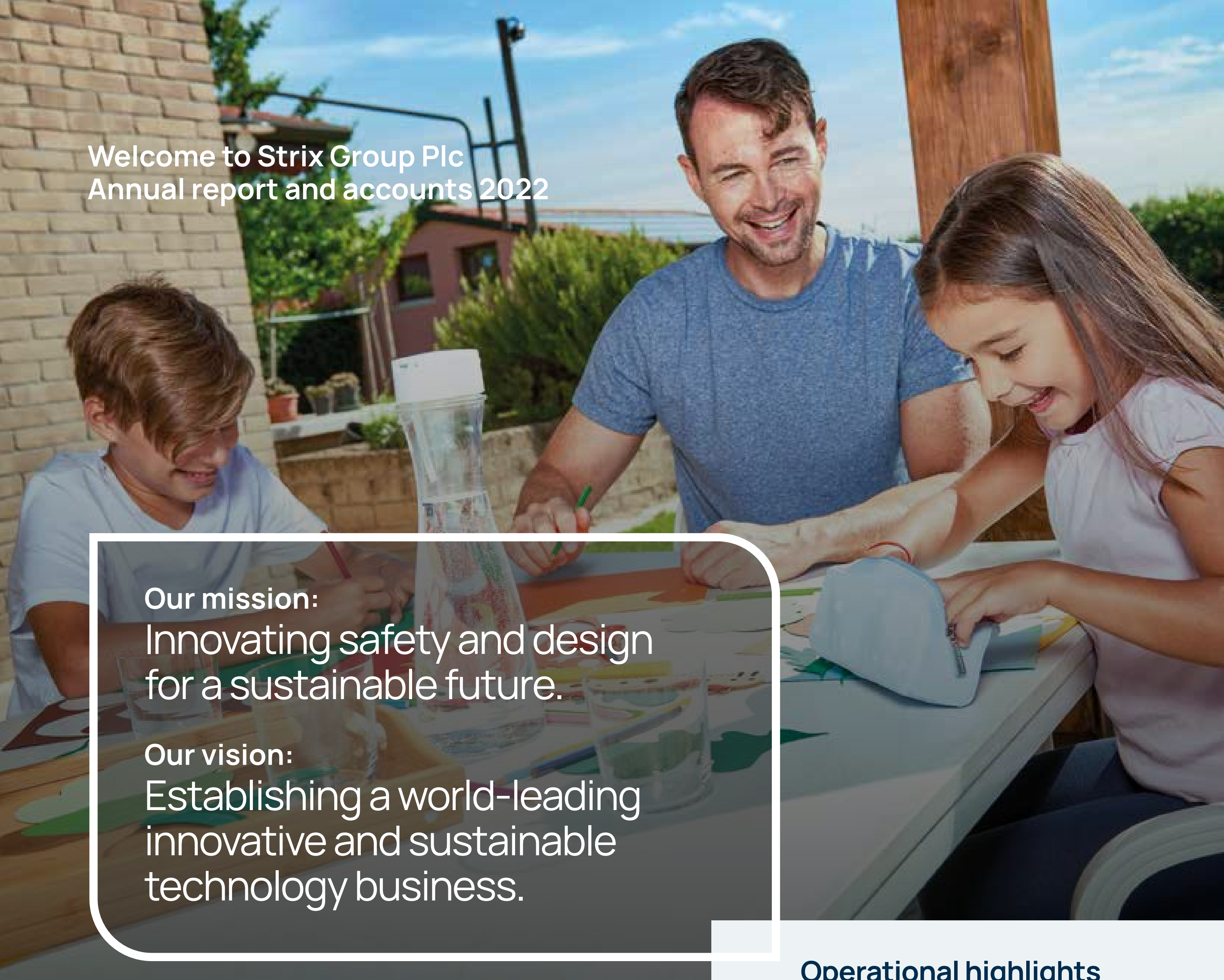
Strix
TECHNOLOGY

Innovative & Sustainable Technology

Annual report and accounts 2022



Welcome to Strix Group Plc
Annual report and accounts 2022

Our mission:
Innovating safety and design for a sustainable future.

Our vision:
Establishing a world-leading innovative and sustainable technology business.

Operational highlights

- Acquisition of Billi continues to be successfully integrated in line with plans to achieve the identified operational benefits, opening new sales channels for Strix. Trading performance so far has been in line with budget.
- Retained global kettle control market share by value at c.56% (excluding Russia and other impacted territories).
- Manufacturing operations in China are fully operational with efficiency improved by 6.1% in 2022 versus 2021.
- Pipeline of new product launches through 2023 including Perfect Pour Dispenser and Aurora coffee appliance.
- Updated ESG and Sustainability report published on 28 March 2023.

For further **operational information** please see **pages 8 to 11**

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).

2022 financial highlights

Revenue

£106.9m

(10.5%)

2022 £106.9m
2021 £119.4m

Adjusted profit before tax

£22.2m

(31.1%)

2022 £22.2m
2021 £32.2m

Adjusted profit after tax

£23.0m

(26.8%)

2022 £23.0m
2021 £31.4m

Adjusted EBITDA

£32.1m

(20.7%)

2022 £32.1m
2021 £40.5m

Adjusted earnings per share

10.9p

(28.3%)

2022 10.9p
2021 15.2p

Total dividend per share for the year

6.00p

(28.1%)

2022 6.00p
2021 8.35p

Strategic highlights

- Completion of the transformational acquisition of Billi in November at a reported multiple of 3.8x EBITDA at transaction date.
- The water and appliances categories now account for almost 50% of pro forma Group revenue.
- Significant progress throughout the year in improving the geographic diversity of the business, reducing reliance on any one territory.
- The Company has access to a range of new sales channels including to professional customers such as restaurants, hotels and commercial premises through Billi and a much-improved B2C footprint.
- Strong progress throughout the year for Aqua Optima driven by the increasing popularity of the Aurora range.
- A new EMEA Sales Director has been appointed and Global Distributions & Logistics Director role created to provide the leadership team with additional expertise in commercialisation and cost optimisation.

For further **strategy information** please see **pages 28 to 33**

Contents

Company overview

A global leader with a resilient portfolio providing **sustainable innovative technology** for everyday use

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

Sustainable
Water category

Strix continues to enhance its water filtration portfolio, with numerous product launches through its Aqua Optima, LAICA, HaloPure and astrea brands, as well as through brand and retail partners where it operates as a key OEM in the category. The recent acquisition of Billi, a leading brand in Australia known for its premium eco-friendly water solutions, enhances the Group's portfolio and unlocks new growth opportunities.

The Group continues to bring its product manufacturing in-house to deliver superior quality and innovation. Strix offers a multi-brand product portfolio, meeting all consumer water filtration needs. Together, these brands deliver global solutions for water filtration and sterilisation through the delivery of water units, taps, bottles, jugs, filters and other related appliances.

Given increased consumer focus on health-conscious choices and their preference for sustainable water solutions, the Group is able to offer sustainable products that allow consumers to make healthier choices for themselves and the planet.

New products and existing product enhancements planned in 2023 and detailed in our New Product Roadmap on page 34: **4**

Strix global share of kettle controls market value

56%

(excluding Russia and other impacted territories)

Number of employees

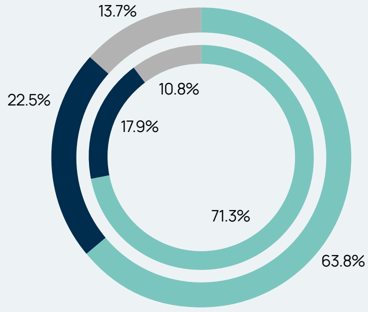
850+

Revenue split by category

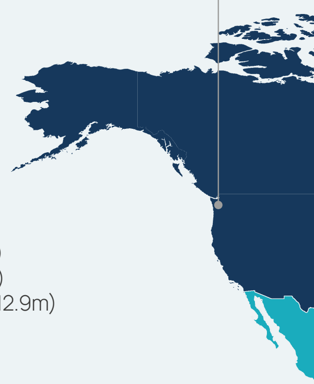
£106.9m

- Kettle controls 2022: £68.2m (2021: £85.1m)
- Water category 2022: £24.1m (2021: £21.4m)
- Appliances category 2022: £14.6m (2021: £12.9m)

- 2022 (outer circle)
- 2021 (inner circle)



Seattle, US
– Sales
– Water Filtration & Appliances



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 and Development team continues to focus on enhancing the efficiency of its products by developing modular solutions. This enables go-to-market routes via its own brands and key partners, which in turn enables Strix to achieve a greater 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.

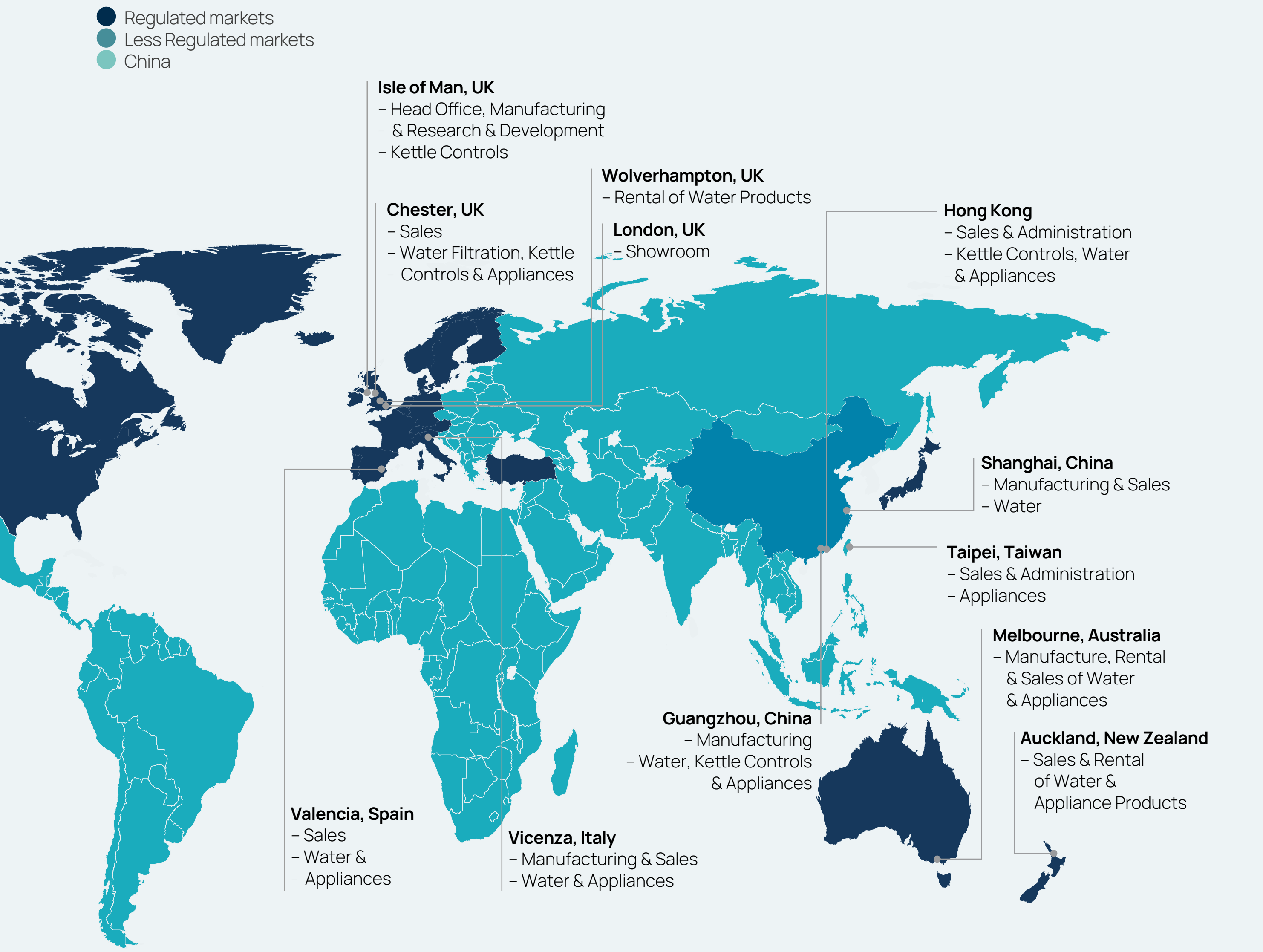
New products and existing product enhancements planned in 2023 and detailed in our New Product Roadmap on page 34: **7**

Dependable
Kettle controls

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. Strix remains the strong market leader within the kettle controls market, gradually increasing its market share to a currently estimated 56% (excluding Russia and other impacted territories). Despite such a strong foothold in the market, Strix remains rigorous in its 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 2023 and detailed in our New Product Roadmap on page 34: **3**



Chairman's statement

Significant strategic progress in challenging market conditions

"The acquisition of Billi transforms the scale of the Water and Appliance categories and increases the growth profile of the Group."

Gary Lamb
Non-Executive Chairman

Revenue

£106.9m

2021: £119.4m
(10.5%)

Adjusted EBITDA

£32.1m

2021: £40.5m
(20.7%)

Adjusted profit after tax

£23.0m

2021: £31.4m
(26.8%)

Introduction

2022 was yet another extraordinary year which saw the continued impact of the pandemic recovery and a high inflationary environment resulting in significant economic headwinds affecting the global economies as the world adapts to a new normal. Despite these challenges, Strix was able to materially advance a number of its strategic goals in the year, positioning Strix well as it looks to the future. Whilst we expect some headwinds will continue to persist into 2023, recent sales data in 2023 indicates some green shoots are appearing and the path to a return of growth is opening across all segments of the business. 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.

Strategic progress

In a challenging macro economic environment, Strix has made significant strategic progress. The Company completed a transformational acquisition of Billi, materially improving the growth profile of the Group and increasing its exposure to the higher growth water and appliances categories. The Group has become more diversified in the process, reducing reliance on any one geography. The Company now has access to a range of new sales channels including to corporates and a much improved direct to consumer offering. Over the past few years, the Company has made a number of investments into the Aqua Optima brand, notably the Aurora, and the popularity of that device has driven almost 50% sales growth in the year for Aqua Optima.

Financial performance

Revenue for 2022 fell by 10.5% from 2021 to £106.9m. Adjusted gross profit for the current year was £41.5m, representing a 12.4% decrease from prior year. Adjusted gross profit margin was 38.8% representing a 0.9% margin dilution compared to last year which predominantly related to lower kettle controls sales in regulated markets which command higher margins. Adjusted EBITDA was £32.1m (2021: £40.5m), showing a decrease of 26.7%. Adjusted profit after tax fell by 26.8% to £23.0m (2021: £31.4m).

Acquisition of Billi

On 30 November 2022, Strix completed its acquisition of Billi following regulatory approval in Australia, New Zealand and the UK. Billi is a leading brand in Australia for the supply of premium instant boiling, chilled and sparkling filtered water systems. It is a clear number two player in the space within Australia, New Zealand and the UK. With a 30+ year history, Billi is renowned for its premium and innovative products. Billi has a successful history of growth, with double digit revenue CAGR over the past five years, attractive margins and is highly cash generative, delivering cash conversion of >70%.

Billi was acquired from Culligan following its merger with Waterlogic; the divestment was a condition of that merger. The acquisition multiple was 3.8x EBITDA reflecting the unique circumstances that Culligan found itself in and the progress Strix had made with the competition regulator in Australia, New Zealand and the UK. As reported in the press, there were other bidders at significantly higher valuations than Strix, even at the very end of the process. The transaction was funded through a £13.0m equity raise and debt refinance consisting of an extension of the current RCF and a new acquisition facility.

The acquisition materially changes the earnings profile of the Group and is a key step for the Board in accelerating growth plans for the water and appliances categories and supports the medium-term ambition to increase the contribution to the Group from these categories. The hot tap market had been identified by the Board as a strategically important market for Strix to have a presence and Billi adds well-developed and premium products into this category. The Board believes that there are both revenue and cost synergies to be unlocked through the acquisition, ranging from utilising Strix's world class technology to further enhance Billi's product suite and driving efficiencies using Strix's lean operating model and Chinese procurement operation. We also have substantial opportunity to increase the organic growth profile of the combined Group given the high growth nature of the Billi proposition. We expect Strix's global footprint to be able to transform Billi from a business with a high proportion of its sales in Australia and New Zealand into a global business.

The acquisition of Billi continues to be successfully integrated in line with plans to achieve the identified operational benefits, as the business opened up new sales channels for Strix and trading performance has been in line with budget.

Chairman's statement continued

Impact of lockdowns in China

The second half of 2022 saw continued lockdown restrictions implemented on a regional basis within China. Whilst each regional lockdown was relatively short in length, there was significant disruption to a number of Strix's major OEM customers during the critical Q4 trading period. As a precaution, and to mitigate the impact of any lockdowns on Strix's ability to supply products to customers, Strix reinstated its secondary warehouse.

In late December, China lifted its zero-Covid policy and it is anticipated that the Chinese economy will rebound in 2023 in a similar way that Western economies did when they reopened.

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.

One of the most challenging and differentiating goals is to achieve Scope 1 & 2 net zero in 2023 (excluding Billi). Key elements have been put in place with long-term renewable power contracts for all key facilities and head office, along with investment in solar capacity. Indeed, Strix now expects its own renewable sources to generate around 10% of the Group's total energy requirements. As a consequence, the Group started 2023 in-line with its net zero agenda.

Capital allocation and dividend policy

In light of the additional debt taken on by Strix to complete the acquisition of Billi, the Board has taken the decision to reprioritise Strix's capital allocation decisions to focus on debt reduction in the short term. As a result, there will be no further M&A activity or investment into new factory builds, with significantly reduced capex and working capital over the medium term and hence increasing free cash flow generation. Strix has a clear plan to get net debt/EBITDA to below 2.0x during 2023 and to below 1.5x during 2024.

As a result of the change in capital allocation priorities, the Board decided after reviewing the level of the net debt to propose a final dividend of 3.25p per share (2021: 5.60p) which would represent a total dividend of 6.00p per share (2021: 8.35p).

The final dividend will be paid on 11 August 2023 to shareholders on the register at 30 June 2023 and the shares will trade ex-dividend from 29 June 2023.

Annual General Meeting

The Company will be hosting its Annual General Meeting on 4 July at 9:00am 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.

Outlook

Following a period of uncertainty across a number of Strix's key export markets in Q4, recent sales data in 2023 indicates that some green shoots are appearing and the path to a return of growth is opening across all segments. It is anticipated that the Chinese economy will start to rebound in 2023, given the change in COVID policy. Whilst a number of headwinds continue to persist, the Board is confident in the strategic direction of the business and the actions that are being taken to return the Group to a highly cash generative and growing business.

Gary Lamb
Non-Executive Chairman

Operations and automation

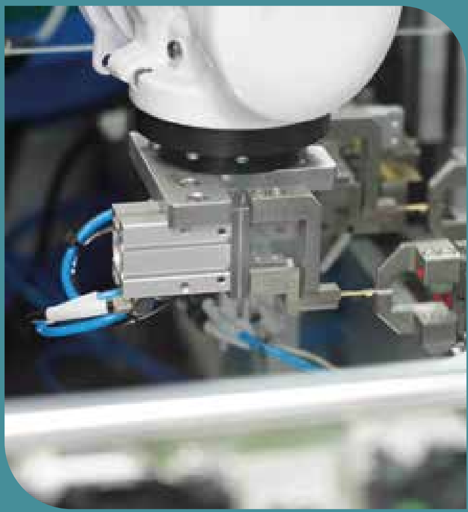
Operational highlights

- Production efficiency of core kettle products improved with 77% of all assembly lines now fully automated.
- Mould machine capacity has grown to 500T coinciding with the launch of our Perfect Pour range of water products and to support our appliances manufacturing strategy.
- Metal pressing capacity grew by approximately 10% in 2022 to support core kettle control (KJC) growth and to support the ambition to increase our appliances manufacturing abilities.
- The U9 series of controls continue to show strong growth with 36 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) with zero customer returns recorded in the period.
- Strix facilities achieved Scope 1 & 2 net zero from January 2023. An additional £100k has been invested to expand the existing solar power system in China which will now provide up to 15% of the factory's total requirement. The balance, including the Isle of Man and LAICA, is sourced from certified green energy providers.
- The China facility has successfully been recertified to ISO9001, ISO14001, ISO45001 and ISO50001. LAICA have added ISO14001 and ISO45001 to their certification portfolio.

Automation

The Group continues to benefit from fully automated assembly solutions, 77% of main manufacturing lines are now fully automated, with a further 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 capacity for core product and the water and appliances divisions.



Fully automated manufacturing lines:
77%

Metal pressing capacity growth in 2022:
10%

Metal processing capacity:
+10%

Machine capacity:
500T

Chief Executive Officer's statement

Continued resilience underpinning the Group's performance despite global headwinds

"Strix is focused on its highly cash generative operating model and the management team will prioritise the integration and unlocking of anticipated revenue and cost synergies following the acquisition of Billi."

Mark Bartlett
Chief Executive Officer

Revenue

£106.9m

2021: £119.4m
(10.5%)

Adjusted profit before tax

£22.2m

2021: £32.2m
(31.1%)

Financial performance

The Group reported revenue of £106.9m, a decrease of 10.5% versus the same period in the prior year driven predominantly by a reduction in kettle controls due to market environment.

Adjusted profit after tax was £23.0m (2021: £31.4m), representing a 26.8% decrease compared to the same period last year driven by a reduced EBITDA and an increase in SONIA through the year, coupled with higher net debt post the successful acquisition of Billi.

Adjusted operating profit margins were diluted by 4.0% to 24.2% (FY 2021: 28.2%) compared to last year. The main reasons for the dilution in margin are attributable to lower kettle controls sales in the regulated markets that command higher margins, partially offset by a price increase implemented in the second quarter of 2022 across all kettle controls. In addition, the water and appliances categories showed margin improvements as appliances that were launched in 2021 had a better sales mix, supported further by Billi's contributions post completion.

The Group's net debt increased to £87.4m (FY 2021: £51.2m).This represents a net debt/adjusted EBITDA ratio (calculated on a trailing twelve-month basis) of 2.2x.

Strix is focused on its highly cash generative operating model and the management team will prioritise the integration and unlocking of anticipated revenue and cost synergies following the acquisition of Billi. There will be no further merger and acquisition (M&A) activity or investment into new factory builds, with significantly reduced capex and working capital over the medium term. Capital allocation decisions will prioritise debt reduction and free cash flow generation with a clear plan to get net debt/EBITDA to below 2.0x during 2023 and to below 1.5x during 2024.

Kettle control category

Overall, the kettle control category reported a decrease in revenue of 19.8% to £68.2m in 2022.

The key characteristic in 2022 was a continual and unprecedented worsening of the macro backdrop in Q4, but in Q1 signs of green shoots are returning.

Overall market softened by c.18% in 2022, with volume and value reductions experienced in all sectors. Key negative drivers included the cost of living crisis in Regulated markets, COVID shutdowns in China and the Ukraine/Russia crisis impacting Less Regulated markets.

In line with western government sanctions, Strix's key global brands withdrew from Russia (a significant market for them) and Strix also stopped trading directly with Russian brands. It is worth noting that excluding the affected regions, Strix's market share in kettle controls remained at c.56%.

The kettle safety controls category remains a resilient business and there is evidence of green shoots returning in Q1 2023. These include:

- estimated kettle sales through major online retailer channel shows January and February 2023 grew by 17% versus the same period last year;
- after reduced usage at Strix's top five OEMs in H2 2022, the Group is now seeing a recovery in Q1 2023 which is particularly reassuring as this has historically been a quieter trading period; and
- signs of a pipeline refill are returning. Historical data shows a small increase in consumer demand can have an outsized effect on the demand for Strix's components.

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

Examples include the Series Z controls development which is maturing, with the objective to drive cost and customer benefits and the roll out of new electronic kettle features and designs with a focus on design trends, consumer energy saving and OEM cost benefits.

Appliances category

Overall, the appliances category reported growth in revenue of 12.8% to £14.5m in 2022.

Strix's Aqua Optima brand recorded 87% growth in appliances, driven through geographical expansion, successful Aqua Optima expansion across Europe and North America, Strix/LAICA cross selling, and new innovative product launches.

The Billi acquisition helps diversify positioning with a premium category offering through new channels as well as giving cross-selling opportunities to drive additional growth.

Other notable achievements included:

- Aurora (Strix's Instant Flow Heater technology, delivering auto-dispensed hot, boiled and chilled filtered water at the touch of a button) won a housewares award: Sustainable Product of the Year 2022;
- successful launch of the world's fastest steriliser-dryer with a leading US baby care brand; and
- successful launch of Strix innovations under the LAICA brand with the launch of the Dual Flo range. This newly launched product utilises superior, energy-efficient technology and is believed to be the only combined kettle and one cup hot water dispenser.

Key growth initiatives for the category will be geographic expansion, optimising product mix and vertical integration.

Water category

Overall, the water category reported a growth in revenue of 12.8% to £24.1m in 2022.

Both Aqua Optima and LAICA water brands have seen growth year-on-year due to initial geographical expansion via Amazon sales outperforming the private label business.

Strix now manufactures the majority of its filters in-house in two locations, freeing us from third party risk, whilst allowing a new level of flexibility to offer our customers. Integration of Billi into the portfolio will enhance the total water solution offering for Strix and unlocks new opportunities in the 'professional' market.

Key growth initiatives for the category will be geographic expansion (cross selling existing LAICA and Aqua Optima products into new territories), coffee filtration expertise and using private label water products as a way to open doors into large retailers for other categories.

Transformational acquisition of Billi

Billi is a leading brand in Australia for the supply of premium instant boiling, chilled and sparkling filtered water systems. A clear number two player in the space within Australia, New Zealand and the UK. With a 30+ year history, Billi is renowned for its premium and innovative products. Billi has a successful history of growth, with double digit revenue CAGR over the past five years, attractive margins and is highly cash generative, delivering cash conversion of >70%.

The acquisition of Billi was for £38.9m cash and completed on 30 November following regulatory approval in Australia, New Zealand and the UK.

Chief Executive Officer's statement continued

Billi was acquired from Culligan following its merger with Waterlogic; the divestment was a condition of that merger. The acquisition multiple was 3.8x EBITDA reflecting the unique circumstances that Culligan found itself in and the progress Strix had made with the competition regulator in Australia, New Zealand and the UK. As reported in the press, there were other bidders at significantly higher valuations than Strix even at the very end of the process. The transaction was funded through a £13.0m equity raise and debt refinance consisting of an extension of the current RCF and a new acquisition facility.

Overview of strategic rationale

The acquisition materially changes the earnings profile of the Group, accelerating growth plans for the water and appliances categories and supporting the medium-term ambition.

It adds well developed and premium products in the high growth and strategically important hot tap market and increases Strix's position and portfolio of water dispenser systems. The Board expects Strix's existing technology, resource and expertise can be used to further enhance Billi's new product development roadmap.

Efficiencies were identified across Billi's product lifecycle and will be enhanced utilising Strix's Chinese operation to improve procurement, insourcing of certain key parts, and consolidation of the marketing group.

There are also opportunities for further organic growth. These include residential sales, new product development particularly in sparkling, internationalising Billi's revenue stream through Strix's global footprint, cross selling Strix products into commercial applications and growing aftermarket sales.

Progress since completion

The acquisition of Billi continues to be successfully integrated in line with a plan to achieve the identified operational benefits, as the business opened up new sales channels for Strix.

The trading performance so far has been in line with budget.

Very positive progress has been made at Billi UK with elements of the TSA already removed:

- Head office established in Wolverhampton with all staff now transferred.
- Showroom in London (Farringdon).
- Stock was moved into Strix storage locations during March/April.
- All HR functions now managed by Strix HR team.
- Agreed to move forward with Microsoft Dynamics for their ERP system with target completion in July 2023.

NPD is on track for launch in Q2. This will be a major opportunity for all markets, particularly within the residential sector.

Good progress has also been made with new sites identified as Strix procures smaller storage locations in New South Wales, Western Australia and South Australia.

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. This 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 and technologies.

The Group actively monitors the markets in which it operates for violation of its 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 its 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 its business and there have now been 66 in total since 2017 until the end of 2021, with four further regulatory and three intellectual property actions conducted in 2022.

Sustainability

Strix core products are associated with the consumption of critical resources, primarily electricity and water, hence Strix's drive for continual improvement has aligned it with a sustainability-led agenda. Recent years have seen an increase in the emphasis and broadening of the scope of its sustainability agenda. This was highlighted by the adoption of a wide range of KPIs and associated targets in 2021.

One of the most challenging and differentiating goals is to achieve Scope 1 & 2 net zero by 2023. Key elements have been put in place with long-term renewable power contracts for all key facilities and head office, along with investment in solar capacity. Indeed, Strix now expects its own renewable sources to generate around 10% of the Group's total energy requirements. As a consequence, the Group started 2023 in-line with its net zero agenda. This is increasingly important as its customers look to assess their own emissions footprint, of which Strix forms part of their Scope 3 inventory. Strix's position as a leader in low emissions therefore offers a potential commercial advantage over its competition. Efforts are being expanded into analysing its own Scope 3 inventory in 2023 to fully embrace its extended emissions chain. This leads to additional constructive conversation with suppliers and customers including reassessment of operational and supply chain practices. The Group's sustainability agenda is sympathetic to changing consumer trends and hence is key for driving the roadmap and pace of new product development.

The Group's sustainability strategy and adopted KPIs are generating greater emphasis and efforts on a broad range of aspects. Employee training has been a focus with significant increase in training hours assisted by the adoption of a more structured approach, including the Kallidus e-learning system and a new training management structure in China.

Health & Safety continues to be a top priority with the three-year average trend continuing in a positive direction. The Company values its employees and their contribution and looks to develop their wellbeing reflected in improved facilities offered by the new Chinese facility. Meanwhile, the West has seen changes in the working week, which has also increased holiday entitlement, and the introduction of two charity days a year.

Strix's sustainability agenda for 2023 remains high on the agenda as it delivers on its Scope 1 & 2 targets, analyses its Scope 3 emissions and continues to focus on its other KPIs. The pace and delivery of these goals reflects the strong employee ethos and commitment to the agenda.

Dividend policy

As capital allocation decisions prioritised debt reduction, the Board decided after reviewing the level of the net debt to propose a final dividend of 3.25p per share (2021: 5.60p) which would represent a total dividend of 6.00p per share (2021: 8.35p).

The final dividend will be paid on 11 August 2023 to shareholders on the register at 30 June 2023 and the shares will trade ex-dividend from 29 June 2023.

Operations review

The factory within Zengcheng district in Guangzhou, China, continues to be fully operational with efficiency improved by 6.1% in 2022 versus 2021.

A new EMEA Sales Director was appointed and a new Global Distributions & Logistics Director role created to provide the leadership team with additional expertise in commercialisation and cost optimisation.

An updated ESG and Sustainability report was published on 29 March 2023.

Strix continues to implement a range of strategic initiatives to minimise the impact of the headwinds it is facing, which includes a functional streamlining programme and a focus on the reduction of inventory in order to maximise cash generation for the Group.

Financial Position

Strix is focused on its highly cash generative operating model and the management team will prioritise the integration and unlocking the anticipated revenue and cost synergies following the acquisition of Billi.

There will be no further M&A activity or investment into new factory builds, with significantly reduced capex and working capital over the medium term. Capital allocation decisions will prioritise debt reduction and free cash flow generation with a clear plan to get net debt/EBITDA to below 2.0x during 2023 and to below 1.5x during 2024.

Over the past few years, Strix has made significant investments in acquisitions, a new factory and working capital. A primary driver of the increased exceptional costs is due to the number of acquisitions and one-off costs relating to capital expenditures.

HaloSource was acquired in 2019 and contributed to the exceptional costs through the associated transaction fees. LAICA was acquired in 2020 and included an earn-out clause which caused exceptional costs in outer years, along with the transaction fees in 2020. The new factory in China was completed in 2021, adding to exceptional costs from large scale capital expenditure. Most recently, Billi was acquired and its transaction fees contributed to the 2022 total. As these one-off costs are not recurring, we expect cash conversion to materially improve in coming years.

Net working capital which includes inventories, trade and other receivables, and trade and other payables (including tax liabilities, but excluding short-term portions of long-term liabilities) increased to £27.6m (FY 2021: £18.0m), an increase on £9.6m. The main driver behind this is an increase in net working capital of c.£5.9m (including tax liabilities) recognised as part of the acquisition of Billi. The rest of the increase relates to slightly higher inventory levels from prior year as the Group looks to fuel anticipated increase in demand in the new year, evident from green shoots returning in Q1 2023. Decreases in trade and other payables were due to lower procurement activities, partially offset by decreases in trade and other receivables which were largely due to collection of VAT receivables from the Chinese government relating to the construction and completion of the new factory in China.

> "The successful integration of Billi will propel the Group into a new growth phase, further diversifying away from the core kettle controls business..."

Outlook

Following a period of uncertainty across a number of Strix's key export markets in Q4, recent sales data in 2023 indicates that some green shoots are appearing and the path to a return of growth is opening across all segments:

- It is anticipated that the Chinese economy will start to rebound in 2023, given the change in COVID policy.
- Estimated kettle sales through a major online retailer channel shows January 2023 grew by 17% versus the same period last year.
- After usage at Strix's top five OEMs in H2 2022, the Group is now seeing a recovery in Q1 2023 which is reassuring as this has historically been a quieter trading period.
- Signs of a pipeline refill are returning, as a small increase in consumer demand can have an outsized effect on the demand for Strix's components.
- The Group has delivered consumer goods business growth, despite the underlying market softening and positive contracts secured in Q1 2023.

The successful integration of Billi will propel Strix into a new growth phase, further diversifying away from the core kettle controls business with strong potential for greater top line growth and improved margins going forward.

Mark Bartlett
CEO

Strix investment case

Strix is focused on its highly cash generative operating model and management will prioritise integration and unlocking anticipated revenue and cost synergies.

1.

Maintained dominant market position in global kettle controls with high barriers to entry

- Global market value share of the kettle controls remained at c.56% (excluding Russia and other impacted territories) as the Group retained dominance in the market.
- Regulated segments market decreased overall due to negative macroeconomic drivers, predominantly being the cost of living crisis for consumers and a destocking cycle for retailers and brands.
- Less regulated segments slightly underperformed from the normal average CAGR growth levels due to declines from similar economic weakness.
- The Chinese market saw a recovery in the latter half of the year as COVID-19 restrictions finally eased and the zero COVID policy was abandoned.
- A strong 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

- Acquisition of Billi transforms the revenue base for Strix, materially increasing the contribution from water and appliances categories.
- Very positive progress has been made on integration since the transaction completed in November and on track to unlock anticipated revenue and cost synergies. Trading has been in line with budget since acquisition with a solid order book.
- Strix own brand products continuing to outperform versus private label with growth in own brand of 8% versus a wider market decline and exceptional growth in Aqua Optima of 49%.
- Continuing to expect 25% growth across the two divisions in 2023 underpinned by a number of signed contracts.

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.
- Targeting to achieve net zero for Scope 1 & 2 emissions in 2023 (excluding Billi) 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 for kettle controls, 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) to EBITDA conversion has historically been in the region of 70% and the Board is committed to returning the business to this level of free cash flow generation.

5.

Market-leading adjusted EBITDA margin

- Significant investment in automation, as well as ongoing focus on other efficiency measures, strategic initiatives and acquisition synergies underpinning EBITDA margin uplift.
- Increasing the appliances 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.

Disciplined capital allocation framework

- The Board maintains a disciplined capital allocation framework which balances investment for growth and shareholder returns.
- The acquisition of Billi has materially changed the earnings profile of the Group as well as increasing leverage above the Board's medium term target.
- As such, the Board is now prioritising debt reduction in the short term with a clear plan to return leverage to below 2x by the end of 2023 and to below 1.5x by the end of 2024.

Key performance indicators

We use financial and non-financial key performance indicators ('KPIs') to track and measure our progress over time. In addition, during 2022 we established clear ESG KPIs to track our improvements in line with our key sustainability pillars.

Financial KPIs

Kettle controls revenues (£000)

68,243

(19.9%)

Definition

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

2022 performance

The decrease is attributable to a reduction in kettle controls due to the market environment. The key characteristic in 2022 was a continual and unprecedented worsening of the macro backdrop in Q4. The negative drivers included the cost of living crisis in Regulated markets, COVID-19 shutdowns in China and the Ukraine/Russia crisis impacting Less Regulated markets.

Water category revenues (£000)

24,135

12.8%

Definition

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

2022 performance

The increase is due to initial geographical expansion via Amazon sales outperforming the private label business and securing new distribution through cross selling existing LAICA and Aqua Optima products.

Appliances revenues (£000)

14,542

12.8%

Definition

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

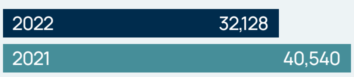
2022 performance

Revenue from appliances continues to grow, driven by the continued launch of new innovative products, geographical expansion across Europe and North America and strengthening of the Aqua Optima brand. There is continued market penetration and new innovative projects and launches within the appliances categories.

Adjusted EBITDA[1,2] (£000)

32,128

(20.7%)



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.

2022 performance

Adjusted EBITDA decreased by 21% in line with the decrease in Kettle Controls due to macroeconomic factors.

Adjusted gross profit[1] (£000)

41,525

(12.4%)

2022	41,525
2021	47,424

Definition

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

2022 performance

The decrease in adjusted gross profit is in most part due to the impact of revenues for kettle controls falling as described previously. The decrease was slightly offset by increases for both the water and appliances categories.

Net cash generated from operating activities (£000)

23,363

4.9%

2022	23,363
2021	22,290

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.

2022 performance

Net cash flows from operating activities showed a modest improvement despite the softening of trading performance. This is largely due to the improvement in the changes of net working capital that offset the downside of cash flows from operating profit.

Total R&D expenditure (£000)

4,888

(8.2%)

2022	4,888
2021	5,324

2022: (4.6% of net sales)
2021: (4.5% of net sales)

Definition

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

2022 performance

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

For further **strategy information** please see **pages 28 to 33**

For further **risk information** please see **page 50**

1 Adjusted results exclude exceptional items, which include share-based payment transactions, COVID-19 related costs, 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.

Key performance indicators continued

Non-Financial KPIs

Gender diversity

27.3%

0.0%

2022	27.3%
2021	27.3%

Definition

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

2022 performance

The percentage of women in management roles across the Group remained stable at 27.3% (2021: 27.3%) whilst across the Group we retained a positive balance with women accounting for 50.8% of the overall workforce.

Energy usage (MWh)

14,052

(10.3%)

2022	14,052
2021	15,666

Definition

Electricity usage is expressed in terms of the megawatt-hours utilised during the year.

2022 performance

Energy usage decreased during the year by 10.3% mainly due to the significant operational progress made in 2022 with all manufacturing facilities and Group head office now using renewable energy. China's solar capacity also expanded by a further 10%.

Business travel (tCO_2e)

98

5.4%

2022	98
2021	93

Definition

Business travel is expressed as the equivalent of the carbon dioxide emissions (tCO_2e) which is calculated using the GHG Protocol for Scope 3 category.

2022 performance

We monitor our consumption of fossil fuels in order to ensure our business travel emissions are minimised. The emissions from business travel remained low due to continued curtailment of business travel following the restrictions during the pandemic. The Group's target is to restrict business travel emissions to below pre-pandemic levels which were at 1,014 tCO_2e in 2019.

Water usage (m^3)

34,482
(26.6%)

2022	34,482
2021	46,979

Definition

Water usage is expressed in cubic meters.

2022 performance

We monitor our water usage on a monthly basis to ensure minimal wastage through recycled use. Water usage declined significantly, assisted by the lack of commissioning requirements in China.

Water intensity (m^3/£m)

333
(15.1%)

2022	333
2021	392

Definition

Water intensity is a measure of the water usage per £1 overhead spend.

2022 performance

Water is a key resource for our research, design and testing facilities, reflecting the nature of the liquid products which dominate our portfolio. In line with the decrease in the water usage, the intensity is also on a downward trend and this improvement is currently ahead of the KPI target.

Accidents – total lost time

9
(18.2%)

2022	9
2021	11

Definition

This refers to the total number of accidents recorded that resulted in employees missing work due to injury.

2022 performance

Total accidents continue to decrease year-on-year and this is attributable to the benefits of further automation of assembly lines and a strong emphasis on prioritising the health and safety of employees.

Lost time (hours)

0.22
(63.9%)

2022	0.22
2021	0.61

Definition

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

2022 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

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."

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 our workforce where 50.8% of employees are female, and women have a 27.3% 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.

Our diversity continues to grow with our strategic acquisitions and the purchase of Billi in November 2022 exemplifies this. We now have teams of Field Service Technicians in Australia, New Zealand and the UK, as well as dedicated customer support executives and niche sales specialists. The Strix HR team provide day-to-day support and a payroll provision to Billi UK, plus strategic input for the wider Billi Group.

Employee engagement

In 2022, working with our Managers in both East and West, we developed a set of core values:

R — Respect
We show respect and treat others as they wish to be treated

E — Extraordinary
We are beyond ordinary, we are extraordinary

C — Challenge
We own it, challenge it and then win it

A — Adapt
We fail fast, learn quicker, adapt and move on

P — Passion
We have passion for our people, our planet, our products and profit

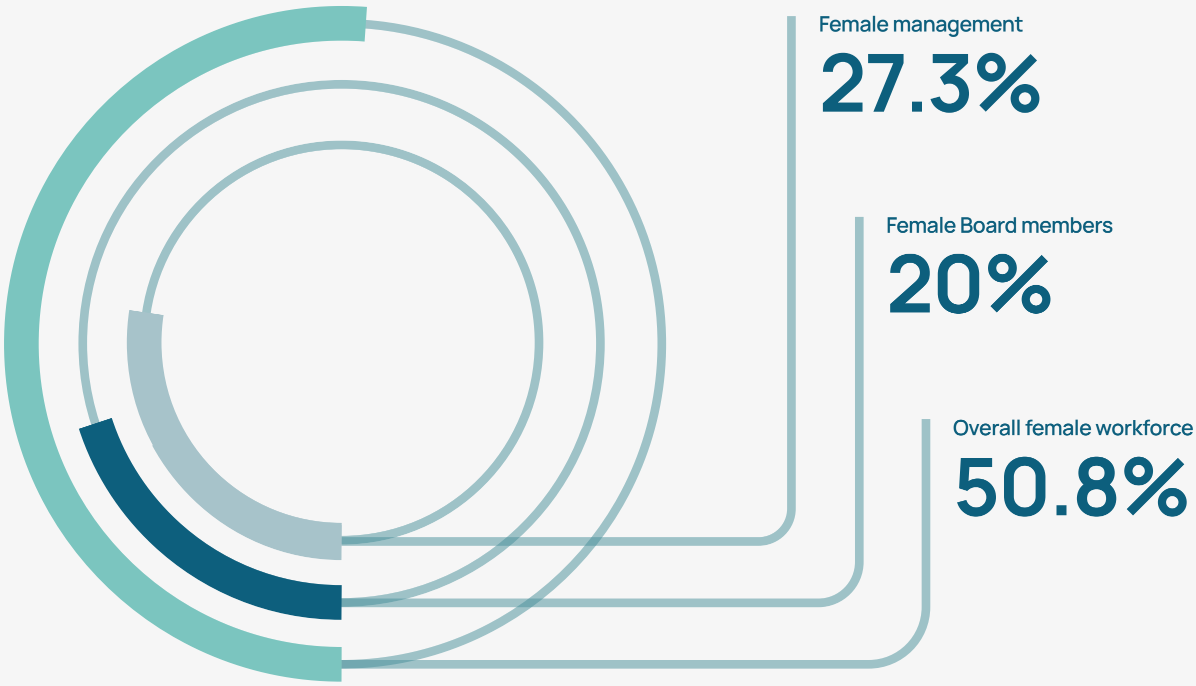
Nominations are invited from across the business for people who have demonstrated these values. In Q4 alone, 70 nominations were made, and these were eventually short-listed to ten prize winners.

Our transparent job grading system for all employees was designed to better reflect current and future needs and provide clarity on progression and/or how people can 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 operates a culture of open communication through a range of mediums including: a global intranet platform; newsletters; Town Hall meetings; and 'Pulse of the Business' lunches with the CEO.

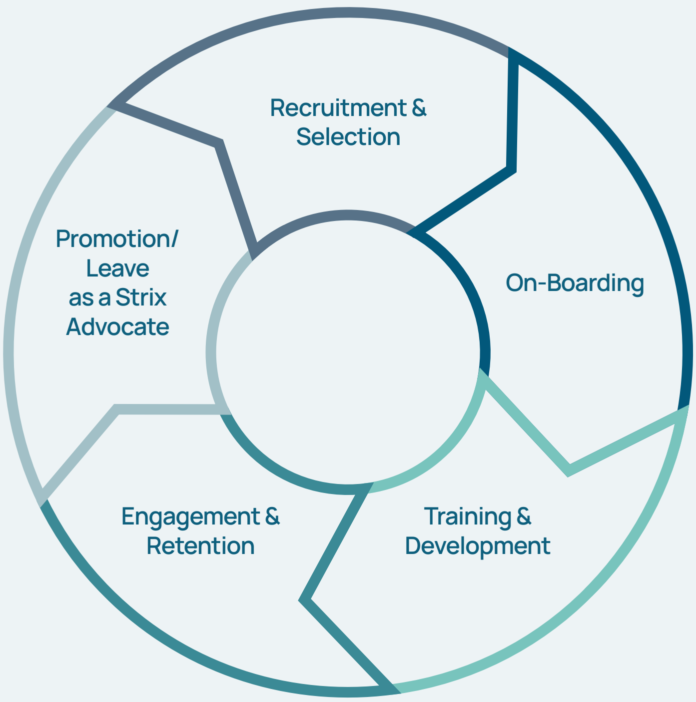
Whilst introducing new talent into the workplace is about making sure people are comfortable and confident to do their job, and have all the information and tools that they need, it is not about assimilation. It is about making sure we gain the diverse opinions and ideas of our new talents. Fresh eyes 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.

Gender diversity



Our people continued

Our Human Capital strategy



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, plus key product information so our people are fully engaged in what we make and do. 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 an online-based learning platform called Kallidus and our performance management process ('PMP').

> "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

The performance management programme (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 an e-learning platform, employees have access to a wide range of mandatory and other best practice and self-development learning and training courses. These enhance their skills and awareness to ensure they deliver quality service in their various roles and are kept up to date on developments in their relevant fields.

Mandated training on the e-learning platform ensures that employees are familiar with our equal opportunities policy and ethos, as well as our environmental considerations. Similarly, people are taught about our stringent business ethics, including anti-bribery and anti-competition legislation, and how to report any issues through our Whistleblowing mechanism.

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 making acquisitions, diversifying our product ranges and our 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 units, components and value-added services to OEMs, brands and commercial and residential 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 and produced to the highest safety standards. Strix continues to enhance consumer safety through our involvement with standard-setting bodies and we use our in-house independently accredited stage 3 Customer Test Facility ('CTF') 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 continues to reach out for further 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 its 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, LAICA and Billi. The acquisitions further complement Strix's existing product portfolio and bolster the Group's product innovation, with chemistry and engineering expertise in China, the US and Australia. The addition of LAICA and Billi further expands the Group's reach into the category with the addition of new product ranges such as taps, dispensers and filters, and robust existing distribution channels.

The water category continues to benefit from trade brand agreements with multiple large UK and European retailers and brands. The Group has driven increased consumer recognition for its four consumer brands through its 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 its 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 its 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 its position in this area with brands and partners in key growth markets in the US, China, Europe and in Australia and New Zealand through Billi's market footprint.

Appliances category

Our USP
Our mission within the appliances category is to develop products that allow consumers to live a safer, more convenient and sustainable life at home. Our portfolio across LAICA, Aqua Optima and the recently acquired Billi brands spans various price points to target consumer needs across Hot Water on Demand, Baby Care, Beverage, Living and Health & Wellness, and Premium Instant Filtered water systems. 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 the Aurora launches.

Long-term growth
The consumer is at the heart of our appliances and technology developments with a focus on innovating around real consumer problems. The recent acquisition of Billi has expanded our product range and market outreach, which will accelerate our growth plans in the appliances category. Our continued investment in R&D, together with the successful integration of LAICA, has resulted in significant growth in the appliances category over the last two years and ongoing initiatives give the Group confidence in sustainable growth over the coming years. Having successfully launched the Aurora range of 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, 2022 and into 2023.

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 and strategic acquisitions 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 2022 the global market for kettle controls, including those for Chinese multi-cooker appliances, experienced a moderately strong H1 increase, and then a softening in H2 due to the cost of living crisis resulting from the Russia/Ukraine conflicts. The global kettle market reduced by c.18% to c.£130m. Electric kettle penetration rates provide an indicator of potential growth, and in 2022 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 knowhow established during more than 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 2022, the Regulated kettle control market overall reduced as an indirect consequence of the cost of living crisis resulting from the Russia/Ukraine conflict, which had a direct reductive impact on available disposable income and therefore reduced spend on household goods, particularly in the UK, Europe and the Americas. The COVID-19 pandemic in H1 2022 caused costs to increase and although the situation improved in H2 2022, any benefit was offset by the cost of living crisis resulting from the Russia/Ukraine conflict.

Regulated markets:

c.70%

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, Strix's market share remained above 70% 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 2022, the Chinese export market softened as the job market worsened during the year, remnant from the impact of COVID-19 lockdowns during H1. The year ended at approximately c.£25m market value.

China:
c.40%
Market share

Chinese market decreased by c.4% in 2022 resultant from COVID-19 lockdown experienced during the first half of the year. Strix's value share in China remains above 40%.

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 CIS, Middle East, South East Asia, Africa and South America. In 2022, the Less Regulated market was entirely impacted by the Russia/Ukraine conflict which had a global 'cost of living crisis' impact.

The COVID-19 pandemic shifted consumer demand more towards services and less towards consumer household goods (such as kettles) as demand shifted more towards outdoor activities as the world emerged out of lockdowns. For Strix, this was further impacted by the events in Ukraine in H2 and the resultant increase in cost of living. The value of the Less Regulated market at year-end sat at c.£50m.

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 associated CIS markets, mainly as a result of the conflict in Ukraine. Strix's market value share dropped slightly under 35% of the kettle controls market.

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 an OEM, technology provider and consumer products business across its portfolio of brands and partners. This is to deliver sustainable filtration solutions and the recently acquired premium drinking water dispensing systems that allow consumers to make healthier choices for themselves and the planet.

Strix's OEM business supplies major brands and retailers, including commercial and residential consumers with high quality own-label consumer products, designed and manufactured in our own factories in China, Italy and the newly acquired Australian operations. Its diverse range of filtration technologies, premium water dispensing systems 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 2023, further increasing its reach and potential in key growth markets across Europe and Australia. 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 the Group's 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 with differentiated claims.

As a consumer products business, the Group operates four brands that deliver on a strategic price point and performance differentiation strategy. The Group's Aqua Optima Brand, which relaunched 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, 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 newly acquired Billi brand is synonymous with award-winning innovation and provides boiling, chilled and sparkling drinking water dispensing systems. Moreover, everything made under this brand is of uncompromising quality backed by a world class customer service experience, and preferred by designers and architects for timeless styling and space-saving design.

The Strix roadmap of new products in this category aims to further bolster its 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 into 2023, the Group will continue to 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, North America and Australia in 2023, as well as further progress expanding the LAICA and Billi 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 and sustainable life at home.

The Strix appliances category incorporates a number of sub-categories including Hot Water on Demand, Beverage & Breakfast, Food Preparation and Health & Wellness, Everyday Living and Premium Instant Water Dispensing Systems.

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 a buoyant demand. The Strix Instant Flow Heater ('IFH') offering, which has a unique 'true boil' USP, has proven popular with a number of our partner factories and brands specifying this technology within their products. Strix has also developed its competitive 'Next Generation IFH' within 2022 which will start to penetrate the market in 2023. Strix's IFH appliances offering continues to grow aiming to capture the spectrum of consumer needs across different market price points. The Aurora range continues to perform; sales of the initial Hot and Cold model continued to grow throughout 2022, whilst we added more range variants to offer a breadth of features and price points. 2023 will see the launch of Aurora Coffee, a combined coffee maker and hot water dispenser, to address consumer needs whilst opening up the extensive coffee category across our primary target markets, North America and Western Europe.

For further **information** please see **pages 40 to 43**

Strix innovation also continues to grow its footprint with the Dual Flo appliance launching under the LAICA brand in the UK and Western Europe in 2022; this innovative twist on kettle technology provides the market with the first real kettle innovation since Strix's variable temperature control technology – here the consumer benefits are convenience, speed and sustainability through water and energy reduction. 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. 2022 highlights include the successful launch of the world's fastest steriliser-dryer with leading US Baby Care brand Baby Brezza, powered by patented Strix Technology. Our core European business continues to perform well and will be supplemented with further launches across Europe and Asia over the next 24 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 & Breakfast, Health & Wellness and Food Preparation & Waste. Our roadmap considers various modes of execution – from leveraging Strix in-house innovation for highly differentiated propositions such as Aurora and 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. 2023 will see us launch into several adjacent categories under the LAICA brand, for example with a new sparkling water proposition and digital filter kettle and matching toaster.

The LAICA roadmap has been built with this foundation in mind; the range will expand to offer consumers more solutions that help them 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 forwards. In parallel, we will continue to improve and refresh the core LAICA appliance range throughout the coming years.

Under the newly acquired Billi brand, the Group plans to maintain its key market position as Australia and New Zealand's premium filtered water systems, with its 'must have' product in the homes of residential consumers. As Billi is integrated further into the Group, we plan to expand our market outreach into the UK, Europe, Asia and also into North America.

Growth strategy

Performance; Product; Process; and People

"Strix continues to implement a range of strategic initiatives to minimise the impact of the headwinds it is facing, which includes a functional streamlining programme and a focus on the reduction of inventory in order to maximise cash generation for the Group in the medium term."

Mark Bartlett
CEO

The Group's growth plans have been accelerated, particularly for the water and appliances categories due to recent strategic acquisitions, with the objective of delivering medium-term targets to double the Group's revenues remaining on track. To achieve this, Strix continues to follow 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

2022 progress

Product: The Group has maintained its market leading value share of the global kettle controls market at 56% (excluding Russia and other impacted territories) whilst significantly expanding the size of its water and appliances categories. For kettle controls, revenues decreased due to a continual and unprecedented worsening of the macro backdrop in the later part of H2. The overall kettle market softened by c.18% in 2022, with volume and value reductions experienced in all sectors. Key negative drivers included the cost of living crisis in Regulated markets, COVID shutdowns in China in the first half of the year, and the Ukraine/Russia crisis impacting Less Regulated markets.

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

- initial geographical expansion via Amazon sales outperforming the private label business;
- successful Aqua Optima rebrand launch into UK, Europe and North America for the first time;
- the Group continuing to see benefits from 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 private label business launched into France and other key parts of Europe; and
- Strix now manufactures the majority of our filters in-house in two locations freeing us from third party risk, whilst allowing a new level of flexibility to offer our customers.

Key growth initiatives for the category will be geographic expansion (cross selling existing LAICA and Aqua Optima products into new territories), coffee filtration expertise and using private label water products as a way to open doors into large retailers for other categories.

In the appliances category, 2022 has seen our Aqua Optima brand record an 184% growth, despite market softening, driven through geographical expansion, Strix/LAICA cross selling and new innovative product launches. The Billi acquisition helps diversify positioning with a premium product offering through new channels, as well as giving cross-selling opportunities to drive growth.

People: In 2022, Strix maintained the family ethos of its origins in its approach to diversity and inclusion, employee engagement and welfare. We have continued to implement internal restructuring to promote innovation and harness talent from within the organisation.

Risks

The risk of not building and maintaining market share from lower sales revenues for the Group could lead to reduced future capital expenditure for product development.

The relevant principal risks are:

- reliance on key customers;
- reliance on key suppliers;
- competitors and market pressures;
- reputation with customer base; and
- external factors (including geopolitical influences and macro-economic backdrop).

Strategic pillar #1 continued

2023 outlook

Product: The Group plans to offer a competitive edge in the market through further launches of new innovative products. Through continued new retail listings and distribution contracts, the Group aims to grow its market share by channelling its existing and new products to the different market segments, delivering products that meet consumer needs at various price points and functionality levels. Green shoots were seen to return in the first quarter of 2023, with sales having already been realised in 2023 on some of the new products in the growing North American and Asia-Pacific markets.

Performance: The new manufacturing factory in Zengcheng district in Guangzhou, China, became fully operational in 2021. The new factory is already showing signs of doubling the Group's manufacturing capacity, enabling it to grow the business and deliver on its medium-term strategy of doubling revenues and catering for the needs of the core business and acquired subsidiaries. Efficiencies and further in-sourcing achieved in 2022 arising from the new manufacturing facility have already started to have a positive effect on margins.

Strategic pillar #2

Focus on safety and quality

2022 progress

Performance: The factory within Zengcheng district in Guangzhou, China, continues to be fully operational with efficiency improved by 6.1% in 2022 versus 2021. This has helped to drive production efficiencies while maintaining high quality standards. The new factory is already compliant under certifications for ISO9001 (Quality Systems), ISO14001 (Environmental), ISO45001 (Occupational H&S) and ISO50001 (Energy Management), and more recently ISO50001 Energy Management. Key focus remains on quality control, sustainability, continuous improvement, automation and health and safety in relation to the existing processes which have delivered significant improvement in customer quality parts per million (ppm). We have also seen a continued 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 initiate 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 its 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 its business and there have now been 66 in total since 2017 until the end of 2021, with four further regulatory and three intellectual property actions conducted in 2022.

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; and
- disruption to supply chains.

Growth strategy continued

Strategic pillar #2 continued

2023 outlook

Performance: With the new factory now fully operational, production capacity has significantly increased, and 77% of main production lines are fully automated, and efficiency improved by 6.1% in 2022 versus 2021. Improvement efficiencies are expected to continue into 2023. Strix's automation plan continues developing new innovative manufacturing and assembly processes to support the Group's NPI roadmap and increase capacity for core product and the water and appliances divisions. Further in-sourcing of production is underway in the short to medium-term to support the ambition to increase our water and appliances 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 defense 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

2022 progress

Product: New product development remains a fundamental driver in the Group's core business strategy. The Group has made significant headway in 2022 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 2022, in line with its medium-term growth ambitions, Strix has launched multiple new products and improvements in the kettle control category including U7 and VQ OEM efficiency improvements and U99 series refresh to target improved user experience. The Group successfully launched new products within the appliances category, namely the Aurora Chilled, the LAICA-branded Dual Flo, and Eco (GlassSmart) Vacuum containers, amongst other products. The Aurora Chilled offers consumers a convenient and stylish way to maintain a healthy, hydrated lifestyle. The LAICA-branded Dual Flo™ is the first and only combined kettle and hot water dispenser on the market. Both products have strong energy saving and sustainability benefits.

Aurora Hot and Cold won a housewares award: sustainable product of the year 2022. 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.

Strategic pillar #3 continued

The water category continued to develop a range of new products under Aqua Optima, astrea and LAICA brands. Some of the products premiered in 2022 include, amongst others, an introduction of a North American version of the Aqua Optima Range, Enhanced Tap Filter and the Perfect Pour Jug Range. The Enhanced Tap Filter includes multiple models offering various filtered, unfiltered and shower jet functions, turning the tap into a multi-function 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 technologies 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; and
- intellectual property.

2023 outlook

Product: The Group will continue to deliver best-in-class products to the market through its global distribution channels. Within the kettle control category, continued efficiency management for the U7 control and VQ original equipment manufacturers (OEMs) and improvement of the 15A fast-boil kettle on the backbone of Strix's existing high standards of quality and safety.

In the water category, this includes the launch of the Aqua Optima range in new markets, new and improved taps, filters and jugs.

Within the appliances category this includes the expansion of the existing lines with additions to the Aurora range, scales and baby products. The introduction of Billi into the Group also expands our product portfolio in the premium instant filtered dispense water systems.

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.

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.

The Group has made a number of key strategic decisions over this time which has supported growth in both of the Group's consumer goods categories.

The Group's focus on longer-term investment decisions and culture of innovation has continued to support 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 second year (2022) of the five-year plan, Strix's growth plans have been accelerated, particularly for the water and appliances categories due to the most recent strategic acquisitions, with the objective of delivering medium-term targets to double the Group's revenues remaining on track. The Group has shown a robust business model and disciplined execution of our strategies despite a challenging year from global market softening in all sectors. We remain confident in our ability to navigate the growing uncertainties ahead and delivering on the medium-term strategic plan and delivering against 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 control market. The introduction of a number of key product series in the last couple of years within this category continues to strengthen Strix's position in existing markets and to penetrate new markets, while still providing customers with a 'good', 'better' and 'best' classification that ensures Strix's products are aligned to customer needs and price points.

This includes the expansion of the U9 series and the introduction of the new Next Generation Series Z controls development which is maturing, with the objective to drive cost and customer benefits and the roll out of new electronic kettle features and designs with a focus on design trends, consumer energy saving and OEM cost benefits. We continue patented launches of our core products within both these ranges. 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. Strix has increased its 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

The water category has changed significantly since the IPO in part driven by the acquisitions of HaloSource and HaloPure brands in 2019, LAICA in 2020 and recently Billi towards the end of 2022. These acquisitions enabled expansion of the category's product portfolio through the addition of the astrea, HaloPure, LAICA and Billi brands which increased manufacturing capabilities to the category to support new product development. 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 Europe (through our Aqua Optima and LAICA distribution channels), new retail listings have also been won, evident from Amazon sales outperforming the private label business, growing the brands' presence across the region. There have been more than 200 additional store listings for our Aqua Optima brand 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 filter products to the market, such as the Aqua Optima Evolve+ fast flow and the Perfect Pour. The brand is also still in strategic partnerships contracts with the Terra Cycle recycling initiative to increase the reputation and sustainability of the brand.

The brands purchased through strategic acquisitions (astrea, HaloPure, LAICA and more recently Billi) 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 its strategy for growth thanks to long-term investment decisions made from the IPO to date, with a comprehensive and innovative roadmap of new product launches and cross selling across all brands to drive the current and geographical distribution objectives in the coming years.

Appliances category

Following the IPO in 2017, Strix has placed a strong emphasis on the appliances category as a key pillar for growth. The growth is grounded in the Group's unique capabilities and position across the supply chain; from our ability to deliver new-to-market innovation and foundational technologies such as the Tommee Tippee Perfect Prep, as well as the Aurora Beverage Station, the newly launched Aurora Chilled and the upcoming Aurora Coffee, all of which use a 5-step filtration technology.

Following the introduction of the category management team, there has been an increased focus on value-based development centred around customer requirements, building sustainable credentials and driving commercial results. The focus on this approach alongside the investment in the category and the LAICA acquisition has seen the launch of several innovative products in recent years, such as the cordless iron for Morphy Richards, the Aurora Range mentioned above, a Hot Water Dispenser for Philips, Dual Flo (LAICA-branded), Steriliser-Dryer for a leading US Baby Care brand, a sustainable Vacuum (Food Preservation) Range, and more. The Billi acquisition also introduces a new product range of premium instant filtered dispense water systems and taps which expand the Group's product portfolio for future growth. The delivery of our strategy is backed up with strong growth within the category registering at 1,063% from 2019 – 2022.

New products roadmap

Strix continues to invest in its research and development (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 category and product management teams will support the commercialisation of new technologies to ensure Strix obtains the greatest value out of its R&D activities.

Kettle controls

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)

Multiple cost and efficiency enhancements

2023

Next Generation Control Range (Series Z)

Expanding applications for the adjacent markets and the emerging categories; travel kettles, milk frothers, ECO appliances and other portable appliances

Feature and process lead Product Sustainability Strategy, driving cost and environmental savings for both the OEM and the consumer

Water category

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

Range of LAICA jugs and Filters into UK

New Improved Evolve+ Multi-Fit Filter (Rebranded)

Enhanced Tap Filter

Perfect Pour Jug Range

2023

Perfect Pour Dispenser

Evolve Long Life

Bi-Flux Alkaline

Range improvement: recyclable filter bags

Appliances category

2021

Dual Flo – North America

Aurora Beverage Station

Visione – Induction Kettle

2022

Aurora Range Expansion (two additional models)

Steriliser-Dryer

Dual Flo – LAICA

Eco (GlaSSmart) Vacuum containers

New kitchen scales range

New personal scales range

LAICA expansion to UK

Air treatment range

2023

LAICA Digital Water Filter Kettle and Toaster Breakfast Set

Expansion of air treatment range

Sparkling water maker

Expansion of LAICA range to UK market

Dual Flo Toaster

AO kettle range for NAM

Aurora Coffee

Aurora Chilled

Aurora Chilled launched in April 2022 and completes the first wave of the Aurora (Hot & Chilled) Collection launches.

Aurora Chilled offers consumers a convenient and stylish way to maintain a healthy, hydrated lifestyle. Consumers can have instant chilled, filtered water at the touch of a button. With a large 3.8L capacity and eight auto dispense volume settings, Aurora Chilled caters for all of the family.

Aurora Chilled has helped to grow the Aurora Collection and we have seen strong uptake of this SKU, particularly in Europe. Further growth is expected in 2023, bolstered by the unique Aurora Hot & Coffee launch in the later part of 2023, opening our addressable market into the large filter coffee space.

Perfect Pour by Aqua Optima

Launched in the latter part of 2022, Perfect Pour is powered by our patented Evolve+ 5-step fast flow filtration system, and brings a stylish, elegant design into the heart of the Aqua Optima range.

In addition to the innovative, extremely compact shape, the new Perfect Pour jugs are designed for quick and safe filling and also for a controlled, smooth laminar flow intended to provide quality pour at any volume. No more spills or drips thanks to the smoother dispensing provided by the easy pour spout. An ergonomic control handle provides an easy grip, enhanced control and comfort for the perfect pour.

Dual Flo™ (LAICA branded)

Following brand partner launches in North America and Northern Europe, Strix launched the innovative Dual Flo™ kettle in 2022 under the LAICA brand.

Described as a 'revolutionary kettle', Dual Flo™ is the first and 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 only boiling the exact amount of water required.

Sales are expected to continue to ramp up in 2023 and further range expansion is planned as we bring in the matching Dual Flo™ toaster to form a full 'breakfast set'.

LAICA's HYDROSMART + METAL STOP Filter

Launched in Q3 2022, the HYDROSMART + METAL STOP tap filter creates great tasting water that is free of undesirable substances at 'zero km', direct from your home tap.

The HYDROSMART + METAL STOP tap filter retains the mineral salts naturally present in the mains water and effectively reduce heavy metals, such as lead and cadmium, microplastics, sand, rust and suspended particles, chlorinated organic herbicides and pesticides, and chlorinated organic solvents.

Billi

About Billi

Disciplined and highly targeted acquisitions remain an important part of the Group's value creation strategy. On 30 November 2022, the Group acquired Billi following regulatory approval in Australia, New Zealand and the UK. Billi was acquired from Culligan following its merger with Waterlogic, the divestment was a condition of that merger. The acquisition materially changes the earnings profile of the Group, accelerating growth plans for the water and appliances categories and supporting the medium-term ambition as well as providing a platform for further organic growth in future years.

Well-established brand

Established in 1989 and headquartered in Melbourne, with distribution channels located across Australia, and internationally in New Zealand, the UK, Hong Kong, Singapore and China, Billi is renowned for its premium filtered and temperature-controlled water systems and manufacturing innovation.

Product offering

Billi's products are marketed under two distinct ranges – 'Billi for Work' (commercial) and 'Billi for Home' (residential) – and both sets of products are fitted with industry-leading features such as water-cooled technology and space saving features. The core product range is supported by consumable offerings (filters, CO_2 canisters and spare parts) and service (plans and reactive).

ESG focus

The Billi products are first choice for architects and designers for specifications of products with an ESG focus, due to Billi's strong ESG credentials. Billi was certified by Global Greentag, the WELL Building Institute and Green Gas, and has positioned itself at the forefront of ESG in the premium filtered water systems category, with various certifications and memberships which contribute to the brand's leading ESG position.

Successful business with a history of growth, profitability and highly cash generative

Billi operates in the high growth and strategically important hot tap and water filtration markets. Businesses and consumers are increasingly becoming health and environmentally conscious and so Billi has benefitted from the shift away from bottled beverage consumption and the perception of filtered water systems being seen as a must-have product in the home and office. As a result, Billi has seen a c.6% CAGR growth in its commercial channel and c.30% CAGR growth in its residential channel.

Management team

Billi is led by a highly experienced management team with over 50 years experience in leadership positions to deliver on the growth opportunities:

- Passionately driven management team excited for the next stage of growth for the Billi business under a new ownership.
- Dedicated head office support team and staff that live the values and culture of the business.
- The Billi team is driven by a corporate culture that cares deeply about the brand, product and end customer.

Carl Crowley
CEO – Billi Australia Pty Ltd

Carl joined Billi in 2017 as CEO of then Waterlogic Australasia. Carl leads the organisation and is responsible for global and regional strategies for Billi. Prior to joining Billi, Carl was the Managing Director of Chubb Security and held prior roles at Coca Cola Amatil and Unilever.

Rachel Lu
CFO – Billi Australia Pty Ltd

Rachel has been the CFO for Billi since 2018. She leads the finance and IT team across the three regions. Rachel manages the short and long-term financial planning, ensuring financial accounting standard and tax compliance are met. Most importantly, Rachel and her team are focused on supporting the business growth and improving productivity. Before joining Billi, Rachel worked for other listed companies like Aristocrat Leisure and United Technologies in Australia, the US and the UK.

Operational highlights

The acquisition of Billi continues to be successfully integrated in line with a plan to achieve the identified operational benefits. Billi has a successful history of growth, with double digit revenue CAGR over the past five years, attractive margins and is highly cash generative. The trading performance to date has been in line with budget.

Key features and benefits of the Billi brand and products

Billi accelerates the Group's strategy within the water and appliances categories which is core to Strix's five-year plan.

1. Established and renowned brand

- Established in 1989, Billi is renowned for premium filtered water systems design and manufacturing innovation across its 30+ year history.
- Billi was the first in Australia (over 30 years ago) to offer the choice of filtered boiling and chilled drinking water from a single tap with a concealed under bench unit.
- Over this time, Billi has built strong brand awareness and is renowned amongst consumers, facility managers, plumbers and architects.

2. Strong market position with positive industry tailwinds

- Number two player in Australia and New Zealand for filtered water systems
- 25% market share in Australia and New Zealand.
- Growth in the business is underpinned by strong industry tailwinds:
  - Increase in premium commercial office fit outs.
  - Residential consumers viewing filtered water systems as a 'must have' product in their home.
  - Consumer preference towards healthier (less sugary beverages) and environmentally conscious (less plastic waste) solutions.

3. Superior design and innovation

Billi prides itself on being the leading designer of filtered water systems which are suitable for a wide range of commercial and residential applications and environments. Industry leading features include:

- Billi's water-cooled systems utilising heat exchange and energy reclaim technologies;
- space saving design, utilising up to 64% less space than competitor products;
- greater energy efficiency which generates far less heat than traditional air-cooled systems; and
- water-cooled systems that can be installed with no physical change to joinery.

Case study

LAICA S.p.A

The acquisition of LAICA in 2020 considerably augmented Strix's position in the water category and provides a global platform to facilitate future organic and inorganic growth, and its integration has progressed on track, despite the challenges presented by the COVID-19 pandemic in the last few years. Significant growth has been achieved under Strix ownership.

The Group made LAICA the European centre of excellence for new product development in the water and appliances categories and since its acquisition in October 2020, LAICA continues to provide strategic consolidation of Strix's water treatment range. It complements the Group's appliances category by driving efficiencies and providing a comprehensive portfolio of products for the Group globally. LAICA's solid trading performance in 2022 can be attributable 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, led by Riccardo Dolcetta as General Manager and Nicolo Zanuso as Financial Director, 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. Wider senior management have been given roles throughout the Strix Group, deepening the integration.

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 and wellbeing products.

The new and expanded LAICA brand portfolio for consumer goods 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.

LAICA revenues

£23.0m

FY 2022

Annualised growth

+1.3%

from FY 2021

> "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 plans to achieve the identified benefits and the trading performance has been resilient over the period."
>
> **Mark Bartlett**
> CEO

A cross-fertilisation of the customers of Aqua Optima and LAICA continued to progress, with the latter promoting Aqua Optima's products in Southern and Central Europe. The number of online retailers listing both brands (and private label) rose during H2 2022 and is set to grow further during FY23. Further product launches occurred during H2 2022, including 'Perfect Pour' a new water filtration dispenser initially targeting the US, the UK and Europe, and these are expected to have a greater impact on revenues during FY23.

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 almost 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 Strix products through long standing distribution channels across the globe, with a 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 the US.

Both Aqua Optima and LAICA water brands have seen growth year-on-year due to initial geographical expansion via Amazon sales. The Group now manufactures the majority of filters in-house in two locations including the LAICA factory, freeing us from third party risk, whilst allowing a new level of flexibility to offer our customers.

Manufacturing and engineering capabilities

The LAICA facility in Northern Italy brings Strix state-of-the-art and 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.

Case study

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.

Innovative

Throughout our history, Strix has understood the benefits of market disruption. For example, our founder, Eric Taylor, provided bomber pilots with thermal suit technology when these were new innovations. 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 2022, we continued to realise growth through the launch of additional innovative and sustainable products as well as through our value creation strategy of highly targeted acquisitions, namely LAICA and Billi, acquired in 2020 and the end of 2022 respectively.

Strix sold over

4.5m

filters in 2022

Each filter offers the capacity of over 100 plastic bottles suggesting that full utilisation of our filters could have potentially saved over 450 million plastic bottles.

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 SDGs 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, with the latter 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 micro-organisms and micro-pollutants 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. In farming, Strix's HaloPure water purification and sterilisation technology offers ongoing microbial control and prevents pathogenic microorganisms from reproducing. The result is 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 unrivalled system which can be reused and maintained over a number of years.

As a responsible business, we have an established contract with TerraCycle and drop-off points where consumers can return our Aqua Optima filters for recycling.

Aqua Optima

Strix launched Aqua Optima in 2005 and since then the range has continued to grow with more products added to the portfolio each 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 our efforts to reduce the impact of our business on the environment and communities, our Aqua Optima range combines the superior power of our filters and the compact and stylish appliance designs to provide convenient and energy saving sustainability solutions to our consumers.

Aqua Optima water filters

Aqua Optima's Evolve+ range of filters use a unique five-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 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 2022, Strix continued to make improvements to the adapter that allows the Evolve+ range of filters to be compatible with the leading brand's products well into the future.

Aqua Optima filter jugs

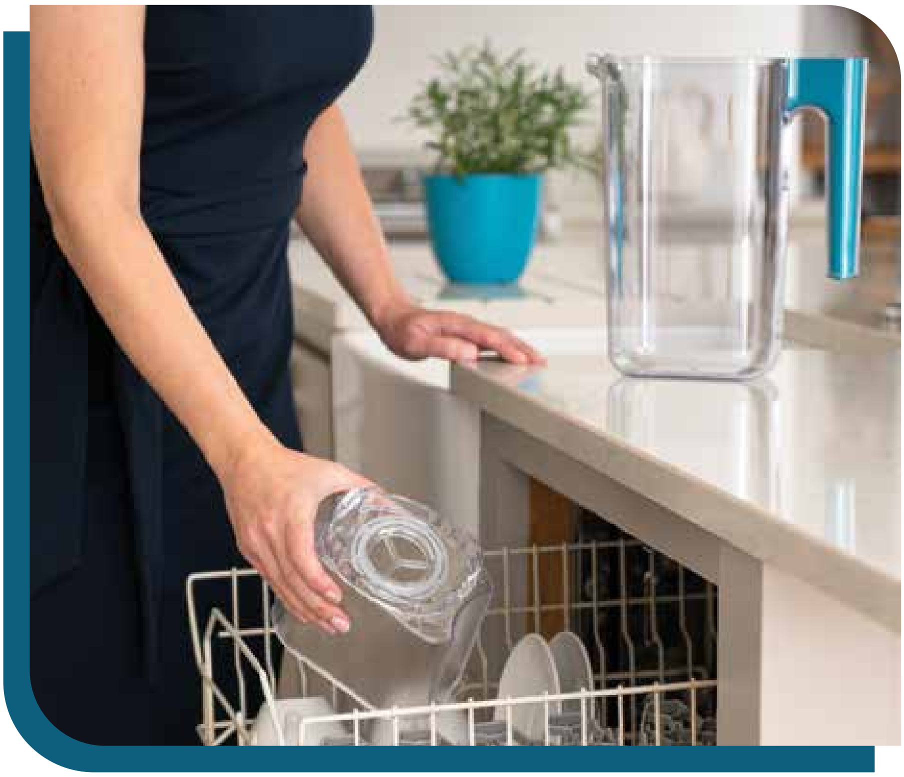
The unique formulation used in Aqua Optima filter jugs extends life by reducing the levels of limescale and chlorine and it gives extra clarity to filtered water and greatly improves the quality and taste of water. All Aqua Optima filters and jugs are BPA free.

Historically, the Group sourced its pitcher jugs from a supplier in Eastern Europe. However, with the in-sourcing production facilities from the new Chinese factory, the Group leveraged its new factory and is now bringing the design and manufacture of its range inhouse. The move allows the Group to better secure its supply chain and achieve efficiencies whilst maintaining Strix's established manufacturing excellence and the quality of its products, while securing more consistent pricing.

This strategy will allow the Group to extend its global reach with the Aqua Optima brand.

Outlook for Aqua Optima range

- The Group seeks to extend its market share by expanding into new markets.
- 200-plus contracts with high end retailers and distributors have been secured during 2022.
- Continued enhancements to the appliances, jugs and filters to keep up with consumer demands.



Case study

An in-depth look into Strix's primary growth categories: **Water and Appliances** continued

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 OEM's and consumer appliance specialists. The below reviews some of our successful product launches to date within the appliances categories.

Aurora product range

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 one of the leading 'plug & go' hot and chilled water dispensers on the market – helping users save space in the kitchen by combining the functionality of a kettle, water chiller and filter – without them 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 2022, Aurora appliance products increased threefold year-on-year. This is expected to increase significantly in the following years through online marketing.

Superfast Steriliser-Dryer

The Steriliser-Dryer was launched in August 2022 in the strategically important US market with the leading Baby Care brand, Baby Brezza. The world's quickest 'superfast' steriliser-dryer is powered by patented Strix technology and allows busy parents to sterilise and dry baby bottles and accessories in just 10 minutes – under half the time of most other steriliser-dryers on the market. Designed with parents in mind, the superfast steriliser-dryer gives parents peace of mind, killing 99.9% of germs with natural steam. It has a high six bottle capacity and is designed with ease of use in mind.

To date, the product has exceeded expectations with 4.5 star consumer reviews and growing sales. Further growth is expected in 2023 as we work with Baby Brezza to roll out globally.

Smart Glass Vacuum Canisters

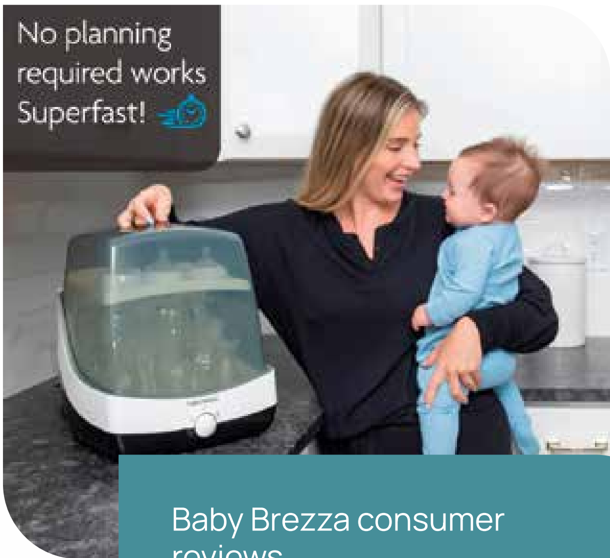
Launching in September 2022, the LAICA smart vacuum canisters and accompanying app is helping us in our goal to promote a more sustainable cuisine and a balanced diet that reduces food waste as much as possible. In addition to helping keep food fresh for up to four times longer, the new smart canisters are made of 100% recyclable glass which also better preserves the characteristics of food versus traditional plastic containers. With the free LAICA home wellness app, we also help users organise their fresh food, nudging them towards less waste with convenient reminders relating to expiry dates for the food in their fridge.

"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."

Mark Bartlett
CEO

70m litres

The UK consumer over boils 70m litres of water per year. The Aurora premium water dispenser helps to combat this waste.



Baby Brezza consumer reviews.

Smart glass vacuum canisters helps reduce food waste.

Strix Group website

Improved functionality and an optimised performance

During the year, the Group redesigned its website to enhance the user experience through improved functionality and optimised performance, providing a fresh look which is aligned to the Group's branding guidelines and giving users access to relevant, up-to-date content.

As a listed entity, we serve various stakeholders with different information needs and the new website appeals to all stakeholders, while providing relevant information about the Group's business. The website is accessible to the public at the following URL: strixplc.com.

The redesign of the website is not just a cosmetic change, but, as an innovative and professional entity, it is a strategic investment that promotes the Group's objective to adapt and evolve in this ever-advancing digital era. Through the new website the Group will be able to:

- strengthen its online presence and brand identity;
- provide a reliable platform under one banner where the Group can communicate to its target audience more effectively on matters such as its solutions which are available in its product portfolio, periodic financial and non-financial reports, future outlook, significant projects underway, milestones and any other key matters;
- enhance its site performance and provide a better user experience, while making it easier for visitors to navigate, find information and take action (where necessary);
- attract, engage and convert more prospects into customers, partners and/or investors; and
- align with the current needs and goals of the business and reflect its growth, evolution and direction.

The key sections on our website are as follows:

About Strix
"Safer by design"

Under the Company section (which is accessible in the following URL: strixplc.com/company), users are introduced to the Group, its Board of Directors and Senior Management team, brands, partners and the key pillars which drive the business, namely safety, innovation and quality. The page offers a detailed narrative of the Group's rich history and excellent achievements over the years as well as some insight into the vision, mission and values behind the Group's progression and success.

From the invention of the very first revolutionary thermostat to control heated flying suits, Strix has evolved over the years to become a listed, global leader in the innovation, design, manufacture and supply of kettle safety controls, heating and temperature controls, steam management and water filtration technologies with a wide reach around the globe. Every day, Strix technology, as represented by all of the Group's brands, is used more than 1 billion times, in more than 100 countries.

The Group has retained its market leader position in the kettle control market with the recent build of the £20 million manufacturing facility in China. This is further cementing its objective to remain in the lead. It has also engaged in disciplined and targeted merger and acquisition activities over the years with HaloSource, LAICA and more recently Billi joining the Group to accelerate its growth opportunities in the water and appliances market. And ow, more than ever, the Group offers an attractive investment case with its 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.

Every day, Strix Technology is used over 1 billion times globally. Strix Technology innovates safety and design for a sustainable future.

Controls

Baby care

Food prep

Water filtration

Hot water on demand

Beverage

Garment

Our technology

Get more information about the Group's innovative technology on the following URL: strixplc.com/our-technology.

The Group has dedicated brands for pioneering technologies and adopts a forward-thinking, innovative approach when designing sustainable technologies. The Group's portfolio of brands and specialist technology categories offer best-in-class products and service covering kettle safety controls, heating and temperature controls, steam management, water filtration and purification, wellness, health and living.

Strix technology, via the key brands of Strix, astrea, LAICA, Aqua Optima, HaloPure and Billi, is featured in products from leading brands around the world. Whether it is a kettle, a formula maker or a water filter, brands choose Strix Technology because it is Safer By Design. The Group's vision of a sustainable future, delivered by safe and innovative technology, is brought to life by our partners around the world.

Our brands

Strix Technology | LAICA | HALO PURE | astrea | Billi | AQUA OPTIMA

Strix Group website continued

Sustainability

The website gives an overview of the Group's sustainability efforts as well as providing access to our most recent and past ESG reports for users on the following URL: strixplc.com/sustainability

The Group is headquartered in the Isle of Man, a UNESCO-designated biosphere and world heritage site, which makes us even more committed to truly putting sustainability at the core of our business. The Group has operations in other locations around the globe and sustainability is an overarching ethos which requires equal determination and commitment at all levels across the organisation.

To date, the Group's appliances offer simple sustainable solutions to reduce water and energy waste, from the kettle control devices, which save approximately 5 billion kg of CO_2 a year, to the water portfolio, which helps replace over 450 million single-use plastic bottles a year, and our commitment to achieving a net zero Scope 1 & 2 emissions by 2023.

CO_2 emissions saved per year

5bn kg

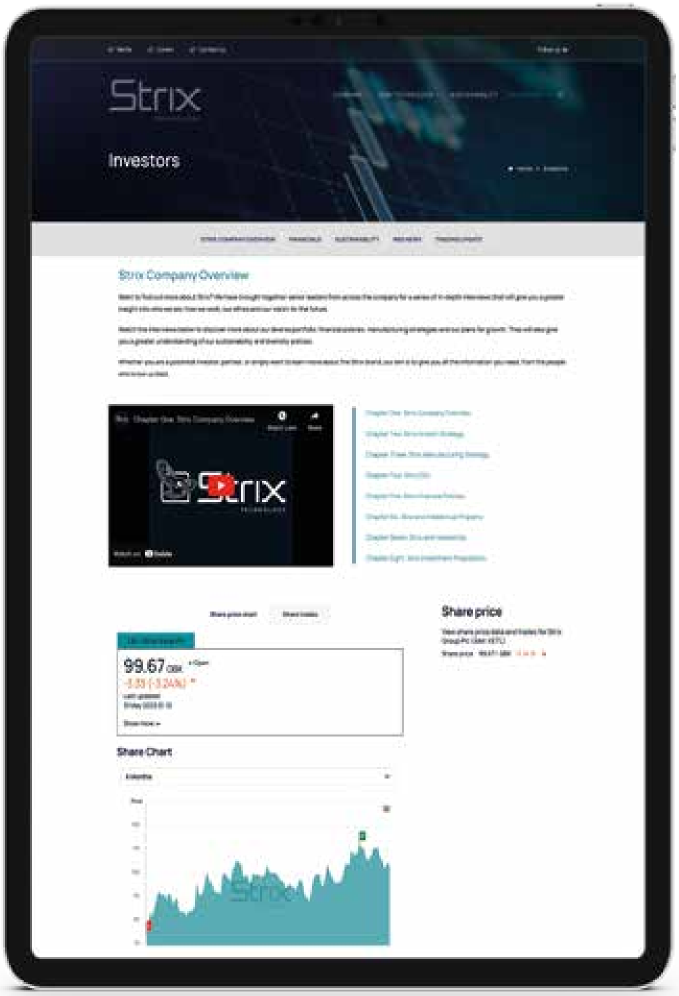
by our kettle control devices

We are committed to building TODAY the world of TOMORROW. Whilst led from the top, this overarching ethos requires equal determination and commitment at all levels across the organisation and is regulated by a specific array of reporting criteria.

Single-use plastic bottles replaced per year

450m

by our sustainable appliances solutions



Investor section

One group of key stakeholders are our investors, both existing and potential, and our aim is to provide them, as well as all other stakeholders, with the information which they need for their investment and other decisions. Users have access to a series of in-depth interviews from the Group's Senior Management gives greater insight into who we are, how we work, our ethos and our vision for the future. The interviews help users discover more about the Group's diverse portfolio, financial policies, manufacturing strategies and our plans for growth. They also give a greater understanding of the Group's sustainability and diversity policies. Also in this section is a collection of all financial and non-financial reporting including the annual reports, ESG reports, investor presentations, regulatory news services announcements (RNS) and documents and trading update, as well as all other relevant compliance and regulatory reports which are safe for public access. Users also have access to reliable share price data and share trades for Strix Group Plc (AIM: KETL) on the new website and this conveniently negates the need for them to look for this information from any other sites.

As a listed entity, the Group provides various options through which users who visit the website can contact Strix where necessary.

Check out the Group's informative investor section on this URL: strixplc.com/investors.

Whether you are a potential investor or partner, or simply want to learn more about the Strix brand, our aim is to give you all the information you need, from the people who know us best.

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.

Risk	Our shareholders	Our employees
Why do we engage?	As ultimate owners of the business, we engage with our investors to provide 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 11 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 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 via the Company Secretary.	• 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 and employee directory amongst other things. • Periodic employee surveys and annual reviews as a feedback platform. • An 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 ISOs.

> "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

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's 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 and RISE Against Hunger. • 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 the 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 Sustainable Development Goals. • Continued research and development of energy efficient kettles to reduce wasted energy. • Investment in 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 the 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 the risk 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 of the 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 on the following pages 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 an *italicised typeface*.

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. *Reputation with customer base*
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, including some of the largest OEMs in the global market. The top 10 customers contributed c.42% of the Group's revenues in the financial year ended 31 December 2022 (2021: c.41%), with the largest customer making up c.14% (2021: c.12%) of the Group's revenues. The loss of any of these key customer relationships could have a material adverse effect on the Group's business, financial position and results of operations.	• Strix undertakes regular dialogue with its key customers, building strong commercial and engineering relationships. • Strix is 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. • Strix regularly reviews and manages 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 the Group's business and, if required, the engagement of alternative suppliers may increase the Group's 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 reliability 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 the Group is not able to mitigate this by reducing costs accordingly, the Group's revenues and profitability may be negatively affected. The markets in which the Group 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 recently 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 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 the remnant impacts of recovery from the COVID-19 pandemic. The Board monitors this closely and have put in place appropriate steps to mitigate the impact. 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 the Group's 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 the 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 twelve months in advance for silver and copper, with prices already secured in 2022.	Movement: No change
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 macro-economic 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 the Group's risks and is taking targeted actions where necessary.	Movement: No change

Movement key:
Increase | Decrease | No change

Risk	Impact	Mitigation	Status
Financial risks			
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 the Group operates. 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 Dollar (USD), Chinese Yuan Renminbi (CNY), Euro (EUR), Australian Dollar (AUD), New Zealand Dollar (NZD) and Taiwan Dollar (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 the Group 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. • 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

Principal risks continued

Movement key:
Increase | Decrease | No change

Risk	Impact	Mitigation	Status
Financial risks			
Business taxation	The Group currently operates across a number of jurisdictions globally, 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 main tax jurisdictions for the Group are Italy, Australia and China, with other tax jurisdiction for the Group in the UK, the US, Hong Kong, Spain, New Zealand 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 jurisdictions 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, Strix converted its 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
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. The Group's 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 the Group underlying margins, profitability and performance.	• The Group has 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. • The Group successfully implemented price increases on some of its legacy products in both kettle controls and water categories, as well as across the wider range, with effect from 1 May 2022 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 twelve months in advance for silver and copper to ensure availability of stock for minimal disruptions to operations. • Holding of finished stock in different districts in order to minimise any disruptions. • 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: Decrease

Movement key:
Increase | Decrease | No change

Risk	Impact	Mitigation	Status
Operational risks			
Impact of COVID-19	The Group currently manufactures the majority of its products at the manufacturing facility in Zengcheng, China, and also in Italy and now Australia (following the acquisition of Billi). COVID-19 lockdowns persisted into the second half of FY 2022, mainly in China with more stability prevalent in other territories. From an operational standpoint, if the COVID-19 outbreak is contracted by employees within our factories, 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 interrupt outbound logistics options.	• The Group is continuously monitoring the impact of COVID-19 from both an operational and financial standpoint. • The Group has 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. • The Group has created an emergency response team and released guidance to all employees stipulating best practices and mitigating the spread of misinformation. • The Group has aligned IT systems to support evolving working requirements. • Global vaccination efforts progressed well in alleviating the severity of COVID-19 related illness.	Movement: Decrease
New and existing manufacturing facilities	In addition to facilities in the Isle of Man and Italy, the Group recently completed the construction of its new factory in Zengcheng, China, and currently manufactures the majority of its 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, the Group's 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. • Strix has 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

Principal risks continued

Movement key:

Increase Decrease No change

Risk	Impact	Mitigation	Status
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 Strix 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. The Group's success will in part depend on its ability to establish, protect and enforce proprietary rights relating to the development, manufacture and 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. • The Group actively monitors 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 is sought.	Movement: No change
Cybersecurity	Cybersecurity 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 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. • Employees across the whole Group have received extensive training about IT security and potential risks. This is supported by a continuous awareness programme to further explain what measures need to be taken to ensure consequences are minimised. • Should a cyber incident occur, such as one the Group experienced in February 2022, the Group has 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 plan maintenance, back-ups and testing. • Further strengthening of disaster recovery (DR) plans to ensure that different geographical locations may continue if a breach occurred elsewhere.	Movement: No change

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.

The new manufacturing operations in China are fully operational with increased efficiencies of 6.1% in FY 2022 as compared to FY 2021.

There will be reduced capital expenditure and working capital and no further investment in new builds in the medium term as the Board's capital allocation priorities are focused on reducing the net debt/EBITDA ratio and increasing cash flow generation.

Dividend policy

Since IPO, the Group has demonstrated a progressive dividend policy. Following feedback from investors, and as capital allocation decisions prioritised debt reduction, the Board decided after reviewing the level of net debt to propose a final dividend of 3.25p per share to give a total dividend of 6.00p per share for the year.

This represents a decrease in the dividend growth rate of 28.14% in comparison to the dividend per share which was declared in 2021.

Value accretive acquisitions

The Group successfully completed the acquisition of Billi in FY 2022. Billi is a premium brand with a history of growth, with double digit revenue CAGR over the past five years, attractive margins and is highly cash generative.

The acquisition materially changes the earnings profile of the Group, accelerating the growth plans for the water and appliances categories and supporting the medium-term ambition to increase the contribution from these categories.

The management team will prioritise the integration of Billi to unlock anticipated revenue and cost synergies and thus maximise the Group's highly cash generative operational model. As a result there will be no further acquisitions in the medium term.

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 the Group to limit the risk of non-payment and working capital fluctuations.

At year end, the Group's net debt had increased to £87.4m to fund the Billi acquisition as a drive to achieve continued investment in compelling growth opportunities. This represents a net debt/adjusted EBITDA ratio (calculated on a trailing twelve-month basis) of 2.2x (2021: 1.3x).

As at 31 March 2023, the Group continues to have significant available liquidity, consisting of a cash balance of £15.1m.

Strix has applied its Capital Allocation Framework during 2022 as follows:

- The Group successfully completed the acquisition of Billi which was funded through an equity raise and a debt refinancing consisting of an extension of the existing revolving credit facility (RCF) and a new term loan.
- For the year ended 31 December 2022, the Board proposed a final dividend of 3.25p per share which results in a total dividend of 6.00p per share. This represents a decrease of 28.14% in comparison to the full dividend for FY 2021. The reduction was a result of the Board's capital allocation priorities which now focus on debt reduction and cash flow generation.
- Paid additional consideration of £1.67m 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 resilient trading performance in its second full year post acquisition.
- Funded net working capital movements worth £2.6m which represents a decrease in cash outflows compared to the prior year. The decrease was mainly due to the net effect of procurement outflows towards stock purchases and settlement of creditor balances which were partially offset by receivables collections.

ESG and sustainable investing

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 ISO standards.

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 ESG committee led by Richard Sells, our Non-Executive Director.

KPI commentary

During 2022, a key area of focus has been on emissions. Our target still remains for net zero Scope 1 & 2 emissions to be achieved in 2023 (excluding Billi), which continues to demonstrate our level of ambition. Regarding emissions, these declined in 2022 by 21% assisted by the lack of dual plant operations seen in 2021 as the new Chinese facility was commissioned along with the benefit of the Chinese solar array.

Regarding water usage, this significantly declined assisted by the lack of commissioning requirements in China, consequently showing in improvement in our water intensity which is currently well ahead of KPI targets. Waste also improved significantly, again benefiting from the new Chinese facility and will continue to progress assisted by higher levels of automation and further product miniaturisation.

From a personnel perspective, health and safety remains an important focus for the Group. The key measure of lost time frequency rate continues on a downward path with the three-year average, used to eliminate the impact of short-term fluctuations, less than half of the level seen in 2019. ISO45001 Occupational Health & Safety certifications were also obtained at all sites, including LAICA, in 2022. From a workforce and diversity perspective, the proportion of women in senior management remained stable at 27.3%, whilst across the Group we retain a positive balance with women accounting for 50.8% of the overall workforce.

The Group has aligned its strategy towards sustainability within the core business activities with the UN Sustainable Development Goals (UN 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, with the related targets and 2022 performance reviews:

> "Our sustainability platform is delivering improved KPIs and benefits to all stakeholders, helping to promote our goal to become a world leading innovative and sustainable technology business."
>
> **Mark Bartlett**
> CEO

Climate action	Our Scope 1 & 2 emissions targets still remain achievable in 2023 (excluding Billi), and based on the 2022 performance reviews as shown in detail in our recently ESG report available on our website (strixplc.com/documents-reports.html), these are ahead of our targets.
Resource intensity	Regarding energy consumption and intensity, our target remains at a '3% reduction' which has been reached based on 2022 performance reviews (details in link above), with full year benefits realised from initial China installations.
Waste and recycling	Focus is on implementing ISO 50001 and ISO 45001 certification across the key manufacturing sites.
Clean water and sanitation	Our target of a 3% reduction on water usage and intensity has also been reached based on 2022 performance reviews, with full year benefits realised from initial China installations, meanwhile preserving the target of a 2x growth in water business which continues in a positive trend.
Health and safety	Regarding health and safety, a continued positive trend (on a rolling three year basis to end-2023) can be seen based on 2022 performance reviews evident from a reduction in the Lost Time Incident Rate (refer to the detail in our ESG report in the link above).
Gender equality and employees	On gender equality, we maintain, and continue to enforce, our policies regarding diversity thinking throughout the organisation and we have maintained the same levels of diversity in senior management from the previous year.
Innovation	Innovation remains key to our sustainability strategy, and we aim to continuously reduce precious resources, including the increased use of recycled materials, in a research and development processes. Based on 2022 performance reviews, we have managed to retain high levels of investment in R&D in relation to sales, in addition to acquisitions made in recent years.

Billi was acquired at the end of November 2022, providing an extension to the Strix product range and is fully aligned with the Group's sustainability driven growth.

Billi's product portfolio extends Strix's capabilities and product offering through its supply of premium filtered and non-filtered instant boiling, chilled and sparkling water systems for domestic and commercial applications, accompanied by its supply of recyclable filtration systems and aftercare services.

Billi's unique thermodynamic heat-exchange system uses change-of-state technology which harvests the heat energy generated during the chilling cycle to preheat the water going into the boiling tank. This enables Billi systems to achieve substantial energy savings for customers. Billi's premium filters have been integrated with Pentair's unique three-layered Fibredyne™ technology which retain impurities to reduce blockages, hence improving flow rates.

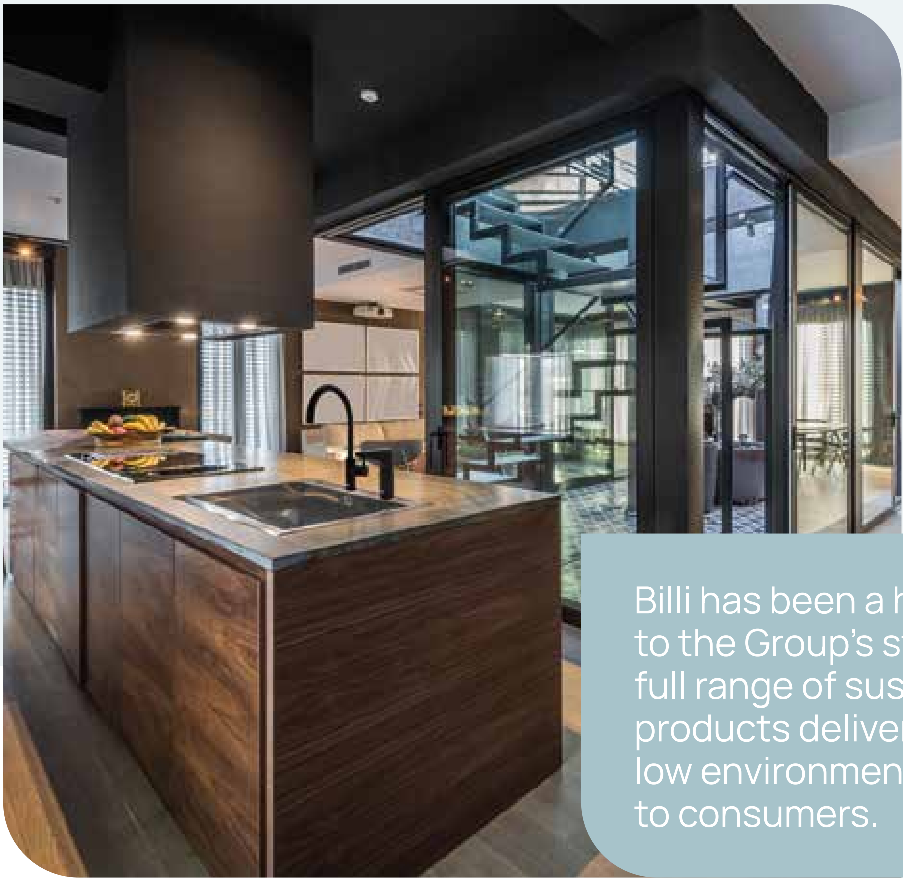
Safety is a concern in the hot tap sector, particularly in the domestic environment. Billi has designed and incorporated a range of safety features including safety lock, splash free cup filling systems and design features for disabled users.

Billi's major product ranges are recognised as eco-friendly products by Global GreenTag with a Trusted Brands – Gold Award, which is one of the world's most robust, trusted and widely recognised ecolabels. They independently assure that every product is fitness tested and certified under leading certification programmes that use the world's best scientific methods.

From an operational perspective, Billi is advanced in many areas such as its use of solar energy which accounted for over 50% of electricity requirement – seasonal variations providing the primary limiting factor.

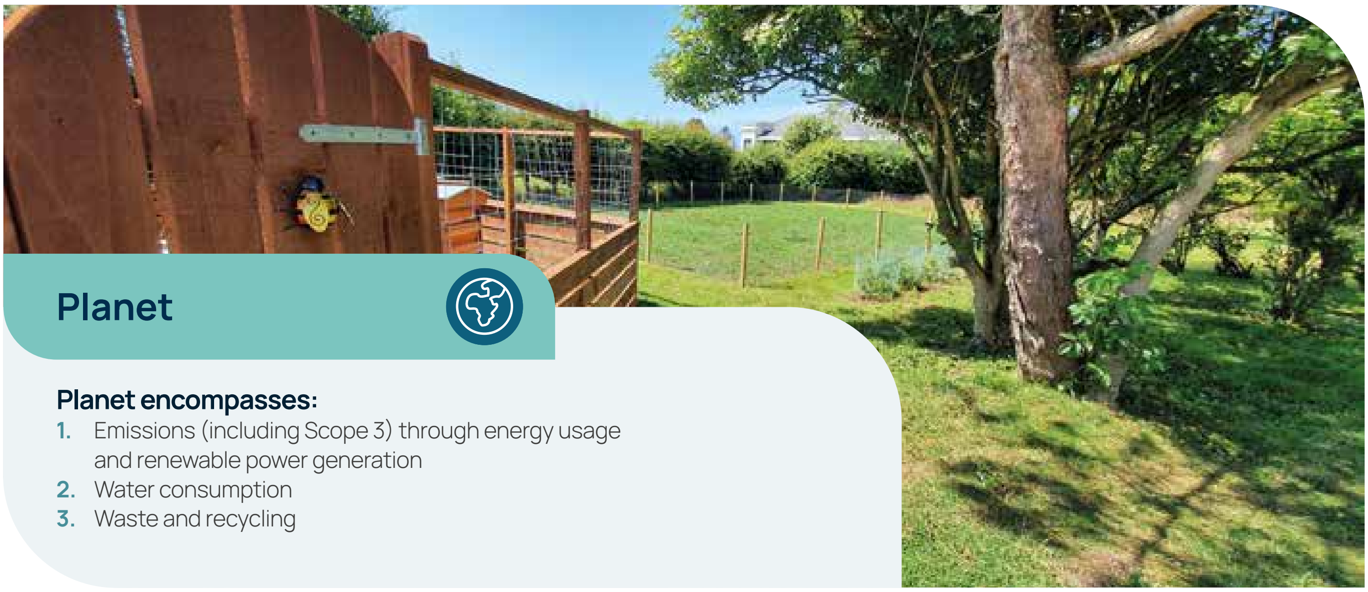
Billi integration with Strix

The preliminary work to align Billi with the Strix sustainability metrics is already underway. Work in 2023 will include a roadmap to ensure full integration, including Strix KPIs and targets. As with LAICA, this is expected to be a two-way process; Strix is more advanced in areas such as emissions reporting and operational certification (e.g. ISOs) but can benefit from Billi's strengths in product development and product certification.



Billi has been a high quality addition to the Group's strategy to provide a full range of sustainability orientated products delivering high quality/low environmental impact water to consumers.

Sustainability strategy – Planet, People & Purpose



Planet

Planet encompasses:
1. Emissions (including Scope 3) through energy usage and renewable power generation
2. Water consumption
3. Waste and recycling

1. Emissions (including Scope 3) through energy usage

Direct greenhouse gas emissions (Scope 1) arise from sources that are in the Company's possession or under its control. Indirect greenhouse gas emissions (Scope 2) arise primarily from the use of purchased electricity. Scope 3 emissions reflect the impact from our full value chain – both up and downstream, from cradle to grave.

Emissions were down in the year assisted by the closure of the old plant.

Overall energy consumption declined in the year assisted by the closure of the old Chinese facility. However, it must be noted that the new larger plant inevitably requires more energy given the significant expansion in capacity and investment in areas such as automation. The Chinese new factory is now ISO50001 Energy Management certified which will assist in developing future plans to reduce energy consumption.

The new factory in China has proved to be an ideal platform for the adoption of solar technology with an additional investment of c.£100k made in the year to increase capacity by 10%. Internally, energy generation accounted for over 10% of the electricity required for the Chinese factory and over 9% of total Group consumption.

Work continues on the potential for other initiatives, including solar at LAICA in Italy and even at Ramsey in the Isle of Man. We note that this is an area where Billi is already well advanced with over 50% of electricity requirements supplied from their own solar capacity.

Regarding Scope 3, in 2022, the complex process of measuring our emissions was undertaken for the first time, developing a full carbon inventory and profile of Strix's value chain, using GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard. Like many industrial companies Scope 3 dominates Strix's overall carbon footprint, accounting for nearly 99% of Strix emissions. Indeed, we expect this number to rise towards 100% as we drastically reduce our Scope 1 & 2 emissions from 2023. More Scope 3 details are included in our ESG report available at the following link: strixplc.com/sustainability

2. Water consumption

Water consumption reduced significantly, benefiting from the lack of new plant commissioning, including testing, dual running of the old facility and overall lower volumes.

We are confident that our water is not extracted from areas of water stress and we are cognisant of the quality of water returned from our facilities.

3. Waste and recycling

The overall reduction in waste has been driven by the new Chinese facility and lack of dual facility running seen in 2021.

Improved layout and processes combined with the continued adoption of automation – now 77% of lines up from 68% in 2020 – have led to improved efficiency.

Waste inherent in the manufacturing process, such as swarf from machining, is effectively 'designed in' at the production stage requiring a redesign of the process, normally associated with a new version of a product, in order to address it. The lower volumes inevitably lead to lower absolute levels of waste, hence the importance of the reduction in the waste intensity reported.

> "Strix philosophy and sustainability ethos follows the Planet, People, Purpose. These three Ps provide the guidance as to how the business is developed to thrive and serve all its stakeholders from a sustainability strategy point of view, which continues to follow the UN SDG-compliant eight pillars."
>
> **Mark Bartlett**
> CEO

People

Our strategy is built on four key building blocks:

1. Health and safety in the workplace
2. Diversity and inclusion
3. People progression and development
4. Engagement and wellbeing

Strix maintains the family ethos of its origins in its approach to employee engagement and welfare. Not only do our people provide the intellectual capital which enables the Group to thrive, but they also produce the physical products which enable the Group to operate.

1. Health and safety in the workplace

The safety of all employees is paramount and a key Group KPI, reviewed at every operations board meeting. Continuous training and awareness, along with a safety first culture, are embedded in all our operations.

All Strix facilities have been certified with ISO45001, a paramount health and safety standard, including LAICA. Recorded accidents reduced in 2022 from the prior 2021 reporting year. We continue to look to work towards the ultimate goal of zero accidents.

2. Diversity and inclusion

Strix is committed to being an equal opportunities employer and prohibits unlawful discrimination on the grounds of age, disability, gender identity, gender (re) assignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex or sexual orientation.

Strix diversity is best demonstrated by the senior management group which includes Chinese, Turkish, Greek Cypriot, Australia, New Zealander, African, European, American, and British nationals, spread across multiple jurisdictional Strix locations.

We are proud of our gender equality with 51% women and 49% men in the Group, with 27.3% women in management roles. Emissions were down in the year assisted by the closure of the old plant.

3. People progression and development

Significant resources and efforts have been made to improve training (learning and development) across the Group with a blend of in-person training, including mentoring, and an e-learning platform to provide best-in-class programmes and flexibility.

E-learning

Key milestone on this path includes the introduction of our e-learning platform, hosted by the Kallidus platform. This has enabled us to ensure a consistent message and understanding of important ethical and compliance principles, as well as providing a wealth of soft skills and personal development tutorials. In 2022, learners participated in an average of 9 hours of learning on the platform, 2 hours 15 minutes of which were dedicated to health, safety and the environment.

Face-to-face training

New hire and training investments were made in China in October 2021, with a team of 15 in-house trainers, covering a range of specialist topics. All undertook a Train the Trainer (TTT) programme. Also, of particular note in our now comprehensive learning and development resource is a programme for operational team leaders and supervisors.

Progression – job grades and career ladders

For career progression, or simply in-role development, we have mapped and signposted multiple paths, enabling both technical and 'soft' skills acquisition, depending upon individuals' ambitions and preferences. For career progression, or simply in-role development, we have mapped and signposted multiple paths, enabling both technical and 'soft' skills acquisition, depending upon individuals' ambitions and preferences.

Future plans

The plan is to maintain the pace of our transformation into a true learning organisation. We will further enhance the internal trainer team skills sets in China and look to mirror the same in the Isle of Man, Italy and now Australia and New Zealand following the acquisition of Billi.

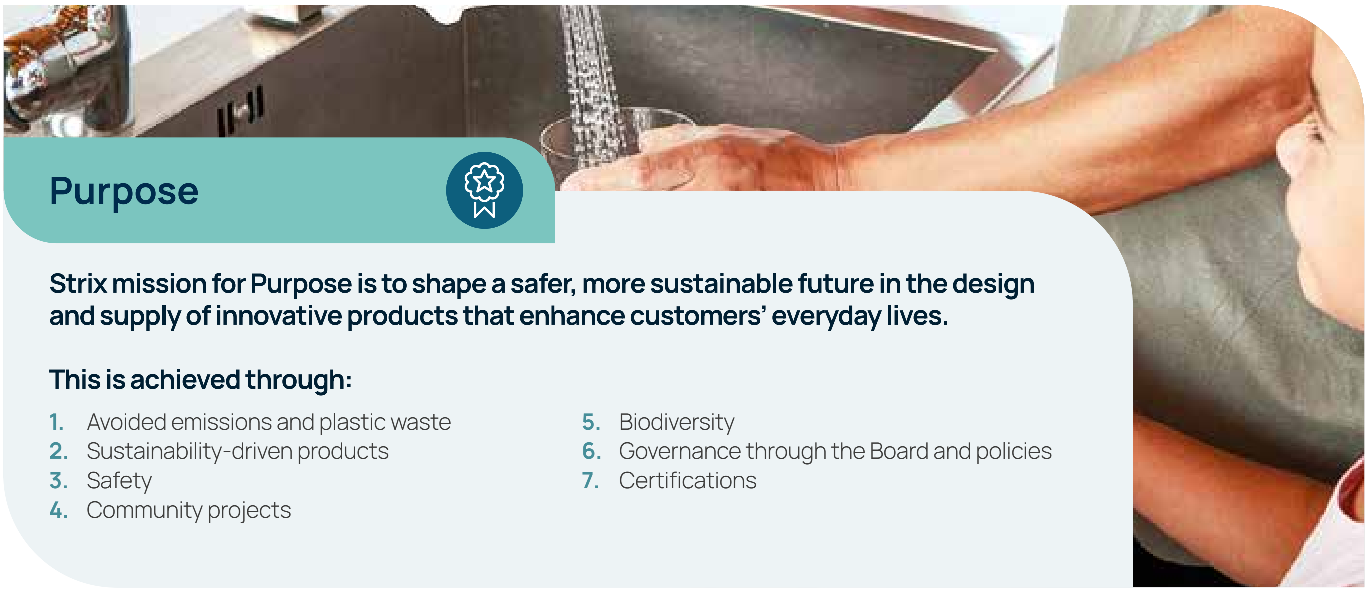
4. Engagement and wellbeing

We provide high quality off-site dormitory accommodation in China. Transport is provided through free shuttle buses for daily commute to all the employees.

From a welfare perspective, we provide free health checks to all the employees every year and our employees are entitled to above average levels of annual leave plus parental leave, marriage leave and compassionate leave.

Acknowledging local tradition, small gifts are offered to employees at festivals, such as Spring Festival, Mid- Autumn and Women's Day. In addition, in recognition of the time often spent away from families, we organise a range of employee trips.

Sustainability strategy – Planet, People & Purpose continued



Purpose

Strix mission for Purpose is to shape a safer, more sustainable future in the design and supply of innovative products that enhance customers' everyday lives.

This is achieved through:

1. Avoided emissions and plastic waste
2. Sustainability-driven products
3. Safety
4. Community projects
5. Biodiversity
6. Governance through the Board and policies
7. Certifications

1. Avoided emissions and plastic waste

The key product for Strix is the kettle control which enables safe functioning of an electric kettle and the adoption of water heating technology. This clearly shows that the kettle is the most efficient method to minimising emissions and energy consumption, as Strix controls enable switching from other forms of heating to electric kettles, thereby reducing emissions.

Regarding plastic waste, Strix, primarily through its LAICA business and its Aqua Optima brand, is playing its part in avoiding the proliferation of 'single-use' plastics whilst promoting recycling and responsible disposal. Strix sold over 4.5 million filters in 2022. Each filter offers the capacity of over 100 plastic bottles suggesting that full utilisation of our filters could have potentially saved over 450 million plastic bottles.

2. Sustainability-driven products

- For kettle switches, we look to reduce energy consumption through a range of developments such as variable switch-off temperatures, increased accuracy to avoid over-boiling and 'keep warm' functionality to reduce reboiling energy consumption.
- In the water category, the focus is on filtration technologies to improve the quality of water whilst reducing the product footprint, hence ensuring customers get premium water with a reduced environmental impact.
- In appliances, the focus is on creating products for sustainable living. Often this involves bringing together our thermal and water capabilities as seen in the range of single serving drinks dispensers. These solutions will be significantly enhanced through Billi and their hot tap product range. LAICA products are focused on the health segment.

3. Safety

Strix remains committed to consumer safety and continues to prompt regulatory enforcement authorities to remove unsafe and poor quality products from its major markets. Four such actions were undertaken in 2022 resulting in product recalls and withdrawals.

4. Community projects

The introduction of two paid-for charity days per employee in the West workforce has significantly increased the Group's ability to interact with the community, targeted at the less fortunate and the young.

We have raised money for a range of charities including Save the Children, MacMillan Cancer, Breast Cancer Awareness and Movember. We supported Isle Listen, a local charity during Mental Health Week.

Strix employees undertook a variety of activities including:

- supporting STEM Fest in the IOM;
- hosting a visit to our Headquarters for 75 children from years 3 and 4 from a local primary school;
- participating in the IOM Graduate Fair and Employment Skills Fair;
- supporting the Junior Achievement Company of the Year Programme; and
- volunteering for the local charity Junior Achievement.

5. Biodiversity

Sustainable development is crucial in reducing the impact of human activities on the planet and enhancing life for all in line with the 17 UN SDG goals. Bringing biodiversity onto the agenda promotes a proactive mind set on how the Company can enhance nature and the planet we inhabit as much as addressing negative impacts.

As part of an ESG initiative for 2022, we began to repurpose the gardens at our Headquarters in the Isle of Man. This has included the development of wildflower plots, a dedicated bee yard and the introduction of a composting area.

We introduced four beehives on the grounds, with their own dedicated bee yard. These bees were locally sourced and relocated to the property.

China has been focused on commissioning of the new facility and development of the solar arrays.

6. Governance, through the Board and policies

At Strix, we set expectations of the highest standards which we expect to be carried out throughout the organisation. Our policies include:

- zero-tolerance in our Anti- Bribery and Corruption Policy Statement;
- zero-tolerance in our Anti-Harassment and Bullying Policies;
- zero-tolerance in our Anti-slavery and human trafficking; and
- an open, anonymous and fair Whistleblowing policy.

The Board is committed to effective corporate governance as the basis for delivering long-term value growth and for meeting shareholder expectations for leadership and oversight of the business, including its sustainability strategy. The Company adheres to the QCA Code which provides a strong foundation for delivering shareholder value and serves to mitigate and minimise risks.

The executive team's long-term incentive plans are aligned to our sustainability agenda and targets, and the Remuneration Committee has set an energy reduction target, in line with the Group's KPIs for 15% of the LTIP award.

The Board looks to continue two-way dialogue with all shareholders through presentations and meetings and to incorporate their views as appropriate.

7. Certifications

The new Chinese plant achieved full ISO accreditations in 2021 and 2022 (including ISO50001 for Energy Management) whilst LAICA achieved ISO14001 in 2022 and was awarded ISO45001 in early 2023. Consequently, we are pleased to have the key ISO standards achieved at all our plants, with the focus in the rest of 2023 to acquire full ISO accreditation of the recently acquired Billi operations.

2022 sustainability highlights

Event	2022	2021
Scope 1 & 2 emissions (tCO_2e)	6,156	7,695
Energy usage (MWh)	14,052	15,666
Renewable electricity generation (MWh)	1,193	0
Waste generated (tonnes)	1,301	1,969
Lost time injury frequency rates per 200,000 hours	1.00	0.95
Diversity – Women in senior management roles	27.3%	27.3%

"The level of ambition, the speed of action and the integration of a sustainability lead philosophy continues to impress, being on a par with far larger organisations."

Richard Sells
Main Board Non-Executive Director and Head of the ESG committee

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

Governance

Board oversight

Climate issues are assessed by the full Board reflecting the weighting which the Directors place on the risks and opportunities along with the relative size of the Board and scale of the Group. Richard Sells, Non-Executive Director, provides additional oversight on leveraging his career at Electrolux and its long held focus on sustainability. 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. The Board provides the final sign-off on the Group's sustainability and hence climate targets and the associated investment. The Board is also responsible for overall strategy and ensuring that investment is aligned to the sustainability objectives with the recent acquisition of Billi providing a high profile example of such alignment.

The Remuneration Committee, comprised of the three independent Board Directors, is responsible for the executive team's remuneration including LTIPs. Within the executive LTIPs this includes targets associated with the Group's sustainability agenda, including emissions-related elements, along with monitoring of subsequent achievement.

Management's role

The Operations Board provides the key executive management forum for climate change and sustainability. It is chaired by the Chief Commercial Officer & Managing Director Consumer Goods, Harry Kyriacou, and includes personnel responsible for engineering, commercial, technology, health and safety, human resources and finance. In terms of climate risk matters, Matt Thomas, Divisional Operations and Project Delivery Director, has a key role in respect to climate change, responsible for assimilating climate-related data. He is supported with both internal and external resources.

Climate opportunities for new products are again prioritised across the Operations Board. The Group continually looks to enhance its new product development programme along sustainability driven corridors, enhanced by a through-the-life cycle analysis, carbon accounting, circular economy, consumer safety and potential legislative changes.

Strategy

Climate-related risks and opportunities

In assessing our risks and opportunities we look to consider timescales of short (0-2 years), medium (2-8 years) and long term (8+ years). However, given the timescales of environmental impacts it is arguably unrealistic to compartmentalise into such distinct and relatively short time spans.

Event	Timescale	Impact	Mitigation
Extreme weather events	Medium/ long term	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 sandbags. We also have the opportunity to move critical equipment/materials/supplies to a higher floor.
Business disruptions	Medium/ long term	There is a risk that manufacturing operations will be halted due to physical damage from extreme weather occurrences at locations where our factories are based (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

Event	Timescale	Impact	Mitigation
Financial outlay for accessibility to renewable energy	Medium term	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 (net zero by 2060). 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 assuming 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 2023/24. Financial impacts have been included in our budgeting process and forecasts.
Climate policies	Medium term	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 could include carbon pricing. These actions could increase costs and impact margins if not passed on.	Through investment in solar and long-term contracts for renewable energy, Strix internal operations have largely been protected from such potential risks. The key area of exposure is likely to be in the supply chain, hence our work on Scope 3 and increasing dialogue with key suppliers to ensure that they have mitigation strategies in place where appropriate.
Changes to technologies on manufacturing processes to align to climate change goals	Medium/ long term	As a manufacturing and engineering group, technological changes relating to energy saving, low-carbon transportation and an 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 and ISO 45001 with added ISO 50001 to the certification portfolio.
Climate opportunities	Medium term	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 away from gas. As the technology leader in regulation tends to be positive for Strix. The portfolio of kettle switches is increasingly configured around the opportunities for power saving and carbon reduction. The acquisition of Billi in hot taps provides Strix with a complete range of drinking water heating products for the home. The Company continues to work with customers and monitor potential legislation (such as the European Eco-design or 'right to repair' regulations) to ensure full and early compliance.

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

Climate-related risks and opportunities continued

Event	Timescale	Impact	Mitigation
Financing costs	Short/ medium term	Lenders, both banks and bondholders, are increasingly looking to link debt coupons to achieving sustainability targets. For industrial companies at least one target is generally linked to emissions. Hence the potential penalised higher rate or benefit of lower rates on the Group's debt.	Early dialogue with key lenders combined with a sustainability strategy designed to ensure that relevant hurdles and targets are achieved.
Increased investor scrutiny	Short/ medium term	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.	Our sustainability agenda has been accelerated in recent years, including establishing future roadmaps and targets. From an emissions perspective, we aim to achieve Scope 1 & 2 net zero by 2023 and started developing our Scope 3 supply chain emissions inventory in 2022 which opens an additional avenue for making a difference. With the 'in use' dominating Scope 3, our new product direction includes improved efficiency to reduce energy usage and hence emissions. Our sustainability report provides full transparency to all stakeholders.

"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."

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. This includes understanding both lengthy internal supply lines and understanding and mitigating risks within the supply chain. 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 and associated filters increase the quality of drinking water whilst reducing the use of single-use plastic containers and associated 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

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 almost £1m 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 the Isle of Man and with similar strategies planned for LAICA in Italy. 2023 will see the integration of Billi which includes a review of their business interruption plans and climate change mitigation strategy. Further scenario analysis is planned for the 2023 financial year.

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. These actions form part of the Group's overall risk policy with the key risks identified logged within the Group's risk registry. 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

Climate change has become a clear reality and now seen in Strix 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 a flat structure and short lines of communication. The focus on climate change risks has clearly risen up our agenda in recent years, as have our actions, and is now an integral part of the overall business planning and management.

Metrics and targets

Key metrics used

Significant work was undertaken in 2022 to expand our carbon footprint analysis through the development of Scope 3 supply chain emissions, previously only business travel was reported. This is in addition to internal orientated Scope 1 & 2 emissions historically reported. These have been calculated using the GHG Protocol, the internationally recognised standard for corporate carbon reporting. Absolute and intensity (per £m) are used for both emissions and energy consumption to provide more prescient analysis as the Group expands and ensures that our focus remains on energy usage as well as emissions. Historically, the Group has used 'location based' analysis but have added a 'market based' approach in 2022. We believe that this provides a more accurate picture of the Group's emissions and the impact of the recent investments made and actions taken will also be included. Our figures are externally verified. The addition of a full, independent audit is seen as unwarranted given the steps in place to achieve net zero Scope 1 & 2 emissions from 2023.

Targets

Strix is targeting net zero Scope 1 & 2 by 2023 predominantly (latest expectations over 97%) due to the removal of the use of fossil fuels in the energy used. This is being achieved through internally generated solar power and the purchase of renewable energy which are now in place for all Strix facilities. In addition, management is targeting 3% improvement in energy intensity (energy use to sales) to further reduce risk. These targets exclude Billi which was acquired in November 2022 where action plans will be developed in 2023 and enunciated in the next reporting cycle.

Our Scope 3 work in 2022 has given us a good initial understanding of our footprint.

The key element is the 'in use' phase, reflecting the kettle as an energy consumptive heating device. The laws of physics therefore limit the impact which Strix can make on the Scope 3 inventory. We are therefore focusing on other areas which may have less impact but where Strix can actively make an impact. However, given the dominance of the 'in-use' element, we have not set targets for the Group.

Full disclosure of our sustainability KPIs, Performance and targets is shown on pages 16 to 17.

Disclosures

		2020	2021	2022
Scope 1	tCO_2e	107	261	**263**
Scope 2	tCO_2e	5,269	7,430	**6,500**
Scope 1 & 2	tCO_2e	5,376	7,691	**6,763**
Scope 3	tCO_2e	93	712,112	**508,314**
Scope 1 & 2 intensity	tCO_2e/£m	5,468	719,803	**515,077**
Energy usage	MWh	10,774	15,845	**15,114**
Energy usage intensity	MWh/£m	113.1	132.7	**141.6**

Responsible business

Strengthening our position as a global, responsible employer

Through one or more key pillars of our sustainability strategy, the Group's mission is to strengthen 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.

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 our key stakeholders to maintain these key relations which in many cases have been in place for decades.

Number of employees

850+

across the globe

The Group believes that the development and retention of talent is important to achieve the long-term strategic goals of the business.

Employees

The Group currently employs 850-plus people in multiple locations around the globe 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 their full potential. As part of the continuous value-added employee development strategy, all employees have access to Kallidus, which is an e-learning platform which provides employees with a wide range of online-based training and learning covering numerous essential topics from compliance, health and safety, leadership and coaching and personal effectiveness as well as technical learning specific to employees' roles.

Age, colour, race, gender, disability, ethnic origin, national origin, marital status, sexual orientation and 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, Town Hall meetings and 'Pulse of the business' lunches with the CEO. We encourage 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.

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 our policies 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.

During 2022, we undertook a number of graduate recruitment and internship programmes. In the Isle of Man, four interns and two university graduates joined the workforce in the Finance, Design and Research and Development teams. One intern 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 provides 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 in a number of other ways:

- Working with the AMTC (Advanced Manufacturing Training Centre) at the UCM (University College, Isle of Man) to provide 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 can do at home. This support is to inspire the younger generation to consider careers in Engineering. In 2022, our Group Engineering Director, Nick Gibbs, was appointed as the new sector lead for the IOM Chamber's STEM Committee, having served as a STEM Forum Committee member prior to the appointment. In this role, Nick will lead the Forum to continue to work together to address common issues that impact the manufacturing and engineering industries on the Isle of Man, such as apprentice/skills development, reducing energy consumption, improving the sustainability of our businesses and health and safety matters.
- Undertaking research into IET accreditation of the apprenticeship scheme, and programmes that can be run with primary schools. In 2022, the Group hosted a visit to our head office in the Isle of Man by 75 school children from a local primary school. The employees interacted with the children and taught them about product design, prototyping and manufacture.
- Participating in the Isle of Man Graduate Fair and Employment Skills Fair where our Group HR Director, Emma Cox, featured on a CV surgery panel where she offered tips to the local graduates on how to write an effective CV.

Responsible business continued

Involvement in Isle of Man business life

Strix employees are actively involved in the wider Isle of Man business life, primarily through membership of 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.

Involvement in efforts to support the communities

During 2022, the Group also engaged in other various community activities as detailed below:

- Through our LAICA office, the Group continues to partner with Rise Against Hunger (RAH), an international non-profit hunger relief organisation. Our efforts include packing meals for distribution to schools in countries suffering humanitarian crises.
- The Group's other 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, The Samaritans, Isle of Man's Children's Centre, Manx Breast Cancer and MacMillan Cancer Support Groups.
- A number of our staff members have individually participated in various fundraising challenge events, including sponsored walks, bike rides and other sporting events. Funds raised were donated to a number of local charities within our respective communities, including the Isle of Man's Children's Centre, North West Air Ambulance Charity, Preston Royal Hospital (Bowland House), Rebecca House Children's Hospice and the Manx Breast Cancer Support.
- Through traditional and social media platforms including its own websites, the Group actively promotes awareness of the benefits of our products in respect of healthy living and protection of our planet and environment, in collaboration with our business partners. Campaigns include promoting awareness of reducing food waste, access to clean water and eliminating pollution from single-use plastics.
- Sponsorship of the 'Outstanding Team Member of the year' award in support of the Junior Achievement's programme which mentors a team of young adults to run a business for a year.

Appointed Sector Lead for IOM Chamber STEM Committee in 2022.


LAICA

Chief Financial Officer's statement

Solid results coupled with a strategic acquisition, despite turbulent times

"Profit after tax fell 26.7% to £23.0m reflecting the challenging trading environment but operating cash flow improved by £1.1m as a result of management action, highlighting the resilience of the Company's cash flow."

Raudres Wong
Chief Financial Officer

Revenue
£106.9m
2021: £119.4m

Adjusted gross profit margin
38.8%
2021: 39.7%

Financial performance

Revenues decreased by 10.5% year-on-year to £106.9m (FY 2021 £119.4m). This was predominantly due to a drop in sales within our kettle controls category. As stated previously in our trading updates released both in July 2022 and November 2022, revenues have been adversely impacted by the ongoing conflict in Ukraine, and the disruptive effect of ongoing lockdowns which were enforced in China throughout most of 2022, impacting two of our top five major OEM customers. This resulted in a decrease of c.£16.9m (19.8% decrease) for kettle controls. Despite the drop in overall sales, the water category showed an improvement in sales from last year reflecting the success of our performance from online market place launches as Strix continues to expand its online presence, together with contributions from post-acquisition sales in Billi. The appliances category also showed an uplift predominantly due to Billi's acquisition, where organic Strix appliances revenues were flat against a market that declined.

Financial summary

	Adjusted results[1]			Reported results		
	FY 2022 £m	FY 2021 £m	Change (22-21) %[4]	FY 2022 £m	FY 2021 £m	Change (22-21) %[4]
Revenue	**106.9**	119.4	-10.5%	**106.9**	119.4	-10.5%
Gross profit	**41.5**	47.4	-12.4%	**40.7**	43.8	-7.1%
EBITDA[2]	**32.1**	40.5	-20.7%	**26.2**	30.6	-14.4%
Operating profit	**25.9**	33.7	-23.1%	**19.9**	23.7	-16.0%
Profit before tax	**22.2**	32.2	-31.1%	**16.1**	21.5	-25.1%
Profit after tax	**23.0**	31.4	-26.8%	**16.9**	20.6	-18.0%
Net debt[3]	**87.4**	51.2	+70.7%	**87.4**	51.2	+70.7%
Net cash generated from operating activities	**23.4**	22.3	+4.9%	**23.4**	22.3	+4.9%
Basic earnings per share (pence)	**10.9**	15.2	-28.3%	**8.0**	10.0	-20.0%
Diluted earnings per share (pence)	**10.8**	14.9	-27.5%	**7.9**	9.8	-19.4%
Total dividend per share (pence)	**6.00**	8.35	-28.1%	**6.00**	8.35	-28.1%

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. 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.
3 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 £94.9m.
4 Figures are calculated from the full numbers as presented in the consolidated financial statements.

Adjusted gross profit decreased by 12.4% to £41.5m (FY 2021: £47.4m), in most part due to the impact of revenues for kettle controls falling as described above. The decrease was slightly offset by increases for both the water and appliances categories of £1.0m (13.8% increase) and £0.9m (18.0% increase) respectively, reflective of the increases in sales in these categories as described above. Reported gross profits decreased by 7.1% to £40.7m (FY 2021: £43.8m).

Adjusted gross profit margin in FY 2022 was 38.8% (FY 2021: 39.7%), showing a small margin dilution of 0.9% compared to last year. This dilution is mainly attributable to lower kettle controls sales in the regulated markets that command higher margins but helped partially by the price increase implemented in the second quarter of FY 2022 across all kettle controls. The dilution in kettle controls was partially compensated by the water and appliances categories that showed margin improvements of 0.3% and 1.7% respectively. The appliances that were launched in FY 2021 had better sales mixes in FY 2022, and together with Billi's contributions post acquisition of one month, helped to drive better margins.

Adjusted EBITDA was £32.1m (FY 2021: £40.5m), showing a decrease of 20.7% compared to last year. The decrease is directly attributable to the decrease in revenues as described above. Adjusted EBITDA is defined as profit before depreciation, amortisation, finance costs, finance income, taxation and exceptional items including share-based payments. Reported EBITDA decreased by 14.4% to £26.2m (FY 2021: £30.6m).

Adjusted EBITDA margin in FY 2022 was 30.0% (FY 2021: 33.9%), representing a margin dilution of 3.9%. In addition to the margin dilution in adjusted gross profit margins described above, other various factors which then contributed to the dilution of adjusted EBITDA margins included, amongst others:

- Billi costs incurred post acquisition;
- investment in human resources in our commercial areas to meet medium-term targets;
- higher advertising and promotional costs as the Group continued to further promote water and appliances products in the market; and
- higher stock handling and outward carriage and freight costs due to global inflationary pressures experienced in the current year.

Adjusted operating profits decreased by 23.1% to £25.9m (FY 2021: £33.7m), a decrease of £7.8m, attributable mainly to the drop in revenues. Reported operating profits decreased by 16.0% to £19.9m (FY 2021: £23.7m) after deducting exceptional costs of £5.9m (FY 2021: £9.9m) which decreased mainly due to reasons described in the 'Costs' section further below.

Chief Financial Officer's statement continued

Adjusted operating profit margins were diluted by 4.0% to 24.2% (FY 2021: 28.2%) compared to last year. Main reasons for the dilution in margin are the same as those attributable to the dilution in adjusted EBITDA margins described earlier. Despite the margin dilution, as disclosed in the interim results released in September 2022, accounting estimates changes were made during the year relating to the reassessment of the useful lives of certain production and other assets which resulted in lower depreciation and amortisation charges of c.£1.8m being recognised in the current year compared to last year (excluding the change of accounting estimates, adjusted operating profit margins dilution year-over-year is 4.8%). Refer to notes 2, 11 and 12 of the consolidated financial statements (pages 107-129) for full disclosures of the change in accounting estimates.

Adjusted profit before tax was £22.2m (FY 2021: £32.2m), a decrease of £10.0m (31.1% decrease) from last year. This is attributable to the reasons stated above for decreases in operating profit, and also increases in net finance costs. Net finance costs (excluding the impact of exceptional finance costs of £0.2m (FY 2021: £0.8m) relating to the discount unwinding of the present value of contingent consideration recognised on acquisition of LAICA in 2020) increased by £2.3m from last year due to an increase in the net debt to fund the Billi acquisition and a higher interest rates environment. Reported profit before tax was £16.1m (FY 2021: £21.5m).

Adjusted profit after tax was £23.0m (FY 2021: £31.4m), a decrease of £8.4m (26.8% decrease). The tax expense significantly decreased in the current year mainly due to tax incentive credits granted in Italy during the year, and continued adoption of certain tax measures in China with the move of operations to the new factory location in 2021 which prompted the release of previous years' tax provisions. Reported profit after tax was £16.9m (FY 2021: £20.6m).

Costs

Costs in FY 2022 generally decreased across the board compared to the prior year, mainly reflective of the decrease in the top line revenues.

Cost of sales (excluding exceptional costs) decreased by 9.2% to £65.4m (FY 2021: £72.0m) in line with the decrease in revenues. Positive measures taken to counter the costs pressure included price increases implemented on our kettle controls and water filtration products in the first half of the year, improved margins in our appliances category and efficiencies realised from the use of automation and lean production processes.

Distribution costs increased by 18.1% to £10.8m (FY 2021: £9.2m) mainly due to inflationary pressures causing higher stock handling costs, higher outward carriage and freight costs, higher payroll costs for the Group's sales and marketing function, and increased advertising and promotional costs as we continue our drive to expand our reach in the market for our water and appliances products. Billi's consolidation of one month also contributed to the increase. Strix's organic distribution costs increased by 16%.

Administration costs (excluding exceptional costs) increased by 9.0% to £5.6m (FY 2021: £5.1m), increasing mainly due to costs incurred in Billi post acquisition. Strix's organic administration costs has reduced modestly by c.1%.

Exceptional costs (including exceptional finance costs for the discount unwinding of the present value of contingent consideration recognised on acquisition of LAICA in 2020, which are included in net finance costs) decreased by 43% to £6.1m (FY 2021: £10.7m). As previously stated in the interim results released in September 2022, due to the completion of the new manufacturing plant in China last year, there were no material factory-related exceptional costs incurred in the current year, which is the main reason for the decrease. Exceptional costs incurred in the current year mainly related to the accrual of the employment earn-out costs payable in 2023 to vendor shareholders of LAICA per the supplemental consulting agreement signed at acquisition, and costs relating to the Billi acquisition. Other exceptional items include disaster recovery costs from the cyber incident reported in February 2022, COVID-related costs due to lockdowns in China in the earlier part of the current year and reorganisation costs relating to internal streamlining.

Cash flow

Cash flows from operating activities showed a modest improvement of £1.1m despite the softening of trading performance. This is largely due to the improvement in the changes of net working capital (£8.8m) that largely offset the downside of cash flows from operating profit (£8.4m). Movements in net working capital showed a decrease in cash outflows compared to the prior year. Net working capital cash outflows decreased from £11.4m in FY 2021 to £2.6m in FY 2022. The decrease in net cash outflows from net working capital were mainly due to:

- **Stocks:** diligent measures were put in place to optimise Strix's core supply chains and procurement levels, including manufacturing and in-sourcing, and this resulted in a reduction of stock-related cash outflows to £0.7m vs prior year cash outflows of £5.3m. The increase of stocks in Billi was c.£0.5m post acquisition. This resulted in a total cash outflow of stock in the current year of £1.2m to fuel an anticipated increase in demand in the new year, evident from green shoots returning in Q1 2023.
- **Debtors:** a significant improvement in debtor cash flows due to concerted efforts to tighten up accounts receivables collections and to also collect on c.£4.0m of new factory-related VAT from the Chinese government in the year, slightly offset by increases in debtor balances in Billi post acquisition (c.£0.8m).
- **Creditors:** the significant improvements in cash flows from inventories and debtors were, however, partially offset (marginally) by lower creditors due to lower procurement activities.

Tax-related cash outflows decreased from £1.9m in FY 2021 to £1.2m in FY 2022 mainly due to tax incentive credits granted in Italy.

Cash outflows for investing activities significantly increased in the current year from £17.0m in FY 2021 to £47.8m in FY 2022 mainly due to the acquisition of Billi, which was paid for in cash and funded through refinancing of our revolving credit facility (see the next paragraph). This was partially offset by a decrease in capital expenditures because of the new Chinese manufacturing plant which was completed in the second half of the prior year.

Cash inflows for financing activities significantly increased by £37.1m compared to the prior year, driven by an increase in the net debt from refinancing of our revolving credit facility to fund the acquisition of Billi.

Balance Sheet

Property, plant and equipment increased to £47.4m (FY 2021: £42.8m), presenting a net increase of £4.6m (11% increase). Part of the increase, amounting to £3.4m, is attributable to assets recognised as part of the acquisition of Billi. The remainder of the increase in property, plant and equipment is attributable to: (1) additions to plant and machinery and production tools of £3.8m for improvement of automation and production efficiencies in the new factory, and an increase of fixtures, fittings, equipment (including computer hardware), motor vehicles and right-of-use assets totaling £2.1m, and (2) partially offset de-recognition of assets worth £0.7m, a significant amount of this being right-of-use assets from streamlining of offices overseas, and then also depreciation charges of £4.2m (FY 2021: £4.6m).

Intangible assets increased to £73.4m (FY 2021: £30.5m) reflecting a net increase of £42.9m. The net increase is mainly due to intangible assets (including goodwill) of c.£40.1m recognised in the current year as part of the purchase price allocation (PPA) exercise from the acquisition of Billi. Other notable additions to intangible assets were relating to capitalised development costs from new product development projects of c.£3.3m, and computer software and other intangible asset additions of c.£0.5m. The total amortisation charges were £2.1m (FY 2021: £2.3m), and foreign currency movements of £1.1m were recognised on translation of intangible assets denominated in foreign currencies.

Net working capital balance which includes inventories, trade and other receivables, and trade and other payables (including tax liabilities, but excluding short-term portions of long-term liabilities) increased to £27.6m (FY 2021: £18.0m), an increase on £9.6m. The main driver behind this is an increase in net working capital of c.£5.9m (including tax liabilities) recognised as part of the acquisition of Billi. The rest of the increase relates to taxes, foreign exchange revaluation, inventory and creditors movements as largely explained above in the cash flow section.

Non-current liabilities (including short-term portions) increased to £141.6m (FY 2021: £85.0m), an increase of £56.6m, which is mainly driven by the further drawdowns in the year from the revolving credit facility to fund the acquisition of Billi and for payment of outstanding amounts accrued as contingent consideration (earn-out provisions set up in FY 2020) payable in FY 2023 to the previous owners of LAICA upon meeting certain performance and employment conditions.

Net debt

The Group's net debt position, excluding earn-out provisions, as at 31 December 2022 increased to £87.4m (FY 2021: £51.2m).

Total committed debt facilities, net of arrangement fees, at 31 December 2022 amounted to £117.8m, giving a liquidity pool of £30.4m. Net debt equated to 2.18 times trailing twelve months' EBITDA, which compares favourably to our debt covenant threshold of 3.50 times.

Dividend

Given the increase in net debt due to the strategic acquisition of Billi, and with the high interest rates environment, the Board continues to take precautions to balance the capital allocation priorities. To be prudent, the Board has decided to declare a final dividend of 3.25p per share (FY 2021: 5.60p). With an interim dividend paid on October 2022, the total dividend declared for FY 2022 is 6.00p per share (FY 2021: 8.35p per share).

The final dividend will be paid on 11 August 2023 to shareholders on the register at 30 June 2023 and the shares will trade ex-dividend from 29 June 2023.

Raudres Wong
Chief Financial Officer

Adjusted gross profit
£41.5m
2021: (12.4%)

Adjusted EBITDA
£32.1m
2021: (20.7%)

Adjusted operated profit
£25.9m
2021: (23.1%)

Adjusted profit before tax
£22.2m
2021: (31.1%)

Adjusted profit after tax
£23.0m
2021: (26.8%)

Net debt
£87.4m
2021: 70.7%

Net cash generated from operating activities
£23.4m
2021: 4.9%

Board of Directors

Gary Lamb (57)

Chairman 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 30 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 (58)

Chief Executive Officer 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 (60)

Chief Financial Officer Appointed: 2011 Nationality: Chinese

Experience: Raudres has over 30 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 MBA from McMaster University and qualified as a Chartered Accountant in Canada.

Mark Kirkland (55)

Non-Executive Director 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. He is currently an Executive Director of Kelso Group Holdings Plc, a Non-Executive Director of AEW UK REIT plc and an advisor to DP World.

Mark qualified as a Chartered Accountant with PricewaterhouseCoopers in London and has extensive corporate experience gained over the last 30 years having held numerous senior roles in public and private companies.

Richard Sells (64)

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

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 (E) Environmental, Social and Governance Committee

* Richard Sells was appointed by the Board to be a member of the Audit Committee in December 2022.

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 & Managing Director Consumer Goods — Joined 2019

Harry joined Strix in 2019 and is responsible for all our Commercial activities, Sales, Marketing, Category Development and Strategic Planning across our three product categories of Kettle Controls, Water and Appliances. He is also responsible for the Consumer Goods business globally.

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.

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.

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.

Matt Thomas

Divisional Operations & Project Delivery Director — 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.

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. This is to ensure the Group has the right people, doing the right things to get the right results.

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.

Riccardo Dolcetta

General Manager – LAICA — Joined 2021

Riccardo 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 and Ceccato and Salvagnini.

Board activities

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 which lays out the duties and responsibilities of the Audit Committee can be read on page 86.

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 87.

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 88 to 95.

ESG Committee
Chaired by
Richard Sells

The ESG Committee was put in place to ensure that the Board exercises sustainable governance by staying focused and proactive in supporting sustainability initiatives across the Group.

Refer to pages 58 and 59 for our report on ESG and 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.

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 background 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 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.
- 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, risk 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.

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 103 to 142, 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 2024;
- the current financial position of the Group, including its cash and cash equivalents balances of £30.4m;
- the availability of further funding by way of 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, despite a dip in sales due to the global COVID-19 pandemic and the conflict in Ukraine; 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 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. 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 2022. 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 2022.

Internal control

The Board has overall responsibility for ensuring that the Group maintains a system of internal control, to provide it with 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 in the next column 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 which 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.

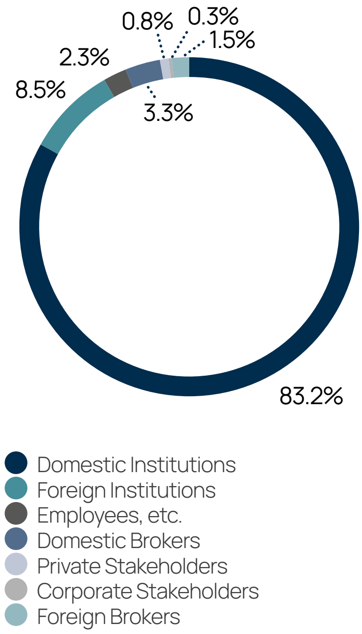
The Group continues to take steps to embed internal control and risk management further into the operations of the business and to deal with areas for improvement which come to the attention of management and the Board. The Group has ethical guidelines and a defined fraud reporting and whistleblowing 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 relate 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 75 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 8 March 2023, the Board considers that the Company's shareholders can be categorised in the following manner:



Substantial shareholding

As at 8 March 2023, 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:	218,714,349
AIM securities not in public hands:	3.1%

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

Registered shareholder	Shares held	% holding
Octopus Investments	24,339,501	11.13
GAM London	11,112,473	5.08
Hargreaves Lansdown Asset Mgt	9,136,191	4.18
Premier Miton Investors	8,989,619	4.11
AEGON Asset Mgt	8,059,176	3.68
Close Asset Mgt	7,048,611	3.22
Rathbone Investment Mgt	6,861,709	3.14

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 is 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.
- Pay structures should not reward behaviour that inappropriately increases the Company's exposure to risks outside of the Company's risk appetite.

Application of the remuneration policy in 2022

For 2022 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 2022 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 2023 are set out on page 88.

QCA principles and Strix

Governance principle	Strix response	Further reading
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 regularly updates and refines this strategy 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 28 to 31. This includes a description of each part of the strategy, together with progress for the financial year being reported on, the associated risks of not carrying out this part of the strategy, and an outlook of actions for the following year. Strix's value chain is explained on pages 22 to 23 and the way in which we deliver value for our stakeholders is set out on pages 48 to 49. Strix's risk management framework is set out on page 50. This sets out our understanding and assessment of the risks which the Group faces in executing its chosen strategy.
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 RNS. All members of the Board attend the Annual General Meeting 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.

<table>
<tr><th>Governance principle</th><th>Strix response</th><th>Further reading</th></tr>
<tr><td>Take into account wider stakeholder and social responsibilities and their implications for long-term success</td><td>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; and
• 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.</td><td>Please refer to pages 48 to 49 for further information on why and how we engage with these stakeholders.</td></tr>
<tr><td>Embed effective risk management, considering both opportunities and threats, throughout the organisation</td><td>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.</td><td>The risk management framework is set out on pages 50 to 56.</td></tr>
<tr><td>Maintain the Board as a well-functioning, balanced team led by the Chair</td><td>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 (five 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.</td><td>See page 78 which covers Directors' independence, time commitment, and its key committees.

Further information on Directors' independence and interests is included in the Directors' report on pages 96 and 97.</td></tr>
<tr><td>Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities</td><td>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.</td><td>A short biography of each Director is provided on pages 76 and 77.</td></tr>
</table>

QCA principles and Strix continued

Governance principle	Strix response	Further reading
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 Nominations 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. Raudres Wong retired by rotation at the 2022 AGM and was duly re-elected.	Further details on corporate governance are provided on page 79.
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 a defined policy in place for anti-slavery and anti-human trafficking, which is reviewed at least annually. Strix respects the dignity, rights and aspirations of all people, and is committed to supporting and promoting international and local laws which prohibit modern-day slavery and human trafficking. Strix has zero tolerance of violations of this policy, which applies equally to all of our directors, officers, employees, apprentices, volunteers, agents, consultants and other representatives. Strix also has in place policies for anti-corruption and anti-bribery, in order to detect and prevent any instances of corruption or fraud. This includes a whistleblowing facility 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 58 to 70.
Maintain governance structures and processes that are fit for purpose and support good decision making by the Board	The Board normally meets not fewer than six 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; and • Policies.	Further details on the Group's corporate governance including details of the Audit, Nomination and Remuneration Committees are provided on pages 78 to 98.

Governance principle	Strix response	Further reading
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, Nomination, Remuneration and Environmental, Social and Governance (ESG) 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.	**Further details on the Group's corporate governance including details of the Audit, Nomination and Remuneration Committees are provided on pages 78 to 98.**
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 Regulatory News Service ('RNS'); • the Annual General Meeting ('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 KPI on which all of the management team's performance is assessed for over the two-year period.	**Refer to pages 48 to 49.**

Audit Committee report

The Committee confirms that for the year ended 31 December 2022, 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, Gary Lamb and Richard Sells served as members of the Committee for the year ended 31 December 2022. Richard Sells was appointed by the Board to be a member of the Audit Committee in December 2022.

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, including virtually, and through discussions via multiple emails.

All Committee members are independent Non-Executive Directors and the Board is satisfied that all members are suitably qualified as they all have significant, recent and relevant experience. Mark Kirkland and Gary Lamb have both held Chief Financial Officer roles for significant periods and are considered suitably qualified in accounting and auditing. Richard Sells brings valuable experience and expertise to the Committee, having served for over 30 years in both executive and non-executive roles.

The CEO, CFO and other senior finance staff 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.

> "We are proud to confirm that the Committee has continued to uphold high compliance standards and has carried out its duties throughout the year effectively."
>
> **Mark Kirkland**
> Audit Committee Chair

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 processes or, if such a function does not exist, evaluate the need to establish one;
- make recommendations to the Board, which can then be put to shareholders for their approval in general meetings, 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 and Isle of Man professional and regulatory requirements;
- develop and implement policies 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 2022 annual report and accounts 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.

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:

- consideration of the acquisition of Billi and the impact thereof to the Group's operations and financial reporting process;
- consideration of the funding options for the acquisition of Billi including refinancing of the Group's banking facilities and also the equity raise through the stock exchange market;
- the assessment of exceptional costs recognised by the Group, including review of the underlying accounting policy;
- the impact of the cyber incident that occurred in early 2022 (and the subsequent ongoing monitoring and review of the IT environment);
- the change of useful lives of currently existing tangible and intangible assets within the Group;
- appropriateness of the use of the going concern assumption;
- determination of the functional currency for Strix (China) Limited and Strix Guangzhou Limited;
- management's impairment assessment of goodwill and other intangible assets with an indefinite useful life; and
- review of the financial statements and disclosures thereof.

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.
- 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

There was no requirement for the Nomination Committee to meet during the year.

Gary Lamb
Chairman of the Nominations 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 2022 and explains how we intend to implement the policy for 2023. The key elements of our approach are summarised below.

The Remuneration Committee

The members of the Remuneration Committee during 2022 were Gary Lamb (Chairman), Mark Kirkland and Richard Sells. All three are independent Non-Executive Directors. Gary Lamb is also Chairman of the Board.

The Committee held three meetings during 2022. 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 2022

During the year under review, the remuneration policy was implemented in line with the plans set out in last year's Directors' remuneration report. This included the addition of an ESG measure linked to carbon emission reductions in the annual bonus scheme. Due to Group performance during 2022, the Committee determined that no bonuses would be payable for the year.

Similarly, the Long-Term Incentive Plan ('LTIP') award granted in 2020 lapsed following the assessment of EPS performance over the three-year period ended 31 December 2022. The minimum level of performance required for threshold vesting was not achieved.

A new grant under the LTIP was made in April 2022. The performance conditions for this award were disclosed in last year's report. A total of 85% of the award is based on EPS growth (with a requirement of 7% per annum growth for maximum vesting of this element), with the remaining 15% based on a reduction in energy intensity over the three-year performance period.

Proposed application of the remuneration policy in 2023

The Committee has considered the appropriate levels of salary increase for the Executive Directors for 2023 in the context of the pay review for the wider workforce, Group performance in 2022, the broader economic environment and other relevant factors. The Committee has agreed an increase of 3% for the Directors, which is considered appropriate in the context of an average increase of 4% for the wider workforce. The Committee also supported the Company's decision to make additional cash payments to certain staff to help address the challenges posed by high levels of inflation. These payments were deliberately targeted at lower-paid employees as these colleagues have been most impacted by increases to the cost of living.

The maximum annual bonus opportunity for the Executive Directors will remain at 100% of basic salary for 2023. Any bonus payment will be based on challenging financial targets linked to profit (45% of the total bonus), cash (40%) and the achievement of specific ESG targets (15%). The exact targets are currently considered commercially confidential but will be disclosed in next year's Directors' remuneration report.

The Committee continues to believe that long-term equity is an effective way to incentivise long-term performance. As a result, we intend to make a new LTIP grant in 2023. Awards will again be made to the Executive Directors at a level of 100% of basic salary, and vesting will remain subject to the achievement of performance conditions linked to EPS growth (for 85% of the award) and reductions in energy intensity (for 15% of the award) over the following three-year period. For the EPS element, the target range will be growth of between 3% per annum (for threshold vesting) and 7% per annum (for maximum vesting). For the energy intensity element, there will be a requirement for a reduction in energy intensity of at least 5% per annum over the performance period.

Taken 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. The targets are considered appropriately stretching by the Committee.

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 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 report continued

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 94.

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; and • 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 has an Isle of Man contract. Raudres Wong has 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 2022

		Salary and fees £'000	Benefits[1] £'000	Pension £'000	Annual bonus £'000	Long-term incentives[2] £'000	Total £'000
Executive Directors							
Mark Bartlett	**2022**	**365**	**70**	**37**	**–**	**–**	**472**
	2021	347	64	43	–	155	609
Raudres Wong	**2022**	**314**	**24**	**33**	**–**	**–**	**371**
	2021	312	23	29	–	153	517
Non-Executive Directors							
Gary Lamb	**2022**	**80**	**–**	**–**	**–**	**–**	**80**
	2021	80	–	–	–	–	80
Mark Kirkland	**2022**	**48**	**–**	**–**	**–**	**–**	**48**
	2021	48	–	–	–	–	48
Richard Sells	**2022**	**48**	**–**	**–**	**–**	**–**	**48**
	2021	47	–	–	–	–	47

1 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. The benefits number for 2021 has been restated to reflect the correct figure. Raudres Wong's benefits include participation in the Company's medical insurance and permanent health insurance schemes.

2 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.

Annual bonus scheme outcome for 2022
Executive Directors had the opportunity to earn a maximum annual bonus for 2022 of 100% of basic salary. The bonus was based on performance conditions linked to the achievement of challenging targets linked to profit after tax (45%), cash (40%) and the achievement of net zero carbon emissions (Scope 1 & 2) (15%). Payment of the bonus required minimum PAT for 2022 of £32.8m.

Given a PAT outturn for the year of £23.0m, the Committee determined that no bonuses should be paid.

LTIP award granted in 2022
Executive Directors and other senior employees were granted an award of shares under the LTIP in April 2022. For the Executive Directors, the award was granted at a level of 100% of basic salary. Vesting of 85% 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 2024. 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 2024	Level of vesting
Below 3%	0%
3%	25%
Between 3% and 7%	Vesting on a straight-line basis between 25% and 100%
7% and above	100%

The remaining 15% is based on Strix achieving a reduction in energy intensity of at least 5% per annum over the three-year performance period.

The awards are subject to malus and clawback provisions, as set out in the remuneration policy on page 88.

Performance under the LTIP award granted in 2020
Executive Directors and other members of senior management were granted an award of shares under the LTIP in April 2020. Vesting of the awards was based on EPS performance measured over the period to 31 December 2022. The specific EPS targets, and the performance achieved, are set out below.

Annual EPS growth to be achieved in the period ended 31 December 2022	Level of vesting
Below 3%	0%
3%	25%
Between 3% and 5%	Vesting on a straight-line basis between 25% and 100%
5% or above	100%

The Committee assessed the level of performance achieved and determined that the targets had not been met, taking into account the EPS of 10.9p reported for the year ended 31 December 2022. Given negative EPS growth over the performance period, the LTIP award lapsed in full.

Directors' participation in the LTIP
Details of the numbers of shares held by the Executive Directors under the LTIP are set out in the table at the top of the next page.

Directors' remuneration report continued

Executive	Scheme	Grant date	Exercise price	Number of LTIP shares at 31 December 2021	Granted during year	Vested during year	Lapsed during year	Number of shares at 31 December 2022	End of performance period	Vesting date[1]
Mark Bartlett	LTIP	20 May 2019	nil	198,398	–	66,860	131,538	–	31 Dec 2021	1 Apr 2022[2]
	LTIP	6 Apr 2020	nil	197,138	–	–	–	197,138	31 Dec 2022	1 Apr 2023[3]
	LTIP	21 Apr 2021	nil	123,995	–	–	–	123,995	31 Dec 2023	1 Apr 2024
	LTIP	21 Apr 2022	nil	–	148,760	–	–	148,760	31 Dec 2024	1 Apr 2025
Raudres Wong	LTIP	20 May 2019	nil	196,267	–	66,142	130,125	196,267	31 Dec 2021	1 Apr 2022[2]
	LTIP	6 Apr 2020	nil	196,060	–	–	–	196,060	31 Dec 2022	1 Apr 2023[3]
	LTIP	21 Apr 2021	nil	107,593	–	–	–	107,593	31 Dec 2023	1 Apr 2024
	LTIP	21 Apr 2022	nil	–	131,262	–	–	131,262	31 Dec 2024	1 Apr 2025

1 These LTIP options cannot be exercised until the Remuneration Committee determines the performance conditions have been met.
2 As explained in the 2021 Directors' Remuneration Report, the performance conditions for this award were formally tested after the 2021 year end and it was deemed that this award had vested at a level of 34%. The options were exercised on 21 April 2022.
3 As explained above, the performance conditions for this award were formally tested after the 2022 year end and it was deemed that the award had lapsed in full.

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. All Directors participated in the October 2022 placing:

Director	Beneficially owned at 31 December 2022	Shareholding guideline achieved at 31 December 2022 as % of 2022 basic salary[1]
Mark Bartlett	2,625,030	>200%
Raudres Wong[2]	1,977,374	>150%
Gary Lamb[3]	468,313	n/a
Mark Kirkland	63,613	n/a
Richard Sells	14,421	n/a

1 Based on the year-end share price of 82p.
2 Shares held in the name of her husband, Wing Yip Fong.
3 Shares registered in the name of GEL Holdings Limited, a company controlled by Gary Lamb.

Application of the remuneration policy for 2023

Fixed remuneration

The salaries for the Executive Directors have been increased by 3% with effect from 1 April 2023, as set out in the table below. This compares with the budgeted salary increase of 4% for the wider workforce.

Director	Salary with effect from 1 April 2023	% increase
Mark Bartlett	£378,216	3%
Raudres Wong	£328,025	3%

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 (45% of the total bonus), cash (40%) and the achievement of specific ESG targets (15%).

We intend to disclose the specific bonus targets in the 2023 Directors' Remuneration Report, alongside details of performance against the targets.

The maximum annual bonus opportunity for the Directors for 2023 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 2025. The performance targets to be used are set out below:

Annual EPS growth to be achieved in the period ending 31 December 2025	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.

The remaining 15% of the award will again be based on requiring a reduction in Group energy intensity over the three-year period. For this element of the award to vest, there must be a minimum reduction in energy intensity of at least 5% per annum over the period.

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 88.

Chairman and Non-Executive Directors

The fees payable to the Board Chairman and the other Non-Executive Directors were last reviewed in detail in 2019 and would normally have been subject to a further review three years later, in 2022. However, the Board agreed that such a review is not appropriate at the current time. Fees for 2023 will, therefore, rise only by the 3% increase which has been agreed for the Executive Directors (see above) and which is lower than the average salary increase across the Group more broadly.

As a result of this increase, Gary Lamb will receive a fee of £82,400 and Mark Kirkland and Richard Sells will each receive a fee of £49,440 for 2023. Later in the year, the Board will reconsider whether a more detailed review of the fees for the Board Chairman and the other Non-Executive Directors is required. Any changes subsequently agreed will be disclosed in next year's Directors' Remuneration Report.

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 2022

The Directors present their report together with the audited consolidated financial statements of Strix Group Plc ('the Company') for the year ended 31 December 2022.

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, dispensers and appliances involving water heating and temperature control, steam management and water filtration.

Business review and future developments

The Group has remained resilient during 2022 despite the global economic challenges that have persisted during the year. During the year, the Board of Directors made a number of key strategic decisions to drive the Group forward. The following were some of the key strategic decisions made by the Board during 2022:

- The Group acquired 100% of the share capital of Billi Australia Pty Ltd, Billi New Zealand Ltd, and certain assets and liabilities through a newly acquired company, Billi UK Ltd (all together referred to as 'Billi') as detailed in note 14. The consideration for the acquisition was all paid in cash. Billi is a leading brand supplying premium filtered and non-filtered instant boiling, chilled and sparkling water systems with manufacturing operations based in Australia. This acquisition is aligned to the Group's growth plans for its water and appliances categories and will provide an entry into the high growth and strategically important hot tap market.
- The Group secured further financing to facilitate the acquisition of Billi (detailed above) as an add-on to its existing revolving credit facility (note 19). This has resulted in an increase in the Group's net debt position to £87.4m (2021: £51.2m), excluding the impact of IFRS 16 lease liabilities.

Results and dividends

The Group recorded revenue in the year of £106.9m (2021: £119.4m) and a profit after tax of £16.9m (2021: £20.6m).

The Directors recommend a final dividend for the year of 3.25p per share which, if approved at the Annual General Meeting ('AGM') on 4 July 2023, will be payable on 11 August 2023 to shareholders who are on the register at 30 June 2023 and the shares will trade ex-dividend from 29 June 2023. Together with the interim dividend paid during the year of 2.75p per share, this will result in a total dividend of 6.00p 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

In accordance with emerging best practice for companies whose shares are admitted to trading on AIM, the Company has decided to propose all Directors for re-election at the AGM on 4 July 2023. The Directors who held office during the year and as at 31 December 2022 had the following interests in the number of ordinary shares of the Company:

Name of Director	2022	2021
Mark Bartlett	**2,625,030**	2,410,878
Mark Kirkland	**63,613**	8,710
Gary Lamb	**468,313**	250,000
Raudres Wong	**1,977,374**	1,802,075
Richard Sells	**14,421**	–

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 2022 is shown below:

	2022	2021
Mark Bartlett	**272,755**	519,531
Raudres Wong	**238,855**	499,920

The market price of the Company's shares at the end of the financial year was 82.0p (2021: 303.5p) and the range of market prices in the year was between 74.7p and 306.0p (2021: between 220.0p and 385.0p).

No changes took place in the interests of Directors between 31 December 2022 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
28 March 2023

Statement of Directors' responsibilities in respect of the financial statements

For the year ended 31 December 2022

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.

The Directors are responsible for the maintenance and integrity of the Group's website. Legislation in the Isle of Man governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Raudres Wong
Director
28 March 2023

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 2022 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 2022;
- 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 Standard (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; • 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; • Testing a sample of licensing income recognised in the year to underlying contracts; • Issuing instructions to and directing the work of the component auditors in Italy and Australia in relation to the audit of revenue; and, • Holding regular meetings with and reviewing the working papers of the component auditors to ensure that sufficient appropriate audit evidence was obtained over the risk of fraud in revenue recognition. 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.
Acquisition Accounting Refer to notes 2 and 14 to the financial statements. The Group, through its subsidiaries, Strix UK Limited and newly incorporated Strix Australia Pty Limited, acquired 100% of the share capital of Billi Australia Pty Ltd, Billi New Zealand Ltd, and certain assets and liabilities through a newly acquired company Billi UK Ltd (all together referred to as 'Billi') on 30 November 2022. The consideration for the acquisition was £38.9m in cash. This transaction falls under the scope of IFRS 3 'Business Combinations' which requires significant management judgement in determining the fair value of consideration transferred and assets acquired and liabilities assumed, including intangible assets which are inherently judgemental. Our key audit matter focuses on the valuation of assets acquired (including intangibles) and the completeness of liabilities associated with the Billi acquisition. The Group has elected to continue to record the acquisition related entries as provisional as at 31 December 2022 as permitted under IFRS 3.	Our audit work included, but was not restricted to: • Obtaining a detailed understanding of the acquisition accounting process; • Risk assessing, appropriately scoping and testing the opening balance sheet and any fair value adjustments recorded for the acquired business; • Reviewing the intangible asset valuation reports, including calls with management and the Group's advisors to critically challenge the valuation methodology and key underlying assumptions; • Testing and challenging the key inputs used in the valuation models; • Testing the fair value of consideration; and • Reviewing the disclosures in the financial statements. Based on our work we are satisfied that the provisional carrying value of assets and liabilities recorded are appropriate as permitted under IFRS 3.

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.

Independent auditor's report continued
to the members of Strix Group Plc

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 16 January 2023 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
28 March 2023

Consolidated statement of comprehensive income

For the year ended 31 December 2022

	Note	2022 £'000	2021 £'000
Revenue	7	**106,920**	119,410
Cost of sales – before exceptional items		**(65,395)**	(71,986)
Cost of sales – exceptional items	6	**(847)**	(3,578)
Cost of sales		**(66,242)**	(75,564)
Gross profit		**40,678**	43,846
Distribution costs		**(10,824)**	(9,168)
Administrative expenses – before exceptional items		**(5,570)**	(5,107)
Administrative expenses – exceptional items	6	**(5,101)**	(6,363)
Administrative expenses		**(10,671)**	(11,470)
Share of losses from joint ventures		**(18)**	(50)
Other operating income		**751**	562
Operating profit		**19,916**	23,720
Analysed as:			
Adjusted EBITDA[1]		**32,128**	40,540
Amortisation	11	**(2,063)**	(2,310)
Depreciation	12	**(4,201)**	(4,569)
Exceptional items	6	**(5,948)**	(9,941)
Operating profit		**19,916**	23,720
Finance costs	8	**(3,925)**	(2,226)
Finance income		**59**	13
Profit before taxation		**16,050**	21,507
Income tax credit/(expense)	9	**805**	(860)
Profit for the year		**16,855**	20,647
Other comprehensive income/(expense)			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		**1,495**	(1,693)
Total comprehensive income for the year		**18,350**	18,954
Profit for the year attributable to:			
Equity holders of the Company		**16,790**	20,599
Non-controlling interests		**65**	48
		16,855	20,647
Total comprehensive income for the year attributable to:			
Equity holders of the Company		**18,324**	18,736
Non-controlling interests		**26**	218
		18,350	18,954
Earnings per share (pence)			
Basic	10	**8.0**	10.0
Diluted	10	**7.9**	9.8

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 107 to 142 form part of these consolidated financial statements.

Consolidated statement of financial position
As at 31 December 2022

	Note	2022 £'000	2021 £'000
ASSETS			
Non-current assets			
Intangible assets	11	**73,374**	30,468
Property, plant and equipment	12	**47,364**	42,763
Investments in joint ventures		**19**	28
Net investments in finance leases		**16**	15
Total non-current assets		**120,773**	73,274
Current assets			
Inventories	15	**27,702**	20,022
Trade and other receivables	16	**29,791**	25,511
Current income tax receivable	16	**497**	–
Cash and cash equivalents	17	**30,443**	19,670
Total current assets		**88,433**	65,203
Total assets		**209,206**	138,477
EQUITY AND LIABILITIES			
Equity			
Share capital and share premium	24	**23,861**	13,139
Share-based payment reserve	23	**202**	2,039
Retained earnings		**12,479**	10,146
Non-controlling interests		**707**	681
Total equity		**37,249**	26,005
Current liabilities			
Trade and other payables	18	**29,963**	25,886
Borrowings	19	**14,734**	1,064
Lease liabilities	26	**1,069**	773
Contingent consideration	14	**7,532**	6,082
Current income tax liabilities	18	**444**	1,631
Total current liabilities		**53,742**	35,436
Non-current liabilities			
Lease liabilities	26	**2,819**	2,598
Deferred tax liability	9	**11,387**	2,303
Borrowings	19	**103,092**	69,782
Contingent consideration	14	**–**	1,382
Post-employment benefits	5(c)	**917**	971
Total non-current liabilities		**118,215**	77,036
Total liabilities		**171,957**	112,472
Total equity and liabilities		**209,206**	138,477

The consolidated financial statements on pages 103 to 142 were approved and authorised for issue by the Board of Directors on 28 March 2023 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 2022

	Share capital and share premium £'000	Share based payment reserve £'000	Retained (deficit)/ earnings £'000	Total Equity attributable to owners £'000	Non-controlling interests £'000	Total Equity £'000
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 owners recognised directly in equity	9	300	(15,017)	(14,708)	(253)	(14,961)
Other transactions recognised directly in equity (note 23)	–	(174)	137	(37)	–	(37)
Balance at 1 January 2022	**13,139**	**2,039**	**10,146**	**25,324**	**681**	**26,005**
Profit for the year	**–**	**–**	**16,790**	**16,790**	**65**	**16,855**
Other comprehensive income/(expenses)	**–**	**–**	**1,534**	**1,534**	**(39)**	**1,495**
Total comprehensive income for the year	**–**	**–**	**18,324**	**18,324**	**26**	**18,350**
Dividends paid (note 25)	**–**	**–**	**(17,300)**	**(17,300)**	**–**	**(17,300)**
Share-based payment transactions (note 23)	**–**	**(491)**	**–**	**(491)**	**–**	**(491)**
Transfers between reserves (note 23)	**7**	**(1,210)**	**1,203**	**–**	**–**	**–**
Issue of shares (note 24)	**13,000**	**–**	**–**	**13,000**	**–**	**13,000**
Transaction costs (note 24)	**(2,285)**	**–**	**–**	**(2,285)**	**–**	**(2,285)**
Total transactions with equity holders recognised directly in equity	**10,722**	**(1,701)**	**(16,097)**	**(7,076)**	**–**	**(7,076)**
Other transactions recognised directly in equity (note 23)	**–**	**(136)**	**106**	**(30)**	**–**	**(30)**
Balance at 31 December 2022	**23,861**	**202**	**12,479**	**36,542**	**707**	**37,249**

The notes on pages 107 to 142 form part of these consolidated financial statements.

Consolidated statement of cash flows
for the year ended 31 December 2022

	Note	2022 £'000	2021 £'000
Cash flows from operating activities			
Cash generated from operations	27	**24,567**	24,206
Tax paid		**(1,204)**	(1,916)
Net cash generated from operating activities		**23,363**	22,290
Cash flows from investing activities			
Purchase of property, plant and equipment		**(4,749)**	(12,049)
Capitalised development costs	11	**(3,326)**	(3,609)
Purchase of LAICA S.p.A (deferred consideration)		**(1,671)**	(1,605)
Purchase of Billi, net of cash acquired	14	**(37,658)**	–
Purchase of other intangibles	11	**(484)**	(1,487)
Proceeds on sale of property, plant and equipment		**–**	1,750
Finance income		**59**	13
Net cash used in investing activities		**(47,829)**	(16,987)
Cash flows from financing activities			
Drawdowns under credit facility	19	**46,487**	24,000
Repayment of borrowings	19	**–**	(5,820)
Finance costs paid	19	**(3,263)**	(1,170)
Principal elements of lease payments	26	**(833)**	(1,562)
Proceeds from issue of new shares, net of issuance transaction costs	24	**10,715**	–
Dividends paid	25	**(17,300)**	(16,510)
Dividends paid to non-controlling interests		**–**	(254)
Net cash used in financing activities		**35,806**	(1,316)
Net increase in cash and cash equivalents		**11,340**	3,987
Cash and cash equivalents at the beginning of the year		**19,670**	15,446
Effects of foreign exchange on cash and cash equivalents		**(567)**	237
Cash and cash equivalents at the end of the year		**30,443**	19,670

The notes on pages 107 to 142 form part of these consolidated financial statements.

Notes to the consolidated financial statements
for the year ended 31 December 2022

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 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.

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. In making this assessment the Directors have considered the following:
- the strong historic trading performance of the Group;
- budgets and cash flow forecasts for the period to December 2024;
- the current financial position of the Group, including its cash and cash equivalents balances of £30.4m;
- the availability of further funding by way of 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, despite a dip in sales due to the global COVID-19 pandemic and the conflict in Ukraine.; and
- that there has been minimal 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.

Standards, amendments and interpretations adopted
There are no standards, amendments to standards or interpretations that the Group has applied for the first time in the reporting period commencing 1 January 2022 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 2022 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.

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.

Notes to the consolidated financial statements continued

for the year ended 31 December 2022

2. PRINCIPAL ACCOUNTING POLICIES (continued)

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.

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 retrospectively to reflect the new information obtained about facts and circumstances that existed as at the acquisition date, and if known, would have affected the measurement of assets and liabilities recognised at that 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.

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.

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. 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.

At the beginning of the year, Management reassessed the economic useful lives of certain property, plant and equipment. The reassessment was performed in light of the Group's historical usage of the assets, condition of the assets at the time of the assessment, technical and or commercial factors as well as legal and contractual terms where applicable. Based on the reassessment, the assets' useful lives were extended to appropriately reflect Management's expected use of the assets. The revision to the accounting estimate has been effected prospectively as from the beginning of the current year. Note 12 details the financial impact of the change in the useful lives of these assets.

The revised useful lives are shown below:

Asset class	Previous estimate	Revised estimate
• Plant and machinery	3-10 years	3-25 years
• Fixtures, fittings and equipment	2-5 years	2-10 years
• Motor vehicles	3-5 years	unchanged
• Production tools	1-5 years	1-10 years
• Right-of-use assets	2-8 years (based on the lease term)	unchanged
• Land and buildings	50 years	unchanged

The asset class 'Point-of-use dispensers' were acquired on acquisition of the Billi entities (notes 12 and 14) and are depreciated over 4–10 years.

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.

Notes to the consolidated financial statements continued
for the year ended 31 December 2022

2. PRINCIPAL ACCOUNTING POLICIES (continued)
Property, plant and equipment (continued)
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.

Subsequent measurement
The Group amortises intangible assets with a limited useful life using the straight-line method.

At the beginning of the year, Management reassessed the economic useful lives of certain intangible assets. The reassessment was performed in light of the Group's historical realisation of the economic benefits from the intangible assets, technical and or commercial factors as well as legal and contractual terms where applicable. Based on the reassessment, the assets' useful lives were extended to appropriately reflect Management's expected realisation of the economic benefits from the intangible assets. The revision to the accounting estimate has been effected prospectively as from the beginning of the current year. Note 11 details the financial impact of the change in the useful lives of these assets.

The revised useful lives are shown below:

Asset class	Previous estimate	Revised estimate
• Capitalised development costs	2-5 years	2-10 years
• Intellectual property	Lower of useful or legal life	unchanged
• Technology and software	2-10 years	unchanged
• Customer relationships	10-13 years	unchanged
• Brands	Indefinite useful life	unchanged
• Goodwill	Indefinite useful life	unchanged

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.

The Billi brand is a well-established and competitive brand, being one of the top two brands in the Australian and New Zealand industries, and well recognised in the United Kingdom among residential and commercial clientele. The Group does not foresee a time limit by when this market presence 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 (cash-generating units). 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 cashflows 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.

Notes to the consolidated financial statements continued

for the year ended 31 December 2022

2. PRINCIPAL ACCOUNTING POLICIES (continued)

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 a 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 right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

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 right-of-use 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

Right-of-use 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

Right-of-use 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.

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

Borrowing costs or arrangement fees, including option-type arrangements, are recognised initially at fair value. Borrowing costs including option-type borrowing arrangements are subsequently measured at amortised cost. The establishment of such option-type arrangements are recognised as a 'right to borrow' asset, and together with other borrowing costs or arrangement fees are amortised over the period of the facilities to which the fees relate, and are 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.

Notes to the consolidated financial statements continued
for the year ended 31 December 2022

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Employee benefits (continued)

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.

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 including applicable supplier rebates, 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.

Supplier rebates

The Group enters into agreements with suppliers whereby volume-related allowances and various other fees and discounts are received in connection with the purchase of goods from those suppliers. Most of the income received from suppliers relates to commercially agreed rebates based on historic sales volumes.

Rebates are recognised when earned by the Group, which occurs when all obligations conditional for earning income have been discharged, and the income can be measured reliably based on the terms of the contract. The income is recognised as a credit within cost of sales.

Where the income earned relates to inventories which are held by the Group at the year end, the income is included within the cost of those inventories, and recognised in cost of sales upon sale of those inventories. Amounts due relating to supplier rebates are recognised within trade and other receivables.

Revenue

The Group primarily recognises revenue from the sale of goods and services to its customers as well as from licensing arrangements. The transaction price is based on the sales agreement with the customer. Revenue is reported net of sales taxes, discounts, rebates and after eliminating intra-group sales. Rebates are based on a certain volume of purchases by a customer within a given period and are recognised on an expected value approach.

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and is recognised when the performance obligations have been fulfilled. The Group recognises revenue from the sale of goods and services either at a point in time or over time, based on the nature of the contract terms. The Group recognises revenue from three main categories namely kettle safety controls, water and appliances.

Kettle safety controls

The performance obligation is the delivery of the goods to customers, and revenue is recognised on dispatch, otherwise it 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. All of the amounts recognised as revenue are based on contracts with customers. No element of financing is deemed present because the sales are made under normal credit terms, which is consistent with market price.

Payment terms for the majority of customers in this category are to pay cash in advance of the goods being delivered. The Group recognises the advance payments 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.

Water and appliances

The Group recognises revenue from the following major sources under water and appliances categories:

- Sale of components and devices involving water heating and temperature control, steam management and water filtration;
- Sale of Point-of-use (POU) water and coffee machines;
- Rental of Point-of-use (POU) dispensers and coffee machines;
- Servicing of Point-of-use (POU) units; and
- Sale of consumables

Sale of components, devices and consumables

Sales are either 'direct' to the end user customers or 'indirect' to wholesale and retail distributors. Revenue from the supply of goods is recognised once control of the goods has been transferred to the customer, being when goods have been delivered to a customer site or in the case of indirect sales, when the goods have been delivered to the wholesale distributor.

Notes to the consolidated financial statements continued
for the year ended 31 December 2022

2. PRINCIPAL ACCOUNTING POLICIES (continued)
Revenue (continued)
Rental of dispensers
Rental income is made up of revenue from the supply of goods where the Group is lessor in an operating lease and is recognised over time, with the transaction price allocated to this service released on a straight-line basis over the period of the lease. Included in the transaction price for the rental of dispensers, in some contracts, is the installation of those dispensers. The rental and installation elements of the contract are considered to be one deliverable, as they are highly interrelated, and therefore there is no allocation of a portion of the transaction price to the installation.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease (except where immaterial) are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term. Commissions on new contracts are capitalised and depreciated over one and a half times the initial lease term.

Rental agreements run for a minimum period of twelve months and typically for three to five years. Some rental agreements have no fixed end date and may be cancelled by either party subject to a minimum notice period or early termination penalty. The average useful economic life for a POU water device is approximately four to ten years whilst refurbishment can extend the life of some devices to eleven years or more. For this reason, existing rental agreements are not judged to transfer substantially all of the risks and rewards of ownership to the lessee.

Combined rental and service contracts
The Group has in place some contracts that cover both the rental and servicing and maintenance of dispensers. The transaction price is allocated to each performance obligation to reflect the amount of consideration to which the Group is entitled to, in exchange for transferring the promised goods or services to the customer. The Group allocates combined rental and service income to the separate rental and service categories based on a percentage allocation method, which is calculated for each business unit. The percentage allocation, which is recalculated periodically, is based on the transaction price being allocated to each performance obligation in proportion to its stand-alone selling price.

Servicing of POU units
Sale of services are recognised proportionally over the duration of the service period, provided a right to consideration has been established.

Deferred revenue
Revenue recognised in the consolidated statement of comprehensive income but not yet invoiced is held in the statement of financial position within 'Trade receivables. Revenue invoiced but not yet recognised in the consolidated statement of comprehensive income is held on the consolidated statement of financial position within 'Payments in advance from customers'.

Licensing income
The Group holds a substantial portfolio of issued and registered intellectual property rights relating to certain aspects of its hardware devices, accessories, goods, software and services. This includes patents, designs, copyrights, trademarks and other forms of intellectual property rights registered in the UK and various foreign countries.

From time to time, the Group enters into term-based and exclusive licensing arrangements with some of its customers in respect of its intellectual property. Revenue from the licensing contracts is variable and is recognised at the amount to which the Group expects to be entitled when control of the intellectual property is transferred to its customers. Control is generally transferred when the Company has a present right to payment and title and the significant risks and rewards of ownership of the intellectual property, products or services are transferred to its customers.

The licensing income is recognised at a point in time or over time based on the following assessment. Where the licensing arrangement is a distinct performance obligation, Management assess whether the licensing contract gives the customer either:
- the right to access the Group's intellectual property as it exists throughout the licence period; or
- right to use the Group's intellectual property as it exists at the point in time at which the licence is granted.

Revenue from a licencing contract which is considered to provide a right to the customer to access the Group's intellectual property as it exists throughout the licence period is recognised over time, as and when the related performance obligation is satisfied.

A licensing contract gives the customer the right to access the Group's intellectual property as it exists throughout the license period when all the following are met:

- the contract requires, or the customer reasonably expects, that we will undertake activities that significantly affect the intellectual property to which the customer has rights; and
- the rights granted by the licence directly expose the customer to any positive or negative effects of the entity's activities identified above; and
- those activities do not result in the transfer of a good or a service to the customer as those activities occur.

Revenue relating to a licensing contract which does not meet the above criteria is recognised at a point in time, which is usually the point at which the licence is granted to the customer but not before the beginning of the period during which the customer is able to use and benefit from the licence.

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 dispensers, taps, 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.

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.

Finance income

Finance income comprises bank interest receivable on funds invested. Finance income is recognised using the effective interest rate method.

Finance costs

Finance costs directly attributable to the acquisition or construction of a qualifying asset are capitalised. Qualifying assets are those that necessarily take a substantial period of time to prepare for their intended use. All other borrowing cost are recognised in the consolidated statement of income in finance costs. Finance costs comprise interest charges on lease liabilities, interest on borrowings, the unwind of discounts on the present value of liabilities, and finance charges relating to letters of credit. Finance costs are determined using the effective interest rate method.

Income tax

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.

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.

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.

Notes to the consolidated financial statements continued

for the year ended 31 December 2022

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Income tax (continued)

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.

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 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.

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 alternative performance measures

In the reporting of financial information, the Directors have adopted Earnings before Interest, Taxation, Depreciation and Amortisation ('EBITDA') and adjusted EBITDA when assessing the operating performance of the Group. Exceptional items are excluded from EBITDA to calculate adjusted EBITDA. The Directors primarily use the adjusted EBITDA measure when making decisions about the Group's activities.

EBITDA and adjusted EBITDA are non-GAAP measures and may not be calculated in the same way and hence may not be directly comparable to those reported by other entities. In determining the adjusting items, the following criteria is also considered:

- 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 or diverted 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.

An item is treated as exceptional if it relates to certain costs or income that derive from events or transactions that fall within the normal activities of the Group but which, individually or, if of a similar type, in aggregate, are excluded from the Group's Alternative Performance Measures (APMs) by virtue of their nature or size, in order to better reflect management's view of the underlying trends and operating performance of the Group that is more comparable over time.

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.; Taiwan LAICA Corp. which both have a Taiwan Dollar functional currency, Billi Australia (Pty) Ltd which has an Australian Dollar functional currency and Billi New Zealand Ltd which has a New Zealand 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.

Alternative performance measures (APMs) – Exceptional items

Management and the Board consider the quantitative and qualitative factors in classifying items as exceptional and exercise judgement in determining the adjustments to apply to IFRS measures. This assessment covers the nature of the item, cause of occurrence, frequency, predictability of occurrence of the item or related event, and the scale of the impact of that item on reported performance. Reversals of previous exceptional items are assessed based on the same criteria.

An analysis of the exceptional items included in the consolidated statement of comprehensive income are disclosed in note 6(b).

Critical estimates in applying the entity's accounting policies

Acquisition of Billi entities – fair value measurements

A determination of the provisional fair value of the assets acquired and liabilities assumed in the acquisition, and the useful lives of intangible assets and property, plant and equipment acquired is required. This exercise is a substantial undertaking which requires the use of various valuation techniques. Future events could cause underlying assumptions to change which could have a significant impact on the Group's financial results. Refer to note 14 for further details regarding the acquisition, including estimations used in determining the provisional fair values for the acquired assets and liabilities assumed.

Impairment of indefinite lived intangible assets and goodwill

Determining whether goodwill and intangible assets with indefinite lives are impaired requires an estimation of the value in use or the fair value less costs to sell of the cash generating unit (CGU) to which the goodwill or intangible asset has been allocated. The value in use calculation requires management's estimation of the future cash flows expected to arise from the CGU. Refer to note 11 for the sensitivity analysis of the assumptions used in the impairment analysis of goodwill and intangible assets with indefinite lives.

Notes to the consolidated financial statements continued

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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, dispensers, jugs and filters, primarily to Original Equipment Manufacturers ('OEMs'), commercial and residential customers based in China, Italy, Australia, New Zealand and the United Kingdom.

The Board of Directors has identified three reportable segments from a product perspective, namely: kettle controls, water category and appliances. 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 2022 (£'000)			
	Kettle controls	Water category	Appliances	Total
Revenue	**68,243**	**24,135**	**14,542**	**106,920**
Cost of sales	**(41,108)**	**(16,303)**	**(8,831)**	**(66,242)**
Gross profit	**27,135**	**7,832**	**5,711**	**40,678**

	Reported gross profit 2021 (£'000)			
	Kettle controls	Water category	Appliances	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

	Adjusted gross profit* 2022 (£'000)			
	Kettle controls	Water category	Appliances	Total
Revenue	**68,243**	**24,135**	**14,542**	**106,920**
Cost of sales	**(40,306)**	**(16,277)**	**(8,812)**	**(65,395)**
Gross profit	**27,937**	**7,858**	**5,730**	**41,525**

	Adjusted gross profit* 2021 (£'000)			
	Kettle controls	Water category	Appliances	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 excludes exceptional items as detailed in note 6 (b). Adjusted results are non-GAAP metrics used by management and are not an IFRS disclosure.

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, Italy, Australia, New Zealand and the United Kingdom where the Group's principle subsidiaries are domiciled.

	2022 £'000	2021 £'000
Country of domicile		
Intangible assets	**11,354**	9,756
Property, plant and equipment	**3,151**	2,742
Total country of domicile non-current assets	**14,505**	12,498
Foreign countries		
Intangible assets	**62,020**	20,712
Property, plant and equipment	**44,213**	40,021
Total foreign non-current assets	**106,233**	60,733
Total non-current assets	**120,738**	73,231

Major customers

In 2022, there were two major customers that individually accounted for at least 10% of total revenues (2021: two customers). The revenues relating to these customers in 2022 were £13,587,000 and £9,538,000 (2021: £15,390,000 and £12,133,000).

5. EMPLOYEES AND DIRECTORS

(a) Employee benefit expenses

	2022 £'000	2021 £'000
Wages and salaries	**27,500**	28,167
Defined contribution pension cost (note 5(c)(i))	**782**	684
Employee benefit expenses	**28,282**	28,851
Share-based payment transactions (note 23)	**(491)**	1,549
Total employee benefit expenses	**27,791**	30,400

(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 Operational Board, representing members of the senior management team from all key departments of the Group.

	2022 £'000	2021 £'000
Salaries and other short-term employee benefits	**2,069**	2,025
Post-employment benefits	**181**	149
Termination benefits	**74**	–
Share-based payment transactions	**(348)**	311
	1,976	2,485

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

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for the year ended 31 December 2022

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 £782,000 (2021: £684,000).

(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 13.05. Although the benefit is paid in full by the employer, part (0.5% of pay) of the annual accrual is paid to 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 re-proportioned 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 31 December 2022:

	2022 £'000	2021 £'000
Liability as at 1 January	**897**	898
Current service cost for the period	**(113)**	58
Exchange differences on translation of foreign operations	**48**	(59)
Liability as at 31 December	**832**	897

The key actuarial assumptions used in arriving at these figures include:
- annual discount rate of 3.77% (2021: 0.87%);
- annual price inflation of 2.3% (2021: 1.6%);
- annual TFR increase of 3.2% (2021: 2.7%);
- demographic assumptions based on INPS published data.

The remainder of the post-employment benefit liability of £85,000 (2021: £74,000) as at 31 December 2022 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

	2022 £'000	2021 £'000
Employee benefit expense (note 5(a))	**28,282**	28,851
Depreciation charges	**4,201**	4,569
Amortisation and impairment charges	**2,063**	2,310
Exceptional items (see below)	**5,948**	9,941
Foreign exchange losses	**188**	186

Research and development expenditure totalled £4,888,000 (2021: £5,324,000), and £3,326,000 (2021: £3,609,000) of development costs have been capitalised during the year.

(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 relating to mergers and acquisitions with particular reference to the acquisition of the Billi entities in the current year and LAICA in 2020 and their continued integration into the Group, disaster recovery costs due to a cyber incident, 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:

	2022 £'000	2021 £'000
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	**485**	226
Reorganisation costs	**362**	77
	847	3,578
Exceptional items in administrative expenses:		
Share-based payments	**(491)**	1,549
Other costs relating to relocation to new factory	**–**	1,140
Mergers and acquisitions related costs	**3,992**	2,749
COVID-19 related costs	**673**	819
Disaster recovery	**377**	–
Reorganisation and restructuring costs	**550**	106
	5,101	6,363
Total exceptional items	**5,948**	9,941

Also included as an exceptional item are finance costs of £180,000 (2021: £780,000) 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.

Mergers and acquisitions exceptional costs relate mainly to the accrual of consultancy and other acquisition related exceptional costs amounting to £2,703,000 from the acquisition of the Billi entities in November 2022 as well as an accrual of £2,481,000 for 2022 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 2022 (refer to note 14). Within the exceptional costs for mergers and acquisitions is a reversal of £1,267,000 relating to the estimated contingent consideration which was recognised at acquisition date when the Group acquired LAICA. The adjustment is due to a revision of the estimate in relation to the performance earn-out. LAICA's performance in the current year was lower than originally expected at the date of acquisition. Other mergers and acquisitions costs totalling £75,000 relate to legal and consultancy fees 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 COVID lockdowns mainly in China where the Group has significant operations. 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 combined infection control or prevention efforts, 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.

Disaster recovery costs relate to staff and non-staff costs incurred in response to a cyber incident which occurred in February 2022. The Group engaged external specialists, took precautionary measures with its IT infrastructure and implemented its business continuity plan. The systems were successfully restored and are fully operational. The Group continues to monitor its exposure.

Reorganisation and restructuring costs include costs to re-qualify an alternative supplier due to a natural disaster in the form of flooding at one of the Group's suppliers as well as redundancy and relocation costs which arose during the year.

In the prior year, 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.

Notes to the consolidated financial statements continued
for the year ended 31 December 2022

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:

	2022 £'000	2021 £'000
Fees payable to Company's auditor and its associates for the audit of the consolidated financial statements	**245**	201
Fees payable to Company's auditor and its associates for other services:		
– the audit of Company's subsidiaries	**8**	8
– other assurance services	**3**	56
– tax compliance and other	**5**	4
	261	269

7. REVENUE
The following table shows a disaggregation of revenue into categories by product line:

	2022 £'000	2021 £'000
Kettle controls	**68,243**	85,117
Water category	**24,135**	21,404
Appliances	**14,542**	12,889
Total revenue	**106,920**	119,410

Included within the revenue from the appliances category is licensing fee income relating to intellectual property amounting to £1,442,000 (2021: nil).

8. FINANCE COSTS

	2022 £'000	2021 £'000
Letter of credit charges	**94**	95
Right-of-use lease interest	**92**	105
Discount unwinding of present value of contingent consideration	**180**	780
Borrowing costs	**3,559**	1,246
Total finance costs	**3,925**	2,226

The discount unwinding of present values relating to the contingent consideration recognised on acquisition of LAICA S.p.A. (see note 14). The amount has been included in finance costs as an exceptional item (refer to note 6).

9. TAXATION

Analysis of (credit)/charge in year	2022 £'000	2021 £'000
Current tax (overseas) and deferred tax		
Current tax on overseas profits for the year	**491**	1,115
Adjustments to prior years' overseas tax provisions	**(1,323)**	–
Movement in deferred tax assets and liabilities	**27**	(255)
Total tax (credit)/charge	**(805)**	860

Overseas tax relates primarily to tax payable by the Group's subsidiaries in China, Australia, New Zealand, Italy and the UK.

In relation to the prior year's tax provision adjustments, during 2015, the Group's Chinese subsidiary took a prudent measure to make tax provisions following a benchmarking assessment by the Chinese tax authorities relating to the contract processing model adopted by the businesses in the years 2009 to 2014. The potential additional liabilities for 2015 to 2018 of £876,000 had been included within the current tax liability balance up to the end of the prior year. Based on the independent recommendations, and as a more acceptable tax model by the Chinese tax authorities, the Chinese subsidiary converted to an import processing model in 2019, which is also largely in use by the majority of the OEMs in China. As result of this, the subsidiary obtained a tax certificate from the in-charge tax bureau in the current year which confirmed that all tax matters in the subsidiary have been settled. As such the prior year tax provisions were therefore released in the current year as they were no longer required.

In addition, withholdings taxes of £447,000 relating to anticipated dividends payable by the Chinese subsidiary to its immediate holding company in the Isle of Man had been accrued in previous years. In light of the recent developments in the Group's operations in China, Management decided in the current year to invest more into the new China factory in terms of capital expenditure, thereby keeping profits within the Chinese subsidiaries. As a result of this decision, the anticipated dividends were no longer payable and the relating tax provisions were consequently released.

Reconciliation of the movement in deferred tax liabilities has been presented below:

Deferred tax liabilities:

	2022 £'000	2021 £'000
Deferred tax liability on 1 January	**2,303**	2,558
Deferred tax liabilities recognised on acquisition of Billi (note 14)	**9,011**	–
Reversal of deferred tax on utilisation of temporary differences	**73**	(255)
Deferred tax liability as at 31 December	**11,387**	2,303

The balance comprises temporary differences attributable to intangible assets recognised on acquisition of LAICA in FY 2020 and Billi in the current year.

The Group has an immaterial deferred tax asset. Refer to note 16 for details.

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 different to the standard rate of income tax in the Isle of Man of 0% (2021: 0%). The differences are explained below:

	2022 £'000	2021 £'000
Profit on ordinary activities before tax	**16,050**	21,507
Profit on ordinary activities multiplied by the rate of income tax in the Isle of Man of 0% (2021: 0%)	**–**	–
Impact of higher overseas tax rate	**518**	860
Adjustments in relation to prior years' overseas tax provisions	**(1,323)**	–
Total taxation (credit)/charge	**(805)**	860

The Group is subject to Isle of Man income tax on profits at the rate of 0% (2021: 0%), UK income tax on profits at a rate of 19% (2021:19%), Chinese income tax on profits at the rate of 25% (2021: 25%), and Italian income tax on profits at a rate of 27.9% (2021: 27.9%). Following the acquisition of the Billi entities, the group is subject to Australian income tax on profits at the rate of 30% and New Zealand income tax on profits at the rate of 28%.

10. EARNINGS PER SHARE

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

	2022	2021
Earnings (£'000)		
Earnings for the purposes of basic and diluted earnings per share	**16,790**	20,599
Number of shares (000s)		
Weighted average number of shares for the purposes of basic earnings per share	**209,911**	206,271
Weighted average dilutive effect of share awards	**2,585**	3,381
Weighted average number of shares for the purposes of diluted earnings per share	**212,496**	209,652
Earnings per ordinary share (pence)		
Basic earnings per ordinary share	**8.0**	10.0
Diluted earnings per ordinary share	**7.9**	9.8
Adjusted earnings per ordinary share (pence) [(1)]		
Basic adjusted earnings per ordinary share [(1)]	**10.9**	15.2
Diluted adjusted earnings per ordinary share[(1)]	**10.8**	14.9

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for the year ended 31 December 2022

10. EARNINGS PER SHARE (continued)

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

	2022 £'000	2021 £'000
Profit for the year	**16,790**	20,599
Add back exceptional items included in (note 6(b)):		
Cost of sales	**847**	3,578
Administrative expenses	**5,101**	6,363
Finance costs	**180**	780
Adjusted earnings[1]	**22,918**	31,320

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

	2022							
	Development costs £'000	Software £'000	Intellectual Property £'000	Customer relationships £'000	Brands £'000	Goodwill £'000	Intangible assets under construction £'000	Total £'000
At 1 January								
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
Period ended 31 December								
Additions	3,326	178	272	–	–	–	34	3,810
Acquisition of Billi (note 14)	3	4	–	15,912	13,283	10,885	–	40,087
Transfers	–	–	–	–	–	–	–	–
Disposals (cost)	(20)	–	–	–	–	–	–	(20)
Disposals (accumulated amortisation)	1	–	–	–	–	–	–	1
Amortisation charge	(1,103)	(605)	(145)	(210)	–	–	–	(2,063)
Exchange differences	99	25	82	108	328	446	3	1,091
Closing net book value	11,712	2,635	1,226	17,846	19,785	20,067	103	73,374
At 31 December								
Cost	19,428	4,452	1,482	18,549	19,785	20,067	103	83,866
Accumulated amortisation and impairment	(7,716)	(1,817)	(256)	(703)	–	–	–	(10,492)
Net book value	11,712	2,635	1,226	17,846	19,785	20,067	103	73,374

Amortisation charges have been treated as an expense, and are allocated to cost of sales (£1,707,000), distribution costs £NIL and administrative expenses (£356,000) in the consolidated statement of comprehensive income.

The Group's goodwill, customer relationships and brands predominantly relate to those arising on the acquisition of LAICA which was completed in 2020, and also on the acquisition of the Billi entities (including pre-existing intangibles assets), which were acquired in the current year (note 14). The goodwill, customer relationships and brands recognised on acquisition of the Billi entities have been 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.

In the current year, the carrying values of existing goodwill and brands have been subject to an annual impairment test, and the recoverable amounts assessed at each cash generating unit (CGU) level 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 for LAICA are a discount rate of 12%, 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 (2021: same). An impairment test of the intangibles arising on the acquisition of the Billi entities has not been performed given that they were acquired on 30 November 2022.

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 circa £3.4m but still leave headroom over the carrying values of the goodwill and brands (circa £23.4m).

As highlighted in note 2, Management revised the useful lives of certain assets at the beginning of the year. As part of this assessment, the useful lives of capitalised development costs were reassessed and extended with the resulting impact being a decrease in amortisation of £694,000 for the full year 2022. Going forward, the amortisation charges will be in line with the revised useful life.

	2021							
	Development costs £'000	Software £'000	Intellectual Property £'000	Customer relationships £'000	Brands £'000	Goodwill £'000	Intangible assets under construction £'000	Total £'000
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 were treated as an expense, and allocated to cost of sales (£2,029,000), distribution costs £NIL and administrative expenses (£281,000) in the consolidated statement of comprehensive income.

£172,000 worth of intangible assets under construction were reclassified to property plant and equipment.

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for the year ended 31 December 2022

12. PROPERTY, PLANT AND EQUIPMENT

	2022								
	Plant & machinery £'000	Fixtures, fittings & equipment £'000	Motor vehicles £'000	Production tools £'000	Land & Buildings £'000	Right-of-use assets (note 26) £'000	Point of use dispensers £'000	Assets under construction £'000	Total £'000
At 1 January									
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
Period ended 31 December									
Additions	2,904	1,503	23	864	125	505	–	(78)	5,846
Acquisition of Billi (note 14)	419	211	17	–	–	1,237	1,386	144	3,414
Transfers	–	–	–	–	–	–	–	–	–
Disposals (cost)	(90)	(237)	(1)	–	–	(698)	–	–	(1,026)
Disposals (accumulated depreciation)	53	157	1	–	–	125	–	–	336
Depreciation charge	(1,402)	(883)	(23)	(484)	(426)	(920)	(63)	–	(4,201)
Exchange differences	48	20	(6)	(1)	1	129	36	5	232
Closing net book value	14,213	3,520	44	2,644	19,712	3,625	1,359	2,247	47,364
At 31 December									
Cost	29,988	8,124	375	13,693	20,690	8,678	1,430	2,247	85,225
Accumulated depreciation	(15,775)	(4,604)	(331)	(11,049)	(978)	(5,053)	(71)	–	(37,861)
Net book value	14,213	3,520	44	2,644	19,712	3,625	1,359	2,247	47,364

Point-of-use dispensers were acquired as part of the acquisition of Billi. Refer to note 14.

Depreciation charges are allocated to cost of sales (£3,149,000), distribution costs (£184,000) and administrative expenses (£868,000) in the consolidated statement of comprehensive income. In addition, borrowing costs of £nil (2021: £306,000), calculated at prevailing rates of the revolving credit facility (note 19), have been capitalised to land and buildings in the year.

As highlighted in note 2, Management revised the useful lives of certain assets at the beginning of the year. As part of this assessment, the useful lives of fixtures and fittings, plant and machinery and production tools were reassessed and extended with the resulting impact being a decrease in depreciation of £1,098,000 for the full year 2022. Going forward, the depreciation charges will be in line with the revised useful lives.

	2021							
	Plant & machinery £'000	Fixtures, fittings & equipment £'000	Motor vehicles £'000	Production tools £'000	Land & Buildings £'000	Right-of-use assets (note 26) £'000	Assets under construction £'000	Total £'000
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

Depreciation charges in the prior year were allocated to cost of sales (£3,821,000), distribution costs (£90,000), and administrative expenses (£658,000) in the consolidated statement of comprehensive income.

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	IOM	100	Subsidiary
Strix Limited	Manufacture and sale of products	IOM	100	Subsidiary
Strix Guangzhou Limited	Dormant company	China	100	Subsidiary
Strix (UK) Limited	Holding company and group's sale and distribution centre	United Kingdom	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 (US), Inc.	Research and development, sales, and distribution of products	US	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
Strix Australia Pty Limited	Holding company	Australia	100	Subsidiary
Billi UK Limited	Manufacture and sale of products	United Kingdom	100	Subsidiary
Billi Australia Pty Limited	Manufacture and sale of products	Australia	100	Subsidiary
Billi New Zealand Limited	Manufacture and sale of products	New Zealand	100	Subsidiary
Billi R&D Limited	Research and development	Australia	100	Subsidiary
Billi Financial Services Limited	Financial Services	Australia	100	Subsidiary

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13. PRINCIPAL SUBSIDIARY UNDERTAKINGS AND JOINT ARRANGEMENTS OF THE GROUP (continued)

Incorporation of Strix Australia Pty Limited

On 26 October 2022, Strix Australia Limited was incorporated in Australia and is a wholly-owned subsidiary of Strix UK Limited. The entity was incorporated for the purpose of effecting the acquisition of Billi.

Acquisition of Billi

On 30 November 2022, the Group completed the acquisition of the entire issued share capital of Billi Australia Pty Ltd, Billi New Zealand Ltd and Billi UK Ltd (together 'Billi'). Details of the acquisition are disclosed in note 14 below.

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 cash and cash equivalents included within the consolidated financial statements to which these restrictions apply is £3,568,000 (2021: £3,681,000). 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 current year

On 30 November 2022, the Group, through its subsidiaries, Strix UK Limited and newly incorporated Strix Australia Pty Limited, acquired 100% of the share capital of Billi Australia Pty Ltd, Billi New Zealand Ltd, and certain assets and liabilities through a newly acquired company, Billi UK Ltd, (all together referred to as 'Billi'). The total consideration for the acquisition was £38,912,000 paid in cash.

Goodwill of £10,885,000 has been recognised as the difference between the purchase consideration of £38,912,000 and the provisional fair values of the net assets acquired of £28,027,000. The goodwill is attributable to new growth opportunities, workforce and synergies of the combined business operations, and it is not expected to be deductible for tax purposes.

The objective of the acquisition is to accelerate the Group's growth plans for its water and appliances categories and provide an entry into the high growth and strategically important hot tap market. Billi is a leading brand supplying premium filtered and non-filtered instant boiling, chilled and sparkling water systems with manufacturing operations based in Australia. The acquisition has been accounted for as a business combination in accordance with IFRS 3. As at the date of these financial statements, the initial accounting for the acquisition of Billi is preliminary, and fair values amounts are provisional, given the short period of time since the date the acquisition was completed. Fair values approximate gross contractual amounts. A reassessment will be performed within twelve months post acquisition and final amounts of fair values of assets and liabilities acquired will be reported in the next reporting period.

Certain intangible assets were recognised on acquisition including brands and customer relationships. The fair values of the intangible assets were calculated using an income approach (multi-period excess earnings method for customer related assets and the royalty relief method for brands) based on a discounted cash flow model that reflects the expected future income they will generate. The discount rates applied to customer related assets were based on the assessed Weighted Average Cost of Capital for each territory of operations ranging from 14.9% to 16.2%, with a 1% premium applied to brands, and a growth rate based on forecasted revenues. The economic life of brands and customer relationships applied within the model range from 11 years to 15 years. A deferred tax liability has been recognised on the fair value adjustments to intangible assets at the applicable corporate tax rates.

Acquisition costs included within 'Administration expenses – exceptional items' in the consolidated statement of comprehensive income amounted to £2.6m. These have been designated as a 'separate transaction' per IFRS 3 and therefore not included as part of the purchase consideration.

Net cash flows on acquisition of the business are as follows:

	2022 £'000
Consideration transferred on acquisition	**38,912**
less: Net cash acquired with business	**(1,254)**
	37,658

Billi contributed revenues of £2.7m and an adjusted profit after tax of £0.6m to the Group for the period from 30 November 2022 to 31 December 2022. If Billi had been acquired at the beginning of the year its contribution to revenues and adjusted profits after tax would have been £38.8m and £5.6m respectively.

The following table details the Sterling equivalent provisional fair values of assets and liabilities as acquired:

	Book values £'000	FV Adjustments £'000	Fair values £'000
Non-current assets			
Intangible assets	5,993	23,209	29,202
Property, plant and equipment	3,609	(195)	3,414
Other non-current assets	130	–	130
Total non-current assets	9,732	23,014	32,746
Current assets			
Inventories	6,461	(376)	6,085
Trade and other receivables	9,152	–	9,152
Cash and cash equivalents	1,254	–	1,254
Total current assets	16,867	(376)	16,491
Total assets	26,599	22,638	49,237
Non-current liabilities			
Lease liabilities more than 1 year	900	–	900
Deferred tax liability	654	8,357	9,011
Total non-current liabilities	1,554	8,357	9,911
Current liabilities			
Trade and other payables	10,919	–	10,919
Lease liabilities more than 1 year	380	–	380
Total current liabilities	11,299	–	11,299
Total liabilities	12,853	8,357	21,210
Net assets acquired	13,746	14,281	28,027

Values have been translated at the closing exchange rates as at the acquisition date.

Acquisitions in prior years:

Acquisition of LAICA

The Group acquired 100% of the issued share capital of LAICA S.p.A. in October 2020. The total consideration transferred for the acquisition was £24.4m (€26.9m), made up of £11.7m (€13.0m) paid in cash, the issue of 3,192,236 Strix Group plc ordinary shares of £0.01 each with a total fair value of £7.3m (€8.0m), and a further contingent consideration with a fair value of £5.4m (€5.9m) 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. Based on a post year-end arbitration process which was finalised in February 2023 and the financial results of LAICA S.p.A. for the year ended 31 December 2022, the actual fair value of the estimated contingent consideration payable to the vendor shareholders has been recorded at £4.9m (€5.6m) (2021: estimated fair value (2021: £5.8m (€6.9m)).

In addition, a supplemental consulting arrangement was entered into with the vendor shareholders of LAICA under which total costs amounting to £4.4m (€4.9m) were payable in the financial years ending 31 December 2021 and 2022, relating to compensation for post-combination services contingent on the vendors remaining in service. These costs have been accrued as the services are rendered to LAICA. As at 31 December 2022, £2.6m (€2.9m) (2021: £1.7m (€2.0m)) was accrued for services rendered to date.

The accruals relating to both the contingent consideration and the compensation for the supplemental consulting agreement are reflected as current liabilities as at 31 December 2022.

15. INVENTORIES

	2022 £'000	2021 £'000
Raw materials and consumables	**11,242**	12,139
Finished goods and goods in transit	**16,460**	7,883
	27,702	20,022

The cost of inventories recognised as an expense and included in cost of sales amounted to £44,241,000 (2021: £52,396,000).
The provision for impaired inventories is £1,034,000 (2021: £2,063,000). There were no inventory write-downs in 2022 (2021: £246,000).

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16. TRADE AND OTHER RECEIVABLES AND CURRENT INCOME TAX RECEIVABLES

	2022 £'000	2021 £'000
Amounts falling due within one year:		
Trade receivables – current	**15,967**	10,958
Trade receivables – past due	**3,580**	2,493
Trade receivables – gross	**19,547**	13,451
Loss allowance	**(158)**	(104)
Trade receivables – net	**19,389**	13,347
Prepayments	**2,335**	496
Advance purchase of commodities	**2,344**	5,389
VAT receivable	**1,279**	5,261
Tax receivable	**497**	–
Other receivables	**4,444**	1,018
	30,288	25,511

Trade and other receivables carrying values are considered to be equivalent to their fair values. The amount of trade receivables impaired at 31 December 2022 is equal to the loss allowance provision (2021: same).

The advance purchase of commodities relates to a payment or payments in advance to secure the purchase of key commodities at an agreed price to mitigate the commodity price risk.

Other receivables include receivables from licencing income recognised in the current year of £1,191,000 (2021: nil) and £2,184,000 (2021: nil) rebates receivable from suppliers from procurements made in prior years. Settlement of the rebates receivable from suppliers will be via net cash settlement of future purchases.

Deferred tax assets as at year end were £313,000 (2021: £258,000).

Government grants due amounted to £nil (2021: £300,000). 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 10 years from the date of the last grant payment, funds may be reclaimed.

The Group's trade and other receivables are denominated in the following currencies:

	2022 £'000	2021 £'000
Pound Sterling	**7,773**	5,471
Chinese Yuan	**2,520**	9,465
US Dollar	**3,993**	1,478
Euro	**8,401**	8,668
Hong Kong Dollar	**120**	118
Australian Dollar	**6,839**	–
New Zealand Dollar	**512**	–
Taiwan Dollar	**130**	311
	30,288	25,511

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 2022 was £158,000 (2021: £104,000).

17. CASH AND CASH EQUIVALENTS

The carrying amounts of the cash and cash equivalents are denominated in the following currencies:

	2022 £'000	2021 £'000
Pound Sterling	**15,155**	4,424
Chinese Yuan	**2,506**	3,622
US Dollar	**6,959**	8,183
Euro	**4,471**	2,584
Hong Kong Dollar	**211**	207
Australian Dollar	**616**	–
New Zealand Dollar	**159**	–
Taiwan Dollar	**366**	650
	30,443	19,670

18. TRADE AND OTHER PAYABLES AND CURRENT INCOME TAX LIABILITIES

	2022 £'000	2021 £'000
Trade payables	**10,010**	11,060
Current income tax liabilities	**444**	1,631
Social security and other taxes	**368**	352
Customer rebates provisions	**745**	2,152
Capital creditors	**2,848**	2,256
VAT liabilities	**546**	130
Other liabilities	**7,308**	3,204
Payments in advance from customers	**2,270**	1,936
Accrued expenses	**5,868**	4,796
	30,407	27,517

The fair value of financial liabilities approximates their carrying value due to short maturities. Other liabilities include goods received not invoiced amounts of £1,189,000 (2021: £2,123,000), and an accrual of costs incurred as part of the Billi acquisition of £3,356,000 (2021: nil). Deferred government grants amounted to £nil (2021: £583,000). There were no unfulfilled conditions in relation to these grants at the year end. 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.

The carrying amounts of the Group's trade and other payables are denominated in the following currencies:

	2022 £'000	2021 £'000
Pound Sterling	**10,069**	13,604
Chinese Yuan	**7,228**	7,249
US Dollar	**1,051**	1,951
Euro	**4,461**	4,030
Hong Kong Dollar	**198**	253
Australian Dollar	**6,408**	–
New Zealand Dollar	**881**	–
Taiwan Dollar	**111**	430
	30,407	27,517

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19. BORROWINGS

	2022 £'000	2021 £'000
Total current borrowings	**14,734**	1,064
Total non-current borrowings	**103,092**	69,782

Current bank borrowings comprise 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 £956,000 (2021: £181,000) and £1,770,000 (2021: £513,000), respectively.

Term and debt repayment schedule for long term borrowings

	Currency	Interest rate	Maturity date	31 December 2022	31 December 2021
Revolving Credit Facility	GBP	SONIA + 2.15% to 4%	25-Oct-25	**80,000**	70,000
Term loan	GBP	SONIA + 2.15% to 4%	30-Nov-25	**39,000**	–
Unicredit facility	EUR	EURIBOR 6M + 1,2%	28-Jun-24	**133**	210
Banco BPM	EUR	1.45%	30-Nov-23	**167**	329
BNP Paribas	EUR	0.7945%	03-Feb-23	**436**	–
Credito Emiliano	EUR	1.10%	04-Jan-23	**221**	–
Banco BPM	EUR	1.69%	03-Jan-23	**112**	–
Banco BPM	EUR	0.01692	03-Jan-23	**54**	–
Banco BPM	EUR	1.00%	28-Feb-23	**432**	–
BNP Paribas	EUR	0.18%	30-Apr-22	**–**	172
Banca Monte dei Paschi di Siena	EUR	0.19%	31-Jan-22	**–**	414
Banco BPM	EUR	0.19%	31-Mar-22	**–**	404
Hedging	EUR			**(3)**	11
				120,552	71,540

In the current year, the existing revolving credit facility ('RCF') agreement was further refinanced and amended on 25 October 2022 as follows:

New lenders – Barclays Bank Plc and HSBC Bank Plc came on board as new lenders under the restated agreement.

Revolving credit facility – This relates to the RCF of £80,000,000. The termination date has been revised to three years after the fourth restatement date, 25 October 2025, with an option to extend the term initially by twelve months and a further twelve months thereafter. The purpose of the extended facility was to finance the acquisition of LAICA as well as other significant capital projects including the new factory in China and ongoing working capital needs of the Group. Under the amended agreement, the purpose of the RCF remains the same. As at 31 December 2022, the total facility available is £80,000,000 (2021: £80,000,000).

Term loan – The Company obtained further funding on 30 November 2022 in the form of a three-year term loan of £49,000,000 payable initially by a lump sum of £10,000,000 followed by eleven fixed repayments thereafter with the first quarterly repayment of £3,545,000 due and payable on 31 March 2023. The purpose of the term loan was to finance the acquisition of Billi. The £10m repayment was made towards the term loan on 30 November 2022. As at 31 December 2022, the outstanding balance on the term loan is £39,000,000 (2021: £nil).

Interest applied to the revolving credit facility and term loan is calculated as the sum of the margin and SONIA. The margin under the amended agreement shall be 3.5% until 31 March 2023, and then 2.85% from 1 April 2023 to 30 June 2023, and thereafter margin will be dependent on the net leverage of the Group.

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 (2021: same).

Transactions costs amounting to £2,324,000 (2021: £875,000) incurred as part of refinancing and amending the RCF agreement were capitalised and are being amortised over the period of three years.

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 2022, the Group has not breached any of the financial covenants contained within the agreements – see note 22(d) for further details. (2021: same).

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 or the borrowings are of a short-term nature.

20. CAPITAL COMMITMENTS

	2022 £'000	2021 £'000
Contracted for but not provided in the consolidated financial statements – Property, plant and equipment	**695**	2,001

The above commitments include capital expenditure of £547,000 (2021: £1,639,000) relating to plant and machinery and production equipment for the factory in 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 at 31 December 2022 (2021: same), as any receipts are dependent on the final outcome of each case. There are also no corresponding contingent liabilities at 31 December 2022 (2021: same).

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 IOM, UK, EU, US, Australia, New Zealand 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);
- Chinese Yuan (CNY);
- United States Dollar (USD);
- Euro (EUR);
- Hong Kong Dollar (HKD);
- Australian Dollar (AUD);
- New Zealand Dollar (NZD);
- Taiwan Dollar (TWD).

In December 2022, the Group entered into USD/GBP and USD/EUR forward exchange rate contracts to sell the notional amount of US$8,500,000 and hence mitigate the risk and impact of volatile exchange rate movements seen during the year on group profits. The fair 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 term loan 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.

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22. FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

(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 2022 or 2021 as they relate to physical commodities being purchased for the Group own use. At 31 December 2022 and 2021, 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, TWD, AUD and NZD. Assuming a reasonably possible change in FX rates of +10% (2021: +10%), the impact on profit would be a decrease of £319,000 (2021: a decrease of £751,000), and the impact on equity would be a decrease of £738,000 (2021: decrease of £1,877,000). A -10% change (2021: -10%) in FX rates would cause an increase in profit of £390,000 (2021: an increase in profit of £918,000) and a £902,000 increase in equity (2021: £1,603,000 increase 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 balance sheet 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% (2021: ±0.5%), the impact on profit would be an increase/decrease of £476,000 (2021: £313,000), and the impact on equity would be an increase/decrease of £72,000 (2021: £138,000). 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 ±13% for silver (2021: ±14%) and ±15% for copper (2021: ±14%) based on volatility analysis for the past year, the impact on profit would be an increase/decrease of £1,346,000 (2021: £3,766,000). The Group does not hold significant quantities of copper and silver inventory, therefore the impact on equity would be the same as the profit or loss impact disclosed (2021: 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 the 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 0.07% of revenue (2021: less than 0.08% 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. At year-end, £19,456,000 (2021: £11,490,000) was held with one financial institution with a credit rating of BBB. The following table shows the external credit ratings of the institutions with whom the Group has cash deposits:

	2022 £'000	2021 £'000
AA	**797**	–
A	**4,132**	3,989
BBB	**25,450**	15,633
B	**27**	11
n/a	**37**	37
	30,443	19,670

(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 revolving credit facilities to provide access to cash for various purposes. The facilities were fully utilised as at 31 December 2022 (2021: headroom of £10,000,000).

The table below analyses the group's financial liabilities as at 31 December 2022 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 £'000	6 – 12 months £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000	Total contractual cash flows £'000	Carrying amount (assets)/ liabilities £'000
Trade and other payables	**30,407**	**–**	**–**	**–**	**–**	**30,407**	**30,407**
Borrowings	**8,478**	**7,212**	**14,226**	**90,636**	**–**	**120,552**	**117,826**
Lease liabilities	**535**	**534**	**1,247**	**1,645**	**–**	**3,961**	**3,888**
Contingent consideration	**7,532**	**–**	**–**	**–**	**–**	**7,532**	**7,532**
Total financial liabilities	**46,952**	**7,746**	**15,473**	**92,281**	**–**	**162,452**	**159,653**

The table below analyses the respective financial liabilities as at 31 December 2021 (the prior year):

	Less than 6 months £'000	6 – 12 months £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000	Total contractual cash flows £'000	Carrying amount (assets)/ liabilities £'000
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	6,081	–	3,994	–	–	10,075	7,464
Total financial liabilities	36,686	2,084	6,623	73,062	293	118,748	109,198

(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.

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 2022 these ratios were as follows:

- **Debt Service Cover ratio (DSCR):** c.7.00x (2021: n/a) – minimum per facility terms is 1.1x; and
- **Leverage ratio:** 2.24x (2021: 1.31x) – maximum per facility terms is 3.5x.

(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.

Notes to the consolidated financial statements continued

for the year ended 31 December 2022

22. FINANCIAL RISK MANAGEMENT (continued)

(e) Fair value hierarchy (continued)

As part of the consideration for the acquisition of LAICA S.p.A. which occurred in October 2020, the Group agreed to pay a contingent consideration of up to £6.4m (€7.1m) subject to certain conditions being met, including threshold financial targets for the financial years ending 31 December 2021 and 2022. Based on a post year-end arbitration process which was finalised in February 2023, the actual fair value of the contingent consideration payable to the vendor shareholders was set at £4,968,000 (€5,619,000) (2021: estimated fair value of £5,785,000). In the previous year and prior to this final arbitration, the fair value was estimated by calculating the present value of future probability weighted cashflows using a discount rate of 12.7%. The accrual for the contingent consideration as at year end reflects the final amount payable which is considered to be the fair value. The contingent consideration has been classified as Level 3 (2021: same).

There have been no movements into or out of any levels during the year.

The carrying amounts reflected in these financial statements for cash and cash equivalents, current trade and other receivables/payables and the fixed and floating rate bank borrowings approximate their fair values.

23. SHARE-BASED PAYMENTS

Long term incentive plan terms

As part of the admission to trading on AIM in August 2017, 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, or share price targets for the three financial years from grant date. Further awards have been made since August 2017 under the same scheme on similar terms, with additional ESG-related performance conditions added on for certain senior members of management.

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:

	2022 Number of Shares	2021 Number of Shares
At 1 January	**3,054,161**	3,590,383
Granted during the year	**600,131**	1,095,107
Exercised during the year	**(734,608)**	(925,651)
Forfeited during the year	**(1,265,017)**	(705,678)
As at 31 December	**1,654,667**	3,054,161

The Group has recognised a total gain of £491,000 (2021: expense of £1,549,000) in respect of equity-settled share-based payment transactions in the year ended 31 December 2022.

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 2022 was 8.7 years (2021: 8.4 years).

Valuation model inputs

The key inputs to the Black-Scholes-Merton 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 2022	Share options outstanding at 31 December 2021
20 May 2019	157.80	20 May 2029	36.8%	–	525,602
06 April 2020	170.00	06 April 2030	100.0%	–	310,867
01 May 2020	183.40	01 May 2030	0.0%	–	502,495
06 May 2020	181.00	06 May 2030	0.0%	–	36,364
21 April 2021	290.00	21 April 2031	0.0%	**803,919**	820,285
01 January 2022	303.50	01 January 2032	100.0%	**9,164**	–
21 April 2022	208.50	21 April 2032	0.0%	**382,359**	–
Total Share Options				**1,195,442**	2,195,613

The key inputs to the Black-Scholes-Merton 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 2022	Conditional share awards outstanding at 31 December 2021
20 May 2019	157.80	01 April 2022	36.8%	–	304,254
19 August 2019	158.00	01 April 2022	28.0%	–	4,250
24 February 2020	179.80	24 April 2022	100.0%	–	10,772
06 April 2020	170.00	06 April 2022	100.0%	–	90,104
01 May 2020	183.40	31 December 2022	0.0%	–	165,759
06 May 2020	181.00	31 December 2022	100.0%	–	28,481
21 April 2021	290.00	31 December 2023	29.0%	**225,204**	229,515
06 December 2021	296.50	31 December 2023	0.0%	**16,090**	16,090
06 December 2021	296.50	31 December 2024	0.0%	**9,323**	9,323
21 April 2022	208.50	31 December 2024	0.0%	**208,608**	–
Total conditional share awards				**459,225**	858,548
Total share options and conditional share awards				**1,654,667**	3,054,161

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 (2021: £nil) and the expected charge over the life of the options by a total of £nil (2021: £nil).

The other factors in the Black-Scholes-Merton model 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 £2.5719 (2021: £2.1217).

The movement within the share-based payments reserve during the period is as follows:

	2022 £'000	2021 £'000
Shared-based payments reserves as at 1 January	**2,039**	1,913
Share-based payments transactions (note 5(a))	**(491)**	1,549
Other share-based payments	**(136)**	(174)
Share-based payments transferred to other reserves upon exercise/vesting	**(1,210)**	(1,249)
Shared-based payments reserves as at 31 December	**202**	2,039

Other movements

Other transactions recognised directly in equity include the settlement of dividend entitlements previously accrued as part of the LTIP programme and employer contributions to national insurance for vested LTIPs.

Notes to the consolidated financial statements continued

for the year ended 31 December 2022

24. SHARE CAPITAL AND SHARE PREMIUM

	Number of shares (000s)	Par value (000s)	Share premium (000s)	Total (000s)
Allotted and fully paid: ordinary shares of 1p each				
Balance at 1 January 2022	**206,672**	**2,066**	**11,073**	**13,139**
Shares issues during the year	**11,304**	**113**	**12,887**	**13,000**
Transaction costs	**–**	**–**	**(2,285)**	**(2,285)**
Share options exercised during the year (note 23)	**735**	**7**	**–**	**7**
Balance at 31 December 2022	**218,711**	**2,186**	**21,675**	**23,861**

Under the Isle of Man Companies Act 2006, the Company is not required to have an authorised share capital.

The shares issued during the year consist of 11,304,347 shares issued to finance the acquisition of the Billi entities as noted in note 14 and the remaining shares relate to employee share-based payments as noted in note 23. £13,000,000 was raised on the share issue to finance the acquisition of Billi with £113,000 recognised in share capital and £12,887,000 recognised as share premium. Associated transaction costs recognised directly in share premium amounted to £2,285,000.

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:

	2022 £'000	2021 £'000
Interim 2022 dividend of 2.75p per share (2021: 2.75p)	**5,699**	5,679
Final 2021 dividend of 5.6p per share (2020: 5.25p)	**11,601**	10,831
Total dividends recognised in the year	**17,300**	16,510

In addition to the above dividends, since year end the Directors have proposed the payment of a final dividend of 3.25p per share (2021: 5.6p). The aggregate amount of the proposed final dividend expected to be paid on 11 August 2023 out of retained earnings at 31 December 2022, 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.

	2022 £'000	2021 £'000
Final 2022 dividend of 3.25p per share (2021: 5.6p)	**7,108**	11,574
Total dividends proposed but not recognised in the year, and estimated to be recognised in the following year	**7,108**	11,574

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:

	2022 £'000	2021 £'000
Right-of-use assets		
Land and buildings	**3,625**	3,247
Total right-of-use assets	**3,625**	3,247
Current future lease liabilities (due within 12 months)	**1,069**	773
Non-current future lease liabilities (due in more than 12 months)	**2,819**	2,598
Total future lease liabilities	**3,888**	3,371

Additions to the right-of-use liabilities during the 2022 financial year were £505,000 (2021: £1,474,000). Disposals of right-of-use liabilities during the current year were £586,000 (2021: £735,000).

Short-term leases and leases of low values were recognised directly in the consolidated statement of comprehensive income, amounting to £106,000 (2021: £209,000).

Total cash outflows relating to all lease payments, including short-term leases and leases of low values were £939,000 (2021: £1,771,000).

The movement in lease liabilities is as follows:

	2022 £'000	2021 £'000
Balance as at 1 January	**3,371**	4,100
Additions	**505**	1,474
Disposals	**(586)**	(735)
Adjustments due to lease modifications	**–**	35
Acquisition of Billi entities (note 14)	**1,284**	–
Repayments	**(833)**	(1,562)
Interest expense (included in finance cost)	**92**	105
Sub-lease income	**–**	(40)
Foreign exchange differences	**55**	(6)
Balance as at 31 December	**3,888**	3,371

b) Amounts recognised in the consolidated statement of comprehensive income

The statement of consolidated comprehensive income shows the following amounts relating to leases:

	2022 £'000	2021 £'000
Depreciation of right-of-use assets	**(920)**	(1,396)
Short-term and low value leases	**(106)**	(209)
Interest expense (included in finance cost)	**(92)**	(105)
Foreign exchange gains	**–**	6
Total cost relating to leases	**(1,118)**	(1,704)

27. STATEMENT OF CASH FLOWS NOTES

a) Cash generated from operations

	Note	2022 £'000	2021 £'000
Cash flows from operating activities			
Operating profit		**19,916**	23,720
Adjustments for:			
Depreciation of property, plant and equipment	12	**3,281**	3,173
Depreciation of right-of-use assets	12	**920**	1,396
Amortisation of intangible assets	11	**2,063**	2,310
Share of losses from joint ventures		**18**	50
Loss on disposal of property, plant and equipment	12	**–**	1,679
Other non-cash flow items		**1,275**	1,703
Share-based payment transactions	23	**(491)**	1,400
Net exchange differences	6(a)	**188**	186
		27,170	35,617
Changes in working capital:			
Increase in inventories		**(1,213)**	(5,320)
Decrease/(increase) in trade and other receivables		**3,159**	(6,649)
(Decrease)/increase in trade and other payables		**(4,549)**	558
Cash generated from operations		**24,567**	24,206

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 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.

Notes to the consolidated financial statements continued
for the year ended 31 December 2022

27. STATEMENT OF CASH FLOWS NOTES (continued)
b) Movement in net debt

	At 1 January 2022 £'000	Cash flows £'000	Non-cash movements: Currency movements £'000	Non-cash movements: Other movements £'000	At 31 December 2022 £'000
Borrowings, net of loan arrangement fees	(70,846)	(46,487)	(292)	(201)	**(117,826)**
Lease liabilities	(3,371)	833	(55)	(1,295)	**(3,888)**
Total liabilities from financing activities	(74,217)	(45,654)	(347)	(1,496)	**(121,714)**
Cash and cash equivalents	19,670	11,340	(567)	–	**30,443**
Net debt	(54,547)	(34,314)	(914)	(1,496)	**(91,271)**

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.

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 2022 £'000	Balance due from 2021 £'000	Balance due to 2022 £'000	Balance due to 2021 £'000
Related party				
Foshan Yilai Life Electric Appliances Co. Limited	**–**	165	**–**	–
LAICA Brand House Limited	**26**	25	**–**	–

(c) Related party transactions
The following transactions with related parties occurred during the year:

Name of related party	2022 £'000	2021 £'000
Transactions with related parties		
Revenue earned from Foshan Yilai Life Electric Appliances Co. Limited	**261**	298
Revenue earned from LAICA Brand House Limited	**3**	3
Contributions paid to The Strix Limited Retirement Fund (note 5(c)(i))	**(782)**	(684)

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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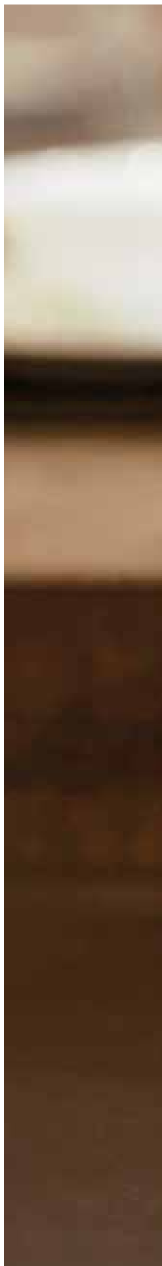

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