Strix
INNOVATIVE TECHNOLOGY

Strong & Steady Growth

Annual report and accounts 2020

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).

Our mission:

Shaping a safer, more sustainable future in the **design and supply** of innovative products that enhance customers' everyday lives.

2020 highlights

Financial highlights

Revenue

£95.3m

-1.6%

2020	£95.3m
2019	£96.9m
2018	£93.8m

Adjusted profit before tax[1]

£30.9m

+2.4%

2020	£30.9m
2019	£30.2m
2018	£29.2m

Adjusted profit after tax[1]

£29.5m

+2.3%

2020	£29.5m
2019	£28.9m
2018	£28.3m

Adjusted EBITDA[1, 2]

£38.1m

+3.2%

2020	£38.1m
2019	£36.9m
2018	£36.4m

Adjusted earnings per share[1]

14.9p

-2.0%

2020	14.9p
2019	15.2p
2018	14.9p

Total dividend per share for the year

7.85p

+2.0%

2020	7.85p
2019	7.70p
2018	7.00p

1. Adjusted results exclude exceptional items, which include share-based payment transactions 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.

Strategic report

Governance report

Financial statements

Operational highlights

- Production efficiency of core kettle products improved with 67% of all assembly lines now fully automated.
- The U9 series of controls showed strong growth with 33 million controls sold to date. The new U90 automation line achieved labour and machine efficiency targets, in line with original projections.
- Focus on continuous improvement, automation and refinement of existing processes has delivered significant improvement in customer quality parts per million (ppm).
- The Group was awarded Supor's 'Best Cooperation' and Xinbao's 'Most Outstanding Contributor' in 2020.
- Continued compliance with a range of international standards, solidifying the quality and safety of our products and internal processes (ISO 9001, ISO 14001, ISO 45001, ISO 50001, ISO 17025, ISO 13485).
- Successfully upgraded to SAP to improve real time data and streamline internal processes.

For further Operational information, please see pages 8 to 11

Strategic highlights

- Updated medium-term targets to double the Group's revenues over the next five years primarily through organic growth in its water and appliances categories. Alongside this, the Group will continue to grow market share in kettle controls.
- Expanded global market share by value of the kettle controls market.
- Acquisition of LAICA successfully completed in October 2020, expanding Strix's Water category and enhancing its presence in the health and wellness market segment of the appliances category, both of which are growth markets and core to Strix's sustainability strategy. Integration in line with plan to achieve the identified benefits and the trading performance has been strong over the period delivering double-digit revenue growth.
- New manufacturing operations in China remain on target to be on budget and fully operational by August 2021 as originally scheduled.
- Launched HaloPure technology water purification and sterilisation solution and signed a contract to adopt it with Chia Tai Group, one of the leading livestock companies operating in China.
- Continued to strengthen senior management, engineering and commercial teams through strategic recruitment to support medium-term objectives.

For further Strategy information, please see pages 24 to 29

Company overview

A global leader with sustainable growth from diverse revenue streams

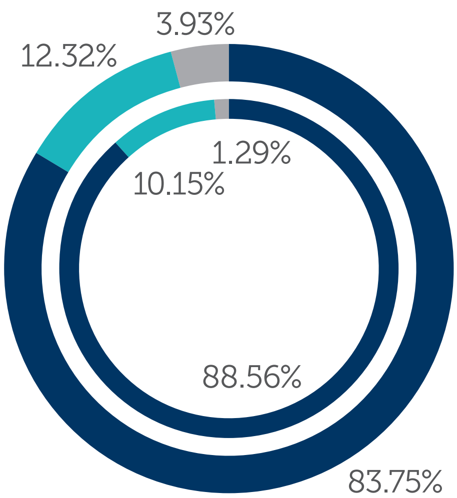
Strix's long-term vision is to diversify its revenue streams across the three core categories through the implementation of its growth and sustainability strategies. The Group's emphasis on its medium-term targets achieved through organic and acquisitive growth, and commitment to providing a safer sustainable 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.

Revenue split by category – 2020 vs 2019

£95.3m

- Kettle controls **2020: £79.81m** (2019: £85.79m)
- Water category **2020: £11.74m** (2019: £9.83m)
- Appliances category **2020: £3.75m** (2019: £1.25m)

2020 (outer circle)
2019 (inner circle)



Water category

Strix continues to develop its specialist water filtration offerings, improving the quality of water for human consumption through its Aqua Optima and astrea brands, whilst making use of its HaloPure offering as a water sterilisation bromine technology within livestock farming eliminating bacteria and viruses. Now, with the addition of the newly acquired LAICA brand, the water category is strengthened further with a complementary multi-brand product portfolio. Together, these brands deliver global solutions for water filtration and sterilisation needs through the delivery of water bottles, jugs, filters and other related appliances, meeting all consumer water filtration needs.

Given the ever-increasing consumer focus on health-conscious choices and in reducing plastic waste, Strix is able to offer sustainable choices to the end consumer.

New products to be launched in 2021, which are detailed in our new product roadmap on page 30:

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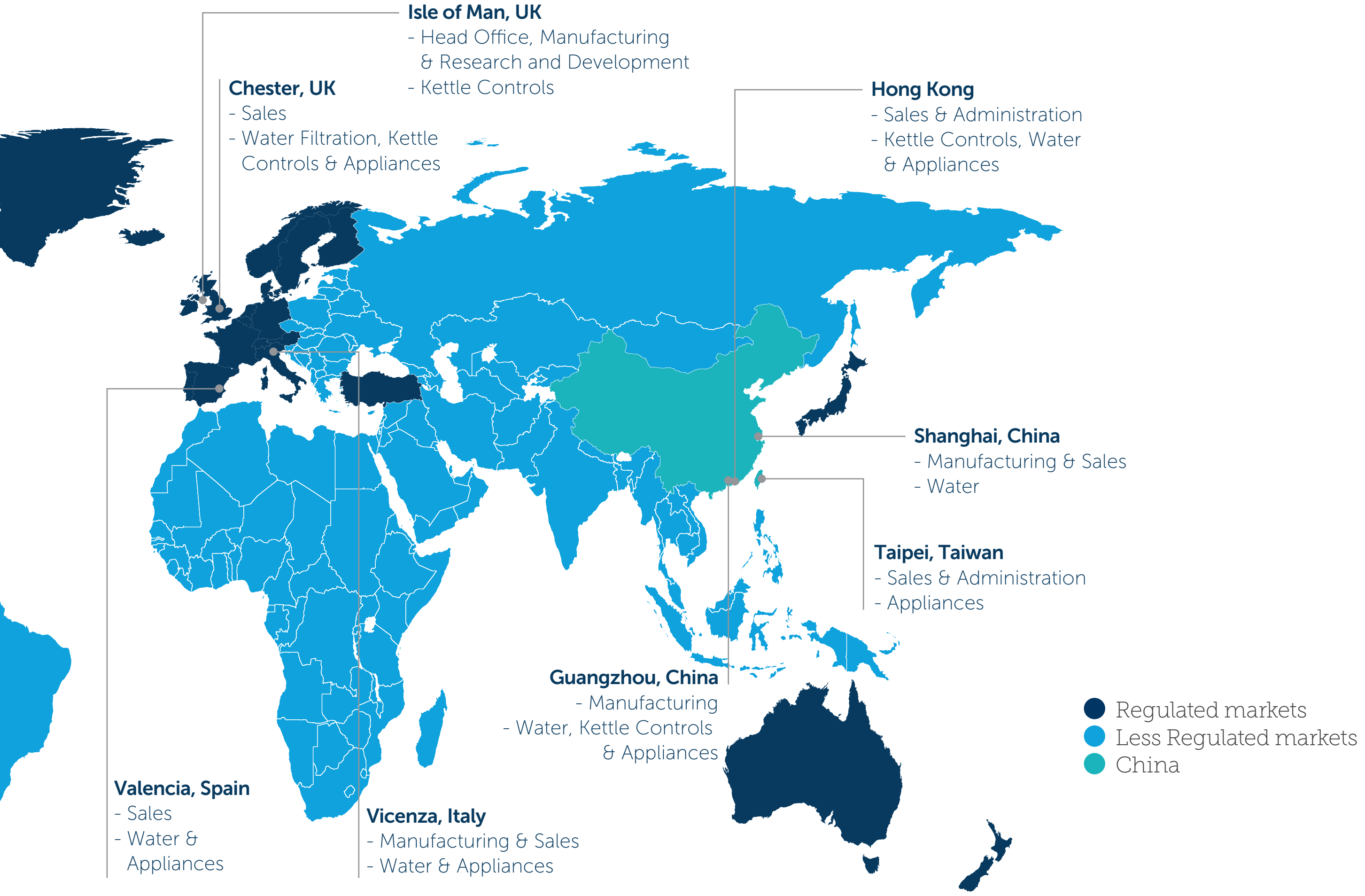
Strix's global share of kettle controls market value

55%

Number of employees

850+



Appliances category

Strix continually seeks to develop innovative appliances within its portfolio of water, temperature and steam management technologies which take the frustrations out of everyday tasks, and provide meaningful benefits to customers through convenient, simple and sustainable solutions.

Strix's research and development team continue to focus on enhancing the efficiency of its products by working closely with its key partners and own brands to bring product innovation to the markets delivering core benefits in usability and sustainability to the consumer. Innovation therefore drives Strix's future product roadmap in this category, which has consequently enabled Strix to improve energy efficiency within many of its products.

New products to be launched in 2021, which are detailed in our new product roadmap on page 30:

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Kettle controls

Strix's core products are safety controls for small domestic appliances, primarily kettles, which make up the majority of the business. Strix has positioned itself as the market leader in the kettle controls market, gradually increasing its value market share, currently estimated at c.55%. Strix is committed to the continued growth of market share through ongoing focus on product development and targeted growth in key regions.

As the market leader in controls, the Group has established a strong reputation for safe, dependable products that will achieve the highest level of performance whilst meeting all of the safety requirements. Increased emphasis has also been placed on developing products which reduce environmental wastage through minimising energy losses and reducing commodity wastage.

New products to be launched in 2021, which are detailed in our new product roadmap on page 30:

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Chairman's statement

Resilient performance in a challenging year

"The Group has been able to adapt quickly to unprecedented times and focus on delivering against our strategic commitments."

Gary Lamb
Non-Executive Chairman

Introduction

2020 has been an extraordinary period with substantial economic challenges inflicted by the COVID-19 pandemic. The Board is immensely appreciative of the efforts of our people during these uncertain times, who have continued to work diligently to support not only our customers, but also our local communities and governments.

Strix has successfully delivered modest growth in adjusted profit after tax for the full year which is testament to how well the Company has dealt with the challenges of the pandemic and demonstrates the resilience of the business.

Strix's investment proposition is underpinned by a high quality, resilient and robust business model which benefits from geographic and product diversification. Its continued focus on efficiency measures and strategic initiatives to manage its highly variable cost base and prudent investment in compelling growth opportunities, coupled with a solid balance sheet and low leverage provides financial flexibility for the medium term to navigate headwinds and deploy capital consistent with allocation of capital priorities.

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

Medium-term strategy

At the recent Capital Markets Day in November, the Group outlined its medium-term strategy stating that the Group aims to double revenues over the next five years, primarily through organic growth in its water and appliances categories.

Revenue

-1.6%

2020:	**£95.3m**
2019:	£96.9m
2018:	£93.8m

Adjusted EBITDA

+3.2%

2020:	**£38.1m**
2019:	£36.9m
2018:	£36.4m

The Group continues to pursue value-adding opportunities in the form of new acquisitions and technologies, which will adhere to Strix's strict financial criteria, as well as following the Group's capital allocation priorities to further enhance its growth potential within the water and appliances categories.

Alongside this it will continue to grow market share in kettle controls and invest in compelling growth opportunities with particular focus on new product development and a commercialisation strategy that supports the medium-term growth ambition.

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

Financial performance

The Group experienced a marked recovery in H2 2020 as anticipated, and a strong order book has enabled it to deliver £29.5m, c.2% growth, in adjusted profit after tax for the full year versus the previous financial year (2019: £28.9m).

Gross profit margin has further increased to 41.4% (2019: 40.9%), representing a 0.5% increase, reflecting the combined impact of product mix, a range of efficiency measures including continued automation and strategic initiatives. Adjusted EBITDA increased to £38.1m (2019: £36.9m), representing a 3.2% increase, despite the softening top line, demonstrating Strix's ability to manage its overhead costs.

Impact of COVID-19

Despite the unprecedented global macroeconomic disruption caused by the COVID-19 pandemic, Strix has successfully implemented a range of efficiency measures and strategic initiatives to manage its highly variable cost base and cash resources prudently and generated immediate savings to mitigate the impact of the pandemic.

This has been done whilst continuing to invest in compelling growth opportunities including the acquisition of LAICA, as well as the new product development pipeline and the new manufacturing operations in China.

The financial performance and operational progress illustrates the resilience and robustness of the Strix business model and, following a period of continued investment, means that it is well placed to benefit from the acceleration in demand as we emerge in the post-pandemic environment as a stronger business.

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 the how our consumers use our products.

During the year, the Group re-examined its approach to sustainability to establish a clear strategy in line with the UN Sustainable Development Goals. During 2021, we aim to implement the newly defined strategy by establishing baseline KPIs in order to track and monitor improvements going forward.

Strix's approach to sustainability involves all areas and employees within the Group. The CEO is the main conduit for sustainability management, reporting to the Board, alongside key executive management.

Dividend policy

Given the Group's robust performance during 2020, and in line with our dividend policy linked to underlying earnings, the Board confirms its intention to increase the total dividend to 7.85p per share in respect of the 2020 financial year (inclusive of the 2.6p per share paid as an interim dividend).

The final dividend will be paid on 2 June 2021 to shareholders on the register at 7 May 2021 and the shares will trade ex-dividend from 6 May 2021.

Board composition

During the period, we are delighted to report the appointment of Richard Sells as a Non-Executive Director who brings a wealth of both advisory and board experience, coupled with extensive operational and commercial expertise to the Strix Board. Richard will head an ESG committee ensuring the Board is focused and proactive in supporting sustainability initiatives across the Group.

Annual General Meeting

The Company will be holding its Annual General Meeting on 27 May 2021, notice of which will be sent to shareholders in due course. The format and arrangements for that meeting are likely to be affected by the continuing restrictions that apply in response to the ongoing COVID-19 pandemic. Further details will be set out in the formal notice of meeting.

Gary Lamb
Non-Executive Chairman

COVID-19 timeline

Throughout 2020, Strix implemented enhanced controls within its facilities to protect its staff. The flexibility of its staff across all sites, moving from office to working from home and back again, meant that 'business as usual' could be maintained, supporting the business results.

JANUARY 2020
- World Health Organization ('WHO') declares global emergency due to COVID-19.
- UK's first patients test positive.
- Implemented sterilisation tent in the Guangzhou facility, incorporating HaloPure technology.

FEBRUARY 2020
- Italy sees major surge in cases and introduces lockdown restrictions.
- First COVID-19 case transmitted in the UK.
- Guangzhou facility returns to full operation.

MARCH 2020
- WHO declares the COVID-19 virus a pandemic.
- UK and Isle of Man Governments commence daily press briefings on COVID-19 response.
- UK and Isle of Man Governments announce lockdown and new social distancing rules.
- Strix supports local NHS with essential PPE for key workers on the Isle of Man.
- Daily Operational Risk Committee meetings to discuss the Group's response to COVID-19 are initiated.
- Group-wide measures to ensure employee safety rolled out across all locations.

APRIL 2020
- Worldwide cases of COVID-19 surpasses 2 million.
- UK lockdown extended.
- Wuhan lifts lockdown.
- Our first virtual AGM held with no physical attendees due to travel restrictions.

MAY 2020
- Prepared Isle of Man, UK and USA offices for a phased return to work, with all safety measures to allow adequate social distancing in place.
- Draw-down of £9m on credit facility to focus on preserving cash amidst the pandemic uncertainty, resulting in £23.1m headroom.

COVID-19 – Second and third wave planning

Strix's priority is the health and safety of its employees. As the extent of the pandemic grew, and to allow "business as usual" through 2020, the Group implemented the following precautionary measures:

1 Educate employees on COVID-19 symptoms and prevention
- Regular updates sent out to all employees providing education on COVID-19
- Reporting of daily COVID-19 impact assessments to Strix's Operational Risk Committee

2 Reinforce screening protocols
- High quality sanitisation products provided and made accessible to all employees
- Minimisation of cross-infection by appropriate workforce segregations within each site
- Mandatory use of face coverings within public areas of facility during higher risk periods
- Professional cleaning of all sites carried out at increased frequencies
- Risk assessments conducted for all staff including mandatory daily temperature checks
- Staggering of arrival/departure times and lunch-breaks to minimise congestion and contact
- All staff within our Guangzhou manufacturing facility were required to enter the premises through a specialist sterilisation tent that uses HaloPure's patented technology
- Reduced visitors to sites and procedures in place to minimise contact with other staff

JUNE 2020
- No active cases of COVID-19 on the Isle of Man.
- Isle of Man Government removes all social distancing requirements and all staff return to work.

SEPTEMBER 2020
- R number starts to rise in the UK and lockdown restrictions are implemented again. UK staff return to working from home.

OCTOBER 2020
- A third rise in infections begins in the USA in mid-October, however, most staff already working from home.
- A second wave of the virus in Italy results in new restrictions, however, purchase of LAICA S.p.A. occurs and all operations and manufacturing sites remained open and fully operational due to initiatives taken to ensure the safety of employees.

DECEMBER 2020
- Flu jabs offered to all employees to curb the magnified impact of flu-season.

JANUARY 2021
- Short circuit-break lockdown on the Isle of Man after a second wave, staff returned to established 'work from home' protocols, until local restrictions were quickly lifted after 3.5 weeks, but all factories remained open and fully operational.

MARCH 2021
- Third wave circuit-break lockdown on the Isle of Man as the latest variant spread through the community.
- Fourth rise in infections in the USA.
- At the end of March the situation in the UK starts to improve and the stay at home order comes to an end.
- Mass vaccination programmes underway worldwide.

3 Prepare for loss of productivity in locations where working from home is not possible
- Expected absenteeism will increase following health screening protocols. Implementation of shared role responsibility to ensure no stoppages to critical processes
- Issuance of laptops and remote working guidance
- Implementation of regular 'wellbeing calls' for managers to check-in with staff working from home
- Additional segregation of staff through use of shifts to reduce possibility of transmission across teams

4 Restrict non-essential travel and promote flexible working arrangements
- All non-essential business travel suspended until restrictions are lifted and it is deemed safe to resume travel
- Employees, where appropriate, have been encouraged to work from home

5 Align IT systems and support to evolving work requirements
- Flexible workforce arrangements implemented with effective remote working policies in place
- IT systems and support aligned with latest work policies
- System stability, network robustness and data security have been addressed ensuring smooth operation, with some investment in additional infrastructure

6 Prepare succession plans for key executive positions
- Key management geographically diversified
- Regular updates between the key executive team

7 Focus on cash flow
- Strong cash generation model which incorporates a high ROCE and high proportion of cash in advance payment terms limiting risk of non-payment and working capital fluctuations
- Group has available liquidity consisting of cash and undrawn facilities throughout the period

Chief Executive Officer's statement

Focusing on strategic planning and delivering results

"We are pleased to report another solid performance in what has been a challenging year for all, enabled by our product mix as well as a range of efficiency measures, including continued automation and strategic initiatives."

Mark Bartlett
CEO

Introduction

Strix has continued to deliver on its strategic plans during 2020 which has strengthened the Group's position across its three product categories; kettle controls, water and appliances. The Group has expanded its market leading value share of the global kettle controls market whilst significantly expanding the size of its water category through both strong organic growth and the strategically compelling acquisition of Italian-based LAICA in October which, despite the disruption caused by the pandemic, has delivered strong double-digit revenue growth over the period. In addition, the Group's medium-term strategy was updated at a Capital Markets Day hosted in November outlining a path to double Group revenues over the next five years, primarily through organic growth in its water and appliances categories.

Financial performance

The Group has delivered another solid performance in 2020 given the unprecedented trading environment. This is a testament to our colleagues around the globe, who have demonstrated their dedication and adaptability to unparalleled change in their daily working environment arising from the COVID-19 pandemic.

The Group reported revenue of £95.3m, a decline of 1.6% versus the same period in prior year (2019: £96.9m), significantly ahead of our COVID-19 scenario planning expectations. The Group experienced a marked recovery in H2 as anticipated, which combined with efficiency measures in H1, has enabled it to deliver c.2% growth in adjusted profit after tax for the full year versus the previous financial year (2019: £28.9m).

Adjusted profit before tax	Final and interim dividend per share
+2.4%	**+2.0%**
2020: **£30.9m**	2020: **7.85p**
2019: £30.2m	2019: 7.70p
2018: £29.2m	2018: 7.00p

This performance demonstrates the resilience of Strix's business model, which benefits from geographical and product diversification, and is strengthened further by the Group's high cash generation and prudent control of its balance sheet. As at 31 December 2020, net debt was lower than previous guidance for this financial year at £37.2m, having successfully implemented a range of efficiency measures and strategic initiatives. This represents a net debt/adjusted EBITDA ratio of 1.0x.

This places Strix in a financially strong position and with a disciplined approach to investment, we will emerge from the pandemic poised to continue to benefit from a sustained market recovery.

In line with its progressive dividend policy that is linked to underlying earnings, and given the Group's resilient performance in 2020 and confidence in the continued strength of its cash generation, the Board confirms its intention to increase total dividend to 7.85p per share in respect of the 2020 financial year, inclusive of the 2.6p per share paid as an interim dividend.

New product development

New product development remains a fundamental driver in the Group's core business strategy, with specific focus on the identification of cross category opportunities. Throughout 2020, the Group has made significant headway having delivered on the targets outlined in the product development roadmap with the launch of multiple new products.

The Group also refocused its commercialisation strategy, optimising cross category synergies within both our higher value small domestic appliance and water categories.

Our patented Instant Flow Heater ('IFH') technology is gaining positive demand and will see significant new launches in the coming 12 months across multiple brands globally with key launches in EMEA, Asia and North America. Additionally, our Lumi water chiller has also seen accelerated success with significantly increased sales volume.

Filter development has seen further opportunities with several new products being launched to the Group's non-wavering safety and quality standards. In 2020, the Group has started to introduce the Aqua Optima brand to North America with plans for a comprehensive filter, pitcher and appliance range, positioned to take advantage of the growing 'Value Chic' segment in the USA.

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

Kettle controls category

The market experienced a strong bounce back in the second half of 2020 to end the year broadly flat after the COVID-19 pandemic disrupted both supply and demand in the global kettle market during H1.

Throughout this period, Strix has managed to grow its market leading position of the global kettle controls market, continuing to grow the number of specifications using its latest platform ranges and regions which demonstrates how successfully the Company has dealt with the challenges of the pandemic.

The improved performance in the second half of 2020 has continued into 2021. The kettle controls category has a strong order book for Q2 giving management the confidence in delivering a stronger first half versus last year.

Regulated segments grew with a strong contribution from the UK, North America, Australia and New Zealand offsetting declines in Mainland Europe. Less Regulated segments also grew with strong growth in South East Asia, the Middle East and Russia offsetting declines in South Africa and Eastern Europe. Some weakness was experienced within the Chinese market last year which has begun to show a marked recovery in 2021.

We have also continued to focus product development on opportunities within the Regulated, Less Regulated and China markets that will further strengthen Strix's position and support our market share aspirations.

Following the successful launch of the U9 Series during 2017, the Group has successfully produced over 33 million controls to date. The Group continues to develop this series with new variants launched to target the smaller size and split switch kettle appliances to further enhance the portfolio of 'best in class' controls.

Lifetime energy footprint studies of kettles show that the energy consumed in "use" is estimated at 95% of the total product lifecycle energy requirements. Strix's goal is to reduce wastage in this phase for existing products and to design new, innovative products which reduce environmental wastage compared to the incumbent technology or products. As a result, Strix has successfully developed products and designs to reduce the level of overfill in traditional kettles as well as new 'over-fill proof' water heating products.

Chief Executive Officer's statement continued

Water category

2020 was a transformational year for Strix's water filtration category with the acquisition of LAICA in October and the Aqua Optima brand delivering record sales for yet another year. Overall, the water category reported a significant growth in revenue in 2020 with the combined contribution of LAICA and HaloPure technology.

LAICA has a considerable global presence, an established product range and an advanced new product roadmap. The acquisition will provide some strategic consolidation of the water treatment range, driving efficiencies and providing a comprehensive portfolio of products for the Group globally. Strix's experienced management team is working hard to ensure the integration of LAICA is executed effectively to achieve the identified benefits and the trading performance has been strong over the period, delivering double-digit revenue growth. The new, expanded brand portfolio will be used for the planned geographical expansion in the second half of 2021 for consumer water. The Group expects many of the new product launches in 2020 to accelerate this year as the retailers introduce them to both their in-store and online portfolios.

For professional water, Strix launched the HaloPure technology and recently announced that it was selected by Chia Tai Group, one of the most specialised and well-known livestock companies operating in China, and Strix installed its full system in January 2021. HaloPure's technology has become increasingly well recognised by the market and the evolution of this technology to offer farming solutions for clean drinking water is likely to result in significant incremental business opportunities for the Group in the future.

Water remains a limited natural resource experiencing ever-greater demand, expected to increase by 40% by 2030. Strix is focused on enhancing the quality of water and providing sustainable delivery mechanisms to replace the 7.7 billion plastic water bottles used every year in the UK alone. astrea and LAICA reusable filtered water bottles offer significant benefits from purchased bottled water in terms of reusability of the container whilst also significantly reducing transportation costs. To complete the full product life cycle, Aqua Optima has put a recycling agreement in place in the UK with specialist TerraCycle. The acquisition of HaloSource has brought new technology, including lead reduction and patented bromine technology, that kills bacteria and viruses. These technologies, coupled with the enhanced new product roadmap from LAICA enable Strix to offer improved quality drinking water to both the consumer and agriculture markets.

Appliances category

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

2020 has seen the acceleration of Strix Global Brand partnerships on new innovative project launches. There are now multiple agreements in place within the appliances and baby care categories for exciting new launches across all regions.

2021 will see many of the appliances created in 2020 penetrate the consumer markets across the world with the most notable being the Aurora (Instant Flow Heater/Chiller) in the first half, and Dual Flo and the expansion of the baby care technology range in the second half.

> "Strix continues to actively seek opportunities that will add value across the Group through niche acquisitions or technologies."
>
> **Mark Bartlett**
> CEO

Strix will continue to work closely with its key partners and own brands to bring innovation to the markets delivering core benefits in usability and sustainability to the consumer.

Operations review

The relocation of Strix's existing manufacturing operations in China has continued to make excellent progress in line with the projected schedule. The Group is pleased to report that Strix is currently installing the press machinery and test lab facilities and began the transfer and commencement of some of the production lines which are now functional. The project remains on target to be on budget and fully operational by August 2021, as originally planned.

In addition, Strix continues to strengthen its senior management, engineering and commercial teams through strategic recruitment of Harry Kyriacou as Chief Commercial Officer, Neil Austin as Water Category & Global Marketing Director and Emma Cox as Group HR Director. Following the successful acquisition of LAICA, the Group enhanced the finance function and internal controls through the targeted recruitment of Nicolo Zanuso as Chief Financial Officer and Riccardo Dolcetta as General Manager to align a previously family-owned entity with the wider structure of the Group.

Defence of intellectual property

We remain committed to consumer safety where we continue to initiate regulatory enforcement actions to remove unsafe and poor quality products from the market utilising the European Rapid Exchange of Information ('RAPEX') alert system. Four such actions have again been undertaken in 2020 resulting in product recalls and withdrawal of kettles from Poland and Germany with surveillance and preparatory work being widened to include Ukraine. We continue to actively monitor the markets in which we operate for violation of our intellectual property rights and have again taken action to limit online sales in Europe of products that infringe our intellectual property culminating in the taking down of another electronic kettle. Defence of intellectual property and regulatory enforcement remain core activities of our business and there have now been 57 in total since 2017.

Strix global share of kettle controls market value

55%

Number of employees

850+

Outlook

At the Capital Markets Day in November, the Group outlined its medium-term strategy stating that the Group expects to double revenues over the next five years primarily through organic growth in its water and appliances categories. Strix continues to actively seek opportunities that will add value across the Group through niche acquisitions or technologies. Acquisitions are subject to strict financial criteria and consistent with the Group's capital allocation priorities, to further enhance the Group's growth potential within the water and appliances categories.

Alongside this, it will continue to grow market share in kettle controls and invest in compelling growth opportunities with particular focus on new product development and commercialisation strategy that support the medium-term growth ambition.

Sustainability remains of critical importance to the way the Group operates and it reiterates its commitment to embed sustainability into our business strategy and provide a safer sustainable future for its customers. In 2020, the Group has reassessed its approach to sustainability with a view of integrating a sustainability strategy within core business activities aligning ourselves with the UN's SDGs. In 2021, Strix aims to bring sustainability strategy to life, establishing baselines within our identified key SDGs, which we will track improvements, and monitor our progress year on year.

Despite the unprecedented global macroeconomic disruption caused by the COVID-19 pandemic, Strix has successfully implemented a range of efficiency measures and strategic initiatives to manage its highly variable cost base and cash resources prudently and generated immediate savings to mitigate the impact of the pandemic. This has been done whilst continuing to invest in compelling growth opportunities including the acquisition of LAICA, as well as the new manufacturing operations in China and successfully upgrading to SAP to improve real time data and streamline internal processes.

The financial performance and operational progress illustrates the resilience and robustness of the Strix business model and, following a period of continued investment, means that it is well placed to benefit from the acceleration in demand as we emerge in the post pandemic environment as a stronger business.

Despite the Group experiencing a marked recovery in H2, it continues to face the challenging backdrop of increased commodity prices, shipping and packaging costs, which it continues to proactively manage and offset through a range of efficiency measures and strategic initiatives, as well as any further disruptions resulting from imposed lockdowns.

Given the Group's resilient performance in 2020 and confidence in the continued strength of its cash generation, the Board confirms its intention to increase total dividend to 7.85p per share in respect of the 2020 financial year, inclusive of the 2.6p per share paid as an interim dividend and in line with its progressive dividend policy that is linked to underlying earnings.

Strix reiterates confidence in its 2021 commitments and executing on the medium-term strategy to deliver against its five-year targets.

Mark Bartlett
Chief Executive Officer

Strix investment case

Strix 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.

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

- Expanded its global market value share of the kettle controls market from c.54% to c.55% and medium-term target to grow market share to c.57%.
- Regulated segments grew with a strong contribution from the UK, North America, Australia and New Zealand offsetting declines in Mainland Europe.
- Less Regulated segments also grew with strong growth in South East Asia, the Middle East and Russia offsetting declines in South Africa and Eastern Europe.
- Recovery expected in the Chinese market after a year more affected by COVID-19 than other markets.
- Patent portfolio underpins Strix technologies with successful campaigns globally (including China) to remove infringing products and initiate regulatory enforcement actions.

Significant growth opportunities in water and appliances categories

- Forecasting revenue CAGR of over 25% in both categories over the next five years, delivering a doubling of Strix Group revenue.
- Transformational year for Strix's water category with the acquisition of LAICA in October and the Aqua Optima brand delivering record sales for yet another year.
- Launch of the HaloPure technology, recent contract wins in China and the evolution of this technology to farming solutions for clean drinking water is likely to result in significant incremental business opportunities.
- Strong progress on five-year strategy in the appliances category through own brand and third-party brand launches as well as entering into new categories such as health and wellness.

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.
- KPIs will be set in Q4 following the completion of the new factory as this will have a significant and positive impact on these measures.

Strong free cash flow generation with unique working capital cycle

- Customers typically pay in advance, reducing non-payment risk and increasing cash conversion cycle.
- Low requirement for maintenance capex (excluding investment in new factory that remains on schedule to complete in August 2021).
- Operating free cash flow (before financing and tax and exceptional factory capex) to EBITDA conversion of 73%.

Market leading adjusted EBITDA margin of 40%

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

Low leverage with disciplined Capital Allocation Framework

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

Key performance indicators

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

Financial KPIs

Kettle controls revenues (£000)

79,816

-7.0%

2020 79,816
2019 85,799

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

2020 performance
Decrease in revenues was due to disruptions in the global kettle market caused by COVID-19 during H1, although there was a strong bounce back in the second half of the year continuing into 2021.

Water category revenues (£000)

11,744

19.5%

2020 11,744
2019 9,829

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

2020 performance
Significant growth in revenue in the year was due to a combination of record sales for the Aqua Optima brand, contribution of the newly acquired LAICA brand, and increases from the HaloPure technology as well as a full year effect from astrea sales.

Appliances category revenues (£000)

3,745

200.1%

2020 3,745
2019 1,248

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

2020 performance
Revenues tripled in this category in the current year due to the acceleration of Strix Global Brand partnerships on new innovative projects and launches within the appliances and baby care categories, with continued market penetration expected into 2021, as well as the acquisition of LAICA.

Adjusted EBITDA[1,2] (£000)

38,080

3.2%

2020 38,080
2019 36,904

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.

2020 performance
Adjusted EBITDA increased by 3.2% (2019: 1.5%) to £38.1m. This reflects Strix's strong ability to optimise the overheads cost to accommodate the 'slight' softening of top line performance. LAICA was acquired in October 2020 and contributed £0.5m in line with expectations. The adjusted EBITDA increase excluding LAICA was 1.7%.

Adjusted gross profit[1] (£000)

39,409

-0.5%

2020 39,409
2019 39,617

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.

2020 performance
Adjusted gross profit was relatively flat versus the previous year showing a modest £0.2m decline. This incorporates a gross gain of £0.9m relating to the acquisition of LAICA. However, margins increased from 40.9% to 41.4% supported by a strong product mix and lower labour costs as a result of our continued focus on automation.

1. Adjusted results exclude exceptional items, which include share-based payment transactions 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.

For further Strategy information pages 24 to 29

For further Risk information pages 40 to 45

Net cash generated from operating activities

31,212

-9.2%

2020 31,212
2019 34,360

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.

2020 performance

Decrease in net cash flows from operating activities was mainly due to net working capital outflows, predominantly due to the acquisition of LAICA, however, also attributable to the slight decrease in revenues during the current year.

Total R&D expenditure (£000)

4,117

-7.3% (4.3% of net sales)

2020 4,117
2019 4,439

Definition

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

2020 performance

R&D expenditure decreased by 7.3% in the current year, in line with expectations, sales levels and COVID-19 scenario planning. Cost saving measures implemented were attributable to the decrease, in order to maintain a fairly constant R&D to net sales ratio of 4%-5% year on year in the medium-term.

Non-Financial KPIs

Energy usage per head (Oil)

257

-9.2%

2020 257
2019 283

Energy usage per head (Electricity)

3,316

-13.4%

2020 3,316
2019 3,830

Definition

Electricity and oil usage is expressed in kWh and litres, respectively, used per head per year, based on the Isle of Man facilities. We monitor our energy usage on a monthly basis in order to ensure the environmental impact of our usage is minimised.

2020 performance

Energy usage per head has further decreased at our Isle of Man facilities during the year where headcount increased by 16% (2019: 27.5%), partly attributable to reduced office use as a result of COVID-19 restrictions. Usage statistics at our locations in the rest of the world have been excluded due to the building of the new production facility which distorts a like-for-like comparison.

Water usage (m^3)

30,936

-15.1%

2020 30,936
2019 36,429

Definition

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

2020 performance

There was approximately 15% reduction in water consumption, mainly due to reduction in R&D-related testing with a move to production life testing as the technology matured, as well as factory shutdowns due to COVID-19 restrictions.

Water intensity (m^3/£m)

325

-13.6%

2020 325
2019 376

Definition

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

2020 performance

The decrease in water intensity is reflective of the decrease in the water usage coupled with Group-wide cost-saving measures in line with our COVID-19 scenario planning.

Key performance indicators continued

Non-Financial KPIs continued

Total lost time accidents

7

-72.0%

Definition

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

2020 performance

Total accidents fell dramatically from last year, attributable to the benefits of automation of assembly lines and firm health and safety protocols.

Lost time hours

0.26

-38.1%

Definition

This refers to the total number of hours lost as a result of accidents resulting in injury across the Group, expressed per 1,000 hours worked.

2020 performance

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

Gender diversity

23.0%

3.5%

Definition

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

2020 performance

Our percentage of women in management roles across the Group was 23.0% (2019: 19.5%), a further increase from 2019. This compares favourably with the UK statistics based on a 2009 to 2019 survey indicating that women in management roles across all science, engineering and technology roles increased slightly from to 13% in 2009 to 14% in 2019[1].

"We were a finalist for the 2020 Women Value Company award celebrating Women in the Workforce. The award is dedicated to companies that stand out in promoting culture and gender equality through innovative development policies, effective corporate welfare solutions and the promotion of female employment."

Raudres Wong
Chief Financial Officer

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

Our people

What does Human Resources ('HR') at Strix mean?

As a Company, Strix prides itself on the quality and safety of its 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. It is about giving Strix's people the freedom and mechanisms to share their ideas about how to keep improving the business. It is about rewarding excellence, commitment and innovation; and it is about celebrating the rich diversity that the Company has in its multinational workforce.

People development

Strix's HR function, led by Group HR Director, Emma Cox who joined the organisation in April 2020, is guided by the following mission:

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

Underpinning this mission is a strategy that is focused on value-added people development which includes a new performance management process ('PMP') being introduced in 2021, along with a transparent job grading scheme. The latter is designed to give people a clear line of sight as to how they can progress their careers within Strix and the PMP 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.

Employee wellbeing

As well as having the right people doing the right things, Strix is committed to ensuring that its people feel right – physically, mentally and financially. In the West, Private healthcare is provided to all employees, regardless of their job role, and with this also comes the Employee Assistance Programme ('EAP'). 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, almost all employees are shareholders in the Company which not only provides them with a financial benefit, but a vested interest in contributing to the success of the organisation.

The long-term people strategy

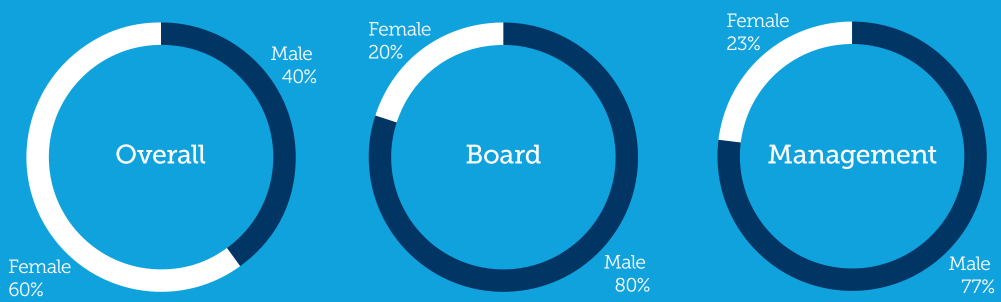
Strix has ambitious growth plans, which includes diversifying its product range and routes to market. In some instances, this requires recruiting for or developing new skills sets, and the longer-term people strategy for the Group is very much focused on this. Talent retention and acquisition is key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

Diversity at Strix

The Company recognises that to achieve a diverse workforce, a working environment that empowers all of its 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, Strix prides itself on the gender make up of its workforce where 60% of its employees are female, and women have a 23% 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 work force, 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 focusses on creating opportunities for school leavers and university graduates interested in careers in engineering.



Business model

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

Kettle controls

Our USP

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

Long-term growth

Whilst Strix does already hold a strong market leading position, the Company believes there is still significant room for growth in the kettle controls category. 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 customer's 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. The China market continues to grow 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 believes 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 wage costs.

Water category

Our USP

Strix has progressed its offering within the water filtration space with the addition of two synergistic acquisitions; HaloSource in 2019 and LAICA in 2020. These acquisitions compliment Strix's existing product portfolio and bolster the Group's product innovation, with chemistry and engineering expertise in both the US and Italy. The addition of LAICA further expands the Group's reach into the category, with the addition of new product ranges such as tap filters and robust existing distribution channels.

The water category continues to benefit from trade brand agreements with multiple large UK retailers and brands. The Group has driven increased consumer recognition for its three 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 during 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 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 and across Europe.

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

Appliances category

Our USP

Strix's mission within the appliances category is to develop products that allow consumers to live a safer, more convenient, sustainable life at home. The principal aim is to take frustrations out of everyday tasks with a current focus on hot water on demand, baby care, beverage, living and health and wellness.

The use of Strix's innovative patented technology has allowed the Group to launch disruptive products within the appliance market, such as the Tommee Tippee Perfect Prep machine and the upcoming Dual Flo and Aurora appliances.

Long-term growth

Strix will continue to drive the appliances category with a focus on innovation and consumer experience. Leveraging our R&D capabilities, unique network and positioning in the supply chain, alongside additional routes to market through the LAICA acquisition, Strix is well set to deliver significant growth in the category over the coming years.

With a strong focus on the beverage and hot water on demand sub-categories, we seek to grow our current product range before looking to expand the product mix to adjacent categories.

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

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 2020 and onwards into 2021.

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 next five years. This will be achieved primarily through organic growth in the Group's water and appliances categories, supported by its solid market leading position in global kettle controls.

Kettle controls

Overview

Strix estimates that in 2020 the global market for kettle controls, including those for Chinese multi-cooker appliances, experienced a sharp contraction in H1 followed by a strong bounce back in H2 to end the year broadly flat at c.£160m. Electric Kettle penetration rates provide an indicator of potential growth, and in 2020 Strix estimates global electric kettle penetration remains around c.38% of all households.

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

Regulated markets:

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

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 2020, Strix estimates the value of the Regulated kettle controls market grew by c.£2m to c.£70m. The key driver behind Regulated market growth was strong demand from Australia and New Zealand, North America and the UK which was partly offset by declines in mainland Europe.

Market share – Regulated markets

c.75%

Less Regulated markets:

In Less Regulated markets, Strix slightly increased its value share to c.35% of the kettle controls market.

Less Regulated kettle market

Less Regulated markets are those where either high safety and/or intellectual property standards are not in place, or where they are in place but less rigorously enforced. Examples of Less Regulated markets include the CIS, the Middle East, South East Asia, Africa and South America. In 2020, Strix estimates the value of Less Regulated kettle controls market grew by c.£4m to c.£63m. The key drivers behind Less Regulated market growth was strong demand in South East Asia, the Middle East and CIS which was partly offset by declines in South Africa and Eastern Europe.

Market share – Less Regulated markets

c.35%

China:

After strong share growth in 2019, our value share in China reduced back to c.46%, still 2% higher than 2018.

China domestic market

China is generally considered to be a Less Regulated market, but is developing quickly with improving safety standards and enforcement. In H1 2020, the China market was hit hard by the COVID-19 lockdowns and whilst there was an improvement in market performance in H2, the year still ended down by approximately £5m at £26m. The value reduction was a consequence of both a c.10% reduction in the sales quantity of traditional and multi-cooker kettles, plus also a softening in the average selling price ('ASP').

Market share – China

c.46%

Water category

Overview

The Group's strategy of growing exponentially within the water category took another significant step forward with the acquisition of the LAICA S.p.A. business. Strix now have a water filtration solution to cover all demographics with the LAICA brand providing a bridging role between the Aqua Optima mass market offering and the premium position of the astrea brand. LAICA also significantly increases Strix's market access with mature distribution channels in Southern and Eastern Europe. With access to best-in-class technology and a strong footprint in global markets, the Group aims to bring to market a portfolio of consumer products that turn tap water into great-tasting filtered water, improving the taste of hot and cold drinks and providing a healthier and more sustainable option to disposable bottled water.

The category has also developed the HaloPure technology within the sterilisation sector, with the decision to focus on point of entry water supply sterilisation for the livestock Industry starting to pay dividends.

Aqua Optima

The current Aqua Optima product range includes water filter jugs and a range of other filters and appliances. Aqua Optima remains the number 2 brand in the UK market, leveraging their multi-fit evolve filters to continue to offer a budget-friendly alternative to the leading brand. Sales and partnership initiatives concluded in late 2020 will lead to expanded distribution opportunities for Aqua Optima particularly in North America and the growing Eastern European market.

Market review continued

Water category continued

The core trade-brand filter replacement business continues to provide a solid base for the categories growth, with a 10% increase in net sales over 2019. The Group has strategically positioned itself as a partner to a number of UK and global brands, providing them with multi-fit evolve filters that offer a wider accessible market than Strix's competitors.

2020 saw a further strategic shift within the UK market to online retailers with investment in e-commerce activities reaping a 13% increase on 2019.

In total, Aqua Optima grew its net sales by 5.9% during 2020 in the UK filter/jug market.

astrea

The astrea product range includes water bottles and filters that provide great tasting water with the benefit of providing a certified lead reduction. The brand continues to find traction in the US market through strategic distribution partners and direct consumer sales. Highlights in 2020 include an on-air segment featuring and selling the astrea bottle on a key home shopping network as well as distribution with a key national housewares retailer. Moving forward into 2021, the brand is set to move in to office supply, grocery and pharmacy retailers.

LAICA

Through the dedication to the research and development of new products, LAICA is one of the first companies in Italy to have developed a water filtration system with a scientific approach.

LAICA has 30 years of experience in the field of domestic water filtration and offers a wide range of water filtration products that meet the different consumer needs: from the traditional water filter jugs with the exclusive patented Bi-flux filter, capable of reducing water hardness while maintaining minerals useful for the body, up to the new instant filtration that improves the taste and smell of the water, and the ultrafiltration, the most complete filtration system capable of reducing also microplastics, sand and rust that may be present in tap water.

All LAICA filters are produced and tested in LAICA headquarters in Barbarano Mossano (Vicenza) and are 100% made in Italy, with a mission to provide the best filtering systems with the highest level of quality and safety.

The domestic water filtration market in Italy is worth approximately €22.5m and the market share held by LAICA is c.26% with continuous growth thanks to the development of new products able to meet consumer needs.

The latest addition to the market is the range of the myLAICA steel filtering sports bottles which, thanks to the FAST DISK™ filtering system allows to instantly filter tap water, improving its taste and smell, everywhere.

LAICA's goal for the coming years is a constant commitment in the R&D of new products as well as in the use of eco-sustainable materials for its products as well as packaging. LAICA will continue to optimise its Home Wellness app which allows consumers to easily monitor the data of all Smart LAICA products directly to smartphones, such as notification of filter replacements, avoiding the use of electronic counters and disposable batteries.

HaloPure

The HaloPure product range includes patented bromine-based filters that kill bacteria and viruses, and its unique chemistry offers distinctive sterilisation benefits, primarily being marketed within the healthcare, livestock and agricultural industries.

During 2020, the Group successfully developed HaloPure-powered Intelligent Poultry & Livestock Drinking Water Treatment Systems which have been installed in swine and chicken farms with positive feedback, as well as developing healthcare and dental applications of its technology for sterilising rinse water lines. In 2021, HaloPure has a strong pipeline of customers and through our strengthening of the HaloPure sales and distribution network, the Group expects numerous Intelligent Poultry & Livestock Drinking Water Treatment Systems to be installed, as well as planned R&D to continue to rationalise the costs in order to gain wider market appeal.

Appliances category

The Strix appliances category incorporates a number of products within the hot water on demand, baby care, beverage and food preparation markets plus, now with the addition of LAICA, also everyday living and health and wellness markets.

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

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 Western and Asian partner brands choosing appliances with this technology. Through 2021-22 we expect to significantly expand our IFH appliance offering, aiming to capture the spectrum of consumer needs across different market price points.

Strix innovation also continues to be showcased with the Dual Flo appliance launching in 2021; 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.

Baby care also continues to prove a resilient category valued at over £150bn worldwide, and it is our ambition to be the 'go-to' technical solutions partner for leading baby care brands seeking innovative new electrical appliances. Our core business in Europe continues to perform well and will be supplemented with new product launches in both North America and Asia in the next 18 months.

The newly formed Strix home category has the purpose of combining the roadmap of innovation that Strix is famous for; such as a market-leading cordless iron partnership with the new range of retail ready products now available to the Group with the acquisition of LAICA.

Cross-selling opportunities will be built upon through 2021 with new Strix Group-branded propositions which leverage the portfolios, innovation roadmaps and distribution strengths of the legacy businesses.

LAICA's small appliances are characterised by the high quality of their raw materials and production processes and by the attention to detail, creative designs and shapes, in line with the best Italian design traditions.

LAICA's small appliances are divided into two areas:

- **Living**: products for the kitchen – the heart of every home. LAICA has a range of reliable and easy-to-use products that make everyday food preparation and preservation easier such as vacuum machines and accessories, kitchen scales and pasta machines.
- **Health and wellness**: A wide range of safe and easy to use products for taking care of your daily wellness with personal scales, medical devices, baby care and beauty products.

The small household appliance sector will see an expansion of the LAICA range, with products equipped with smart technology, and development in food vacuum technology, kitchen scales and personal wellness products such as bathroom scales and medical equipment for domestic use.

As always, Strix's commitment to improving everyday sustainability with its appliances is further supported through the LAICA acquisition, demonstrated by LAICA's vacuum range designed to reduce food waste through optimising food storage conditions.

LAICA®

Growth strategy

Performance; Product; Process; People

Strix has a divisional strategy, which is supported by our 'four P's' of Performance; Product; Process; and, People. The key areas of our strategy are:

Strategic pillar #1

Growing market share

2020 progress

Product: We improved our market leading value share in the global kettle controls market to c.55%, including an increased value share in the Regulated market to c.75% and in the Less Regulated market to c.35%, and a 2% decrease in the China market to c.46%.

Aqua Optima achieved record sales for yet another year, consolidating the brand's position as the clear number 2 in the UK market.

The acquisition of LAICA has added significant brand recognition and presence to the Group's offering, including a complementary product suite to Strix's water and appliances categories.

People: In 2020, Strix continued to strengthen the leadership team by appointing a new Global Marketing and Water Category Director and a new Group HR Director.

Risks

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

The relevant principal risks are:
- Reliance on key customers
- Reliance on key suppliers
- Competitors and market pressures
- Reputation with customer base

2021 outlook

Product: The launch of the Aurora and Dual Flo products will set the foundations for the hot water on demand category to cement Strix's position as the go to technology partner for Instant Flow Heater ('IFH') technology. The water category looks to expand geographical distribution with the launch of the Aqua Optima brand into North America and China driving the strategic growth plan.

Performance: The addition of the LAICA distribution network in Southern Europe extends the opportunity for geographical expansion of the Strix appliances range through tactical and strategic retail partnerships.

Strategic pillar #2

Focus on safety and quality

2020 progress

Performance: 2019 saw the Guangzhou facility achieve ISO 'Benchmark' across four of the six identified categories and the Isle of Man achieve this certification status across all six identified categories. This is the highest standard available within the scoring system which very few audited companies achieve. The re-certification audit for both locations is scheduled for April 2021. In addition, significant efforts are being made in preparation for the audit and certification for the new factory for its first ISO 9001 (Quality Systems), ISO 14001 (Environmental), ISO 45001 (Occupational H&S) plus a new ISO 50001 (Energy Management) in 2021.

Process: The Group remains committed to consumer safety as we continued to initiate regulatory enforcement actions to remove unsafe and poor quality products from the market utilising the European Rapid Exchange of Information ('RAPEX') alert system which resulted in market recalls of kettles in both Poland and Germany. We continue to actively monitor the markets in which we operate for violation of our intellectual property rights and again took action to restrict online sales in Europe of products that infringe our IP culminating in the taking down of another electronic kettle webpage.

The Group continues to invest heavily in production automation with four additional fully automated assembly lines implemented during 2020 to support the growth in the U90 and Electronic Control platforms. This continued investment and focus on continuous improvement is highlighted through a further 63% reduction in customer quality PPM. Strix's automation plan continues developing new innovative manufacturing and assembly processes to support the Group's NPI roadmap and increase capacity for the core product that will in-turn further compliment the new manufacturing facility which is on plan to be completed in the summer of 2021.

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

2021 Outlook

Process: The total of main production lines expected to be fully automated in 2021 is 73% (+5%), subject to consumer demand and Strix continues to examine the operational and financial benefits of automating further lines.

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

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

Growth strategy continued

Strategic pillar #3

Explore new technologies

2020 progress

Product: Strix upholds a culture of innovation which has continued to develop and launch a number of new products into the market during 2020. This includes the improved P76 wash proof control to support the Turkish Cezve market and reduce significantly the number of returns. Strix also expanded the U9 and U7 series of controls with 15amp versions for the US and Japan lower voltage markets.

The Group continued to launch new products within the appliances category with the adaptation of an existing connector to create the best-in-class wireless iron, decreasing returns to the less than 1% average of kettles, alongside the expansion of the Perfect Prep baby formula range with a European version.

Finally, the water category continued to develop a range of new products under both Aqua Optima and astrea brands, in particular for the US and China markets, such as the astrea ONE Triton bottle and the Evolve filter with Ministry of Health ('MoH') approval in China.

Performance: During the year the Group introduced the dedicated Project Management team for the appliances category to increase 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
- Intellectual property

2021 Outlook

Product: The Group will continue to deliver best-in-class products to the market through its global distribution channels. Within the kettle controls category this includes range expansions to the U9, U7 and V8 control series through enhanced manufacturing and engineering improvements. In the water category this includes the launch of the astrea Adventure bottle providing clean, filtered water on the go for the outdoor adventurer and the full launch of the Aqua Optima water filtration range to North America. Within the appliances category this includes the launch of the Dual Flo appliance, baby care steriliser dryer, the Aurora water station and introduction of the induction kettle.

People: The introduction of the category managers to expedite the commercialisation of new products and technologies to support the next phase of the Group's growth will continue to finalise the product roadmap. This consumer insight driven development of new products will meet the market needs and ensure that sales teams have the tools to obtain maximum market potential from current and future Strix technologies.

New factory update

Key milestones

Key achievement:

- The entire project is currently under budget and within expected timelines.
- The new factory will provide double the current capacity to grow the future business.

November 2019
Construction was officially started under the EPC business model in November 2019.

July 2020
The main building was sealed in July 2020 successfully.

December 2020
Building construction was successfully completed in December 2020, despite the impact of COVID-19.

January 2021
Regulation approval by local government granted in January 2021.

March 2021
The factory move kicked off in March 2021 and is expected to be completed by August 2021 with product approvals in place, the ISO certificate issued and a renewed customs handbook.

Delivering our strategy

"The Board has recently outlined its strategy of doubling revenues in the next five years and we remain confident in achieving this medium-term target, primarily through organic growth in our water and appliances categories whilst continuing to grow market share in kettle controls."

Mark Bartlett
CEO

Strix has made 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 the Group's growth and added considerable value to its shareholders from the initial £1.00 public offering.

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

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

Water category

The water category has changed significantly since IPO partly driven by the acquisitions of HaloSource in March 2019 which has expanded the category's product portfolio through the addition of the astrea and HaloPure brands and of LAICA in October 2020 which expanded the brand and product portfolio as well as adding manufacturing capabilities to the category. 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, Aqua Optima has built its market share to become the second largest brand. During this time, Aqua Optima has entered into contracts with a number of leading UK retail brands to launch private label products and released a number of innovative products to the market, such as the Lumi chilled water dispenser which requires an Evolve filter. The brand has also signed strategic partnerships with the Terra-Cycle recycling initiative and Park Run to increase the reputation and sustainability of the brand.

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

Kettle control category

Strix has solidified its position within the global kettle controls market to remain the market-leading provider of kettle control components. The introduction of a number of key product series within this category has allowed Strix to penetrate new markets and provides customers with a 'good', 'better', 'best' classification that ensures Strix's products are aligned to customer needs and price points.

This includes the introduction of the U6 series control for electronic kettles in 2018 and the U9 range in 2017 which has already sold over 33 million units. The product portfolio continues to be enhanced through the launch of the StrixVQ range in 2019 which provides a lower cost alternative for the Less Regulated market. Over the next three years, the Group will continue to bring innovative new products to market focused on cost improvements, consumer benefits and sustainability.

Within this period, 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.

Appliances category

Following the IPO in 2017, Strix has placed a higher emphasis on the appliances category to derive enhanced value from its existing and new patented technologies. The category has worked with partners to launch a range of appliances into the market, including the Zwiling master water dispenser in China, the award winning Tommee Tippee Perfect Prep Day & Night, the Mr Coffee Single Serve (Pod Free) Coffee Maker, the Aqua Optima Lumi chilled water dispenser and the cordless iron for Morphy Richards.

Following the introduction of a category management team, there has been increased focus on value-based development directed toward consumer requirements and commercial execution. The ability to place long-term investment in this category has set the foundations for growth in years to come, with plans to launch truly innovative products such as the Aurora beverage station (instant flow heater and chilled water) and Dual Flo, offering the utility of a standard kettle and the one cup capability of a Hot Cup machine all in one in 2021. The Aurora technology will be launched under Strix brands and global and local brand partners and Dual Flo will launch through global and local brand partners.

New products roadmap

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

Kettle controls

2019

StrixVQ product and brand launch

U68 electronic control

U7 kettle control

Mini U9 kettle control

2020

StrixVQ Mk3 Control for China

P76 5Pole washproof adaptor

EK Connector (Glass Version)

U9 Control (15A Version)

U7 Control (15A Version)

2021

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

P76 5Pole Connector (for improved spillage)

U90 Flying Lead

Water category

2019

Lumi filter water chiller

Amazon basics filters

Private label branded Evolve+ filters

2020

astrea ONE Next Generation Bottle Filter

astrea ONE TRITON Bottle

Aqua Optima Evolve+ Filter

Aqua Optima Evolve filter for China

Bespoke Kettle Filter

HaloPure Industrial Water system

2021

astrea Adventure filter bottle

MyLaica stainless filter bottle

In-house manufactured Next Generation OEM filter jugs

In-house manufactured Universal style filter

North American version of Aqua Optima range

North American version of the Laica range

New improved Evolve+ multi-fit filter

Evolve+ multi-fit filter for China

Appliances category

2019

Mr Coffee Hot Cup coffee machine

Instant flow heater appliance for China market

2020

Perfect Prep Day & Night for Europe

Dual Flo for USA

P72Adaptor for cordless iron

2021

Dual Flo for Europe

Aurora Beverage Station

Aurora range expansion (2 additional models)

Induction kettle

Steriliser-dryer

Strix cordless iron adaptor

The Strix cordless iron adaptor gives our partner factories and brands peace of mind; Strix kettle control reliability within the iron category, minimising product returns. Paired with an increasing consumer adoption of cordless technology, we realised almost 200,000 sales in 2020.

Aurora water station

Powered by Strix Instant Flow Heater technology, the Aurora delivers auto-dispensing hot, boiled, and chilled filtered water at the touch of a button. It features Evolve+ 5-stage filtration, and with 49 size and temperature select combinations, delivers the perfect temperature drink every time. Aurora is part of a continued expansion of the Aqua-Optima portfolio, focused on delivering budget friendly water filtration solutions that are powered by best-in-class Strix technology.

Next generation astrea ONE bottle filter

Further expansion of its technology performance with more certifications, now offering NSF/ANSI certifications against 23 water contaminants, including lead, herbicides, pesticides, and pharmaceuticals, and increasing the lifetime of the filter by 50% drastically improving the sustainability impact.

Dual Flo

The innovative Dual Flo appliance is now off tool and commercialised. Partner brands across North America and Europe are set to launch the appliance in 2021.

Water category:
An in-depth look into one of Strix's primary growth categories

There are two guiding principles which help direct Strix on our corporate journey: driving technological innovation and considering the environmental and social implications of our operations.

These two principles of innovation and sustainability are particularly important in our work across the water category.

INNOVATION

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. This first Aqua Optima product enabled 'fast flow' filtration for kettles, and we have continued to develop within this category, with the fifth generation of that first filter ready to launch in late 2021.

When the Group took the decision to acquire HaloSource in 2019, the Sino-American group's NPD roadmap was a huge part of the appeal. Its astrea ONE product means we have the only filtered water bottle that is certified to reduce lead, pesticides, pharmaceuticals, antibiotics and over 20 contaminants. By removing these harmful materials, we are helping make our customers healthier and this was recognised through our award of an NSF/ANSI 53 certification.

Another element of the HaloSource acquisition was the opportunity to repurpose its HaloPure technology. This has allowed us to bring innovation to livestock water supplies, providing economic efficiencies and sustainability to that industry.

With LAICA S.p.A. also joining the Strix Group, we now boast four locations across the globe working on different R&D projects, led by our PhD water innovation centre in Seattle.

ENVIRONMENTAL RESPONSIBILITY

Recent media coverage has highlighted the global climate crisis and the devastating impact of ocean pollution as areas of much needed attention. Strix is supporting that ideal by placing them at the forefront of our business and by offering more sustainable hydration solutions for consumers.

Strix's heritage water jug filters replace on average 100 single-use plastic bottles.

The innovative astrea ONE water bottle filter offers an 'on the go' option for consumers and replaces up to 225 single-use plastic water bottles.

A UK-wide recycling programme is in place which offers consumers over 650 drop off locations and a free of charge postal service to ensure that their used water filters can be processed and reused.

Water contaminants filtered out through astrea ONE, which also filters out lead, pesticides, pharmaceuticals and antibiotics from drinking water

20

Group locations across the globe focusing on R&D

4

Water category: HaloPure

In 2020, Strix primarily focused the development of our HaloPure technology for use within the Chinese poultry and livestock farming market.

HaloPure is unique in allowing incoming water to be sterilised instantly when it flows through and comes into contact with the HaloPure media within its filter tank. This simultaneously sanitises the water line, further preventing secondary microorganism and biofilm growth, and uses the safe and highly efficacious hypobromous acid released from the HaloPure media.

The successful development of this HaloPure-powered Intelligent Poultry & Livestock Drinking Water Treatment System, which has since been installed in several swine and chicken farms, has received positive feedback from customers.

HaloPure's strong efficacy against pathogenic bacteria and viruses has been validated by third-party labs within China. For example, their testing has shown the technology's effectiveness against the African Swine Fever virus in porcine drinking water systems.

These encouraging test results demonstrate HaloPure's potential to prevent the spread of pathogenic microorganisms in commercial farming, preserving the health of livestock and creating a clear commercial opportunity for our product.

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

Sales agents employed to promote HaloPure across the market

8

Product development roadmap

The livestock system has been developed into good/better/best product categories to meet the different level of customer expectation in terms of price and function.

Discussions are ongoing with numerous large customers who have registered a strong interest in the HaloPure solutions.

Strix has employed eight sales agents who have been aggressively promoting the products to the market.

The HaloPure technology will be showcased in the upcoming national and Asia exhibitions.

Strix will continue to research and develop lower cost solutions to continue gaining wider market appeal.

Water category: continued
LAICA S.p.A.

"We are delighted with the addition of the LAICA team following the successful acquisition in October which will serve to expand Strix's water category and enhance its presence in the health and wellness segment of the appliances category, both of which are growth markets and enhance Strix's sustainability strategy."

Mark Bartlett
CEO

The Group acquired LAICA on 26 October 2020, providing strategic consolidation of Strix's water treatment range, by driving efficiencies and providing a comprehensive portfolio of products for the Group globally. Key to the success of this acquisition and to driving LAICA's target revenue growth will be the effective commercial integration of LAICA within the wider Strix Group, achieved through the following:

2020 contribution to Group revenues for c.2 months post-acquisition

£4.1m

2020 annualised LAICA revenues

£21.6m

Complementary product ranges

LAICA's eminent market position in point of use water filtration, kitchenware, personal scales and healthcare products significantly strengthen 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.

The new, expanded, LAICA brand portfolio will provide the platform for the planned geographical expansion in the second half of 2021 for consumer water and appliances, and the Group expects many of the new product launches in 2020 to accelerate into 2021 as the retailers introduce them to both their in-store and online portfolios.

Experienced team and cross selling opportunities

LAICA brings with it a very strong management team with a wealth of experience who are working hand-in-hand with Strix to realise a seamless commercial integration into the wider Group. In particular, their ability to take advantage of short-term cross selling opportunities to deliver double-digit revenue growth, including bringing Strix's hot water on demand technology to its partners.

LAICA

LAICA-branded products in the UK and USA

LAICA has a strong heritage in household products and has been one of the most favoured and recognised brands in Italy for over 50 years. Strix plans to leverage this robust position to bring LAICA's water filtration and personal scales, with a reputation for quality, to both the UK and USA.

Leveraging mature distribution channels

LAICA provides new routes to market for all Strix's products through long-standing distribution channels across the globe, with a particular strength in the Middle East, the Balkans and Southern Europe, with a number 2 position in its home market of Italy, behind the global leader.

Optimising LAICA's manufacturing and distribution network within the EU

The LAICA hub in Northern Italy brings Strix state-of-the-art, automated manufacturing, warehousing and a sales and marketing office within the European Union, allowing better access to the post-Brexit market.

Capital Allocation Framework

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

Operating capital expenditure

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

Relocation of the current manufacturing facility will support the Group's strategy for growth with a significant increase in facility capacity.

Progressive dividend policy

In line with the communicated dividend policy, the Group declared a dividend growth of 2% from the dividend per share declared in 2019.

The Group has demonstrated a progressive dividend policy since IPO which demonstrates the Group's strong cash generation and high ROCE.

Value accretive acquisitions

2020 was a transformational year for Strix's water filtration category with the acquisition of LAICA in October. LAICA has a considerable global presence, an established product range and an advanced new product roadmap. The acquisition will provide some strategic consolidation of the water treatment range, driving efficiencies and providing a comprehensive portfolio of products for the Group globally.

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 £37.2m to fund the LAICA acquisition (excluding the impact of IFRS 16 lease liabilities and LAICA deferred considerations) bringing net debt to adjusted EBITDA ratio to 1.0x (2019: 0.7x).

As at 31 March 2021, the Group continues to have significant available liquidity, consisting of cash and undrawn facilities of £40.0m.

Strix has applied its Capital Allocation Framework during 2020 as follows:

In 2020, the Group declared a final dividend of 5.25p per share following the 2.6p interim dividend paid in October 2020, bringing the full year dividend to 7.85p, representing a 2% growth from 2019. The Board has previously communicated its dividend policy is to increase the dividend in line with future underlying earnings.

Paid £10.1m cash and £7.3m equity for the acquisition of LAICA. The acquisition will significantly expand Strix's water category and bring a number of strategic benefits and synergies, to considerably augment Strix's position within the water market.

Construction contract for the new factory within Zengcheng district, China, for the second phase of £9.0m. Total factory project is on target to be fully operational by August 2021 and remains on budget at the previously guided £20.0m.

Strix is committed to further investment in its capital projects which includes automation of a further two lines planned for 2021 subject to consumer demand that will bring the fully automated lines to 73% (FY20: 67%).

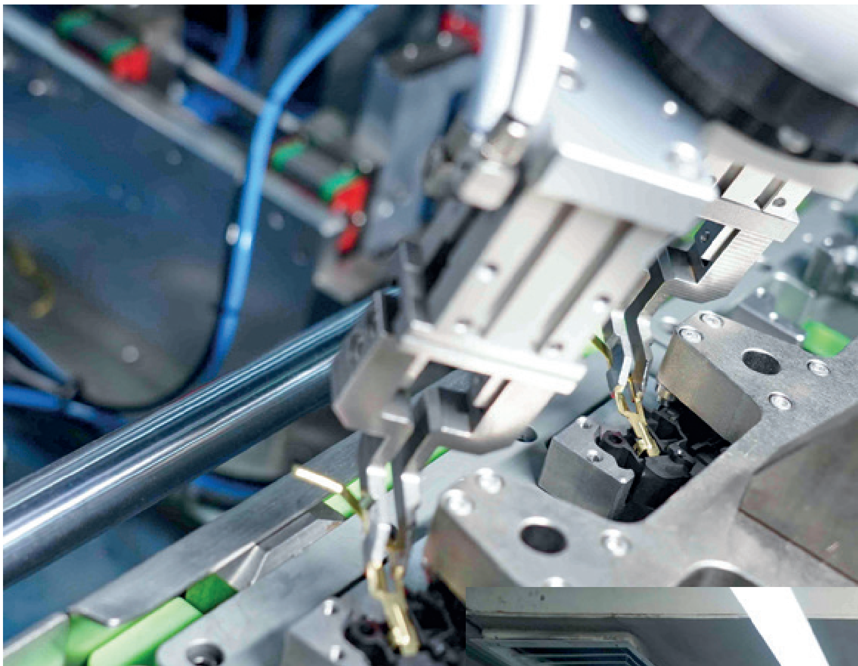
Automation

The Group continues to invest heavily in production automation with four additional fully automated assembly lines implemented during 2020 to support the growth in the U90 and Electronic Control platforms. This continued investment and focus on continuous improvement is highlighted through a further 63% reduction in customer quality PPM.

Strix's automation plan continues developing new innovative manufacturing and assembly processes to support the Group's NPI roadmap and increase capacity for the core product that will in-turn further compliment the new manufacturing facility which is on plan to be completed in the summer of 2021.

The total of main production lines expected to be fully automated in 2021 is 73% (+5%), subject to consumer demand, and Strix continues to examine the operational and financial benefits of automating further lines.

Continuous improvement initiatives in our manufacturing, measurement and testing processes are a key focus to improve stability of the manufacturing process, enhancing product performance to help our customers improve their product quality and reduce costs. We are pleased to report a 63% improvement in customer quality ppm for 2020 as a result of this.



U90 platform manufacturing capacity up by

150%

33m

U90 series platform controls manufactured

73%

of all main assembly lines will be automated in 2021

63%

reduction in customer quality PPM

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 Strix Group takes into account 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:

	Our shareholders	Our employees
Why do we engage?	As ultimate owners of the business, we engage with our investors for transparency on our business model, strategies and performance, whilst obtaining an understanding of their needs and priorities in order to deliver value for their investment in our business.	With 850+ employees across ten locations worldwide, our employees are our greatest asset and the Group believes that the development and retention of talent is important to achieve the long-term strategic goals of the business.
What are their 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 • 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

In line with our mission statement, the value of the business is created based on how we enhance customers' lives through the innovative design and efficient supply of our products. Constant engagement with customers is necessary in order to continue meeting their needs.

- Safety and sustainability
- Innovation and efficiency
- Quality and reliability
- Supply chain management
- Cost effectiveness

- 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

Our 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. Forming strategic partnerships enhances the value of our business and plays a major role in ultimately satisfying the needs of our customers.

- Long-term relationships and supply chain security
- Pricing and related terms of supply
- Quality and audit standards, and related requirements
- Governance and corporate responsibility

- 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

Our communities

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.

- Long-term relationships and supply chain security
- Pricing and related terms of supply
- Quality and audit standards, and related requirements
- Governance and corporate responsibility

- Communication of our sustainability strategy via ESG and Capital Markets Day presentations
- Annual graduate intern programme to enhance training and development
- Participation and membership in local business networks, including chamber of commerce committees and STEM groups
- Continued support of various charities through our newly acquired 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

The environment

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.

- Reduced carbon footprint
- Charitable funding
- Preservation of our planet

- Communication of our sustainability strategy via the Group's annual Sustainability Report
- Alignment with the UN's Sustainable Development Goals
- Continued research and development of energy efficient kettles to reduce wasted energy
- Investment into plastic waste reducing products to reduce and eliminate the need for single use bottles which end up in a landfill or part of the millions of tonnes of plastic in the oceans
- Ensuring availability of safe water and sanitation for all through the development of 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.

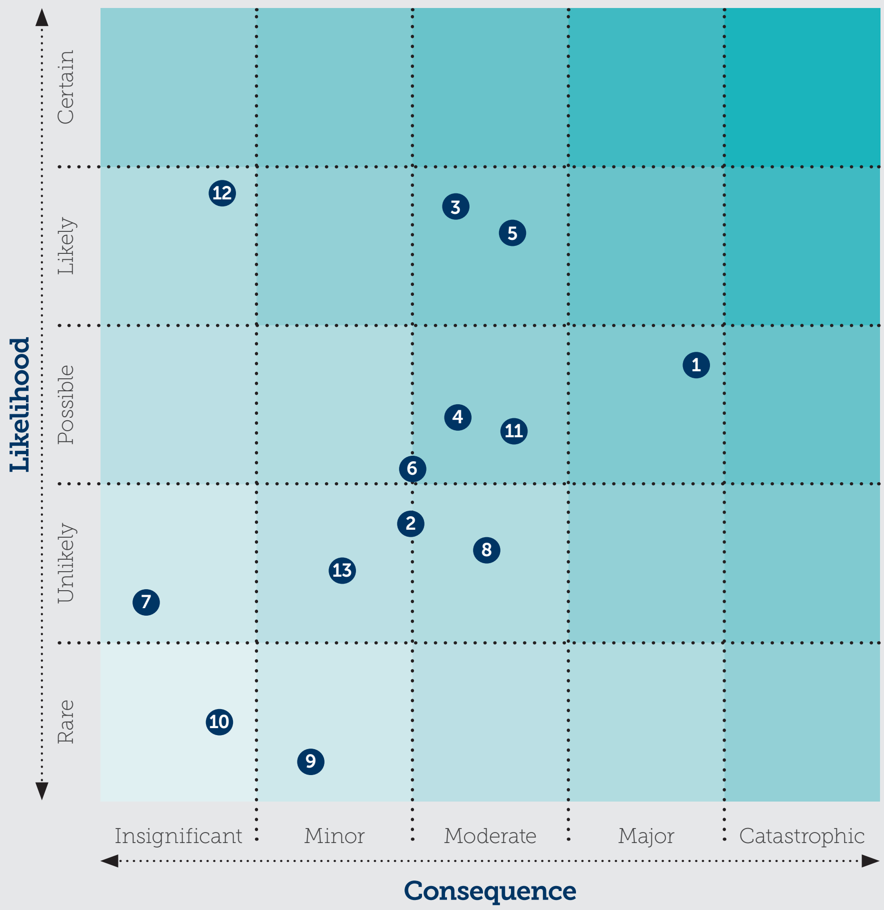
Following a re-evaluation of the Group's risk monitoring software it has adopted a new system that will improve the quality and consistency of risk reporting.

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 below is an explanation of how each risk is being mitigated.

Principle risks are highlighted by a **bold typeface**, whilst less critical risks are highlighted in 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 *Foreign exchange risk*
6 **Business taxation**
7 *External factors*
8 *New factory project*
9 *Existing manufacturing facilities*
10 *Reputational risks*
11 **Intellectual property**
12 *COVID-19*
13 *Cyber security*

Principal risks

Increase · Decrease · No change

Risk	Impact	Mitigation	Movement
Strategic risks			
Reliance on key customers	The Group has a number of key customer relationships, being some of the largest OEMs in the global market. The top 10 customers contributed c.55% of the Group's revenues in the financial year ended 31 December 2020 (2019: c.58%), with the largest customer making up c.14% (2019: c.22%) 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 condition 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.	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 is 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.	• Monitoring of the financial and operational viability of key suppliers. • Ongoing monitoring of inventory levels to ensure availability in times of production volatility. • Dual sourcing where appropriate to reduce dependence on single suppliers.	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. • Targeted investment in engineering, and a commitment to Lean manufacturing, quality and customer relationships.	No change

Principal risks continued

Risk	Impact	Mitigation	Movement
Financial risks			
Raw material and commodity prices and general cost inflation	We are also exposed to fluctuations in the prices of some raw materials, in particular copper and silver. The Board monitor this closely and have put in place appropriate steps to mitigate the impact of this. However, a significant change in the cost of certain raw materials, particularly silver and copper, if sustained for a prolonged period may increase our material costs without necessarily allowing a corresponding increase in the sales price of our products, which could affect the Group's margins and ultimate profitability. Any change in the costs of operating the Group could impact on 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 or our variable and fixed cost bases. • As market leader we have the ability to undertake a price increase if the inflation of costs is prolonged and significant. • Raw material purchasing policy of buying up to 12 months in advance for silver and copper, with 2020 prices already secured.	II
External factors	We continue to monitor the ever-changing political landscape with particular focus on Brexit in the UK and US/China trade tensions. The potential trade implications of Brexit are relatively unknown, especially for the Isle of Man, until the final position is agreed, and there may be some disruption to our supply chains. Given the Group's primary customers are kettle OEMs located in China, the disruption is expected to be relatively muted. Due to the large degree of uncertainty and volatility in discussions, 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.	II

Risk	Impact	Mitigation	Movement
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. Following the acquisition of LAICA in October 2020, the Group's currency exposure has increased due to the consolidation of foreign subsidiaries into the Group. The Group's payments and receipts are predominantly in Sterling, US Dollars, Yuan Renminbi, and now Euros and Taiwan Dollars and changes in the rates of foreign exchange against Sterling could adversely impact margins earned. In addition, under the current regulations on foreign exchange control in the PRC, 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 Renminbi 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, derivative foreign currency contracts can be undertaken 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.	^
Business taxation	The Group currently operates across a number of jurisdictions in the world, each with different tax regimes. The risk arises from operating in countries where the tax regimes are likely to undergo significant change, and therefore there may be an unknown impact on the amount of business taxation that the Group is required to pay. In particular, 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, 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 year.	II

Principal risks continued

Risk	Impact	Mitigation	Movement
Operational risks			
Impact of COVID-19	With the outbreak of COVID-19 in 2020, Strix has been continuously monitoring the impact of the outbreak on the Group, from both an operational and financial standpoint. The Group currently manufactures the majority of its products at its main manufacturing facility in Guangzhou, China. From an operational standpoint if the COVID-19 outbreak is contracted by employees within our factory, this could lead to disruption within the manufacturing cycle and ultimately lead to capacity constraints in meeting customer demands. Any major disruption will put global supply chains at risk and could impact our ability to meet customer demand due to shortages/ downtime further down our supply chain and furthermore interrupt outbound logistics options.	• The Group is continuously monitoring the impact of the pandemic – 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 suspended all non-essential business travel until restrictions are lifted and it is deemed safe to resume travel. • The Group has used its newly acquired HaloSource product within the sterilisation zone at the factory entrance to enhance its preventative measures. • The Group has aligned IT systems to support evolving working requirements. • Global vaccination efforts are progressing well.	
New factory project	During 2018, the Group undertook a review of its existing manufacturing facilities. The outcome of this review was to proceed with a planned purchase of land on which a new manufacturing facility will be constructed. There is a risk of disruption to the Group if the project is not effectively managed, or is not completed in the planned timescale. Any significant disruption could negatively impact the Group's relationships with its customers and/or its workforce, and could also impact the Group's profitability if costs exceed the planned budget.	• A project team have been appointed internally to manage the construction project and ensure it is delivered on time and within budget. Incentives have been provided to key employees to motivate them to achieve a positive outcome for the Group and its shareholders. • A robust project plan with suitable contingency planning has been created. The project team is pleased to confirm the project is progressing on schedule. • Detailed due diligence will be completed on potential suppliers in order to ensure that a cost effective outcome will be delivered within the specified timescales.	

Risk	Impact	Mitigation	Movement
Operational risks			
Existing manufacturing facilities	The Group currently manufactures the majority of its products at its main manufacturing facility in Guangzhou, China. If for any reason, including product mix changes, a capacity constraint is created, or should the operations at this site become disrupted for whatever reason (or reasons), and/or the Group is unable to find a suitable manufacturing site, 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 project referred to above is nearing target completion in 2021 and will mitigate this risk by providing a purpose-built factory, increasing automation and capacity. We have constructed the factory in a modular way in order to be able to reduce the risk posed by any potential disruptions. • A small temporary factory has been rented to support business capacity needs until the end of the current factory lease.	
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 to specify 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.	
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, use or sale of its existing and proposed products.	• The Group vigorously defend 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 sought.	
Cyber security	Cyber security risks include risks from malware, accident, statutory and legislative requirements, malicious actions and other unauthorised access by third parties.	• Deploying security tools to limit the impact and spread of ransomware. • Ensuring firewalls are robust and up-to-date. • Further strengthening of DR plans to ensure that different geographical locations may continue if a breach occurs elsewhere.	NEW

Sustainable investing

"Our goal is to embed sustainability into our business strategy, from the way we package our products to how our consumers use them."

Gary Lamb
Chairman

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, specifically by maintaining an external approval to the ISO 14001:2015 standard.

During 2020, Strix reassessed its approach to sustainability with a view of integrating a sustainability strategy within the core business activities to align with the UN's Sustainable Development Goals. In doing so, Strix identified eight key pillars of its sustainability strategy.

- Solutions for sustainable living
- Promote customer wellbeing
- Doing more with less
- Wellbeing and equality in the workplace
- Community engagement
- Supply chain
- Certifications
- Governance

In 2021 we aim to bring our sustainability strategy to life, establishing clear KPI baselines to track improvements against 2020, and to monitor our progress year on year.

Solutions for sustainable living

Our mission

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

How do Strix products help to achieve this?

Kettles

- Relative to the most common alternative forms of boiling water, we estimate that Strix kettle control products save c.5 billion kg CO_2 a year, which is equivalent to emissions from 1 million cars.
- Global Kettle penetration from 38% to 50% would save c.14 billion kg of CO_2 a year.
- Two second saving in steam switch off time would save 44GWh p.a., equivalent to £9m every year in the UK alone.
- USA kettle penetration from 14% to 50% would save 6,600GWh p.a.

Water

- Strix sold c.5.8 million filters in 2020 equivalent to saving 580.4 million single-use plastic bottles.
- Aqua Optima filters are 100% recyclable in an initiative with TerraCycle.

Appliances

- New Dual Flo appliance will address c.£300 million wasted on boiling excess water p.a. in the UK alone.
- It is estimated that 60 billion disposable coffee pod capsules are sold every year, with the majority ending up in landfill, which are not required for Strix's single cup hot coffee dispenser unit.

Promote customer wellbeing

Our mission

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

How do Strix products help to achieve this?

Kettles

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

Water

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

Appliances

- In baby care, the Tommee Tippee Perfect Prep machine offers not only perfect temperature baby milk but the initial hot shot system ensures the cleanliness and quality of the final product. The energy used in the Perfect Prep machine is 10x less than that of the traditional formula preparation methods, which includes kettle heating and cooling bottles under water.
- The Hot Water Cup encourages sustainable thinking in our end consumers, addressing the biggest energy wastage of over-filling kettles. Strix has sold c.3 million Hot Cups to date. Assuming consumers use the product five times per day, and have boiled only the water they need through a Hot Cup as opposed to boiling double, the total energy saving is enough to power 34,000 UK households for a year.

> "Our innovative approach during development helps us to reduce the overall manufacturing footprint of our products."
>
> Richard Sells
> Non-Executive Director

Doing more with less

Our mission

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

How does Strix plan to achieve this?

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

- Strix's next generation 3-Pole control, which is designed to be suitable for all markets (Regulated, Less Regulated and China), has been designed to save 27-30% materials in the production process.
- Strix has been trialling Correx packaging for internal supplies from the Isle of Man to China. This more durable packaging will increase reuse by 10x and adds little to no cost or carbon footprint on the empty return trip, utilising vacant container space which the Company already has.
- As part of the Group's "Lean Initiative" scheme we have updated the blade production process from a "Shake" method to an upgraded "Auto Ultrasonic" process resulting in a 75% reduction in contamination liquid used. All contamination liquid is professionally removed from the factory by an environmental protection company.
- Strix has focused on reducing resource intensity by engineering out precious and semi-precious metals with a reduction of silver and copper consumption in five years by 85% (equivalent to 2 tonnes) and 10%, respectively.
- Increased automation in Strix's new manufacturing plant, with an expected move during the summer of 2021, will bring significant production benefits such as improved layout, reduced transportation and increased automation improving overall efficiency.
- The energy recovery system implemented at Strix's headquarters on the Isle of Man now recycles the excess heat energy from our water testing into heating the building.
- Reduced business travel expected going forward. 2020 saw significant development to the ways in which the world can work remotely and lessons learned in business practices are expected to lead to improvements going forward from 2019 levels.
- Strix is in the process of adopting ISO 5001 energy management systems into its key sites.

Sustainable investing continued

Wellbeing and equality in the workplace

Our mission

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

How does Strix plan to achieve this?

Diversity

- Age, colour, race, gender, disability, ethnic origin, national origin, marital status, sexual orientation, religious or political views are not seen as barriers to employment and are evidenced in the Group's diverse employment base. The Group is committed to providing equal opportunities for individuals in all aspects of employment. The Group has a broad diversity with females making up 60% of the overall Group workforce and management and Board representation at 23% and 20%, respectively.

Development

- As a Group, who is proud of its innovators, we remain committed to investing in our workforce, which is evidenced by the increasing number of interns we take on globally every year, the apprenticeships programmes we are involved in and educational support we offer to our employees.

Health & Safety

- We help our employees work safely and productively, empowering them to maintain a strong health and safety culture at all of our global facilities/offices through continuous review of our policies, global offering of flu vaccinations, training and closely monitoring lost time accidents.

Employee engagement

- 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.

Ethical behaviour

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

Employee wellbeing

- The Group has implemented a new employee assistance programme ('EAP') which provides counselling and expert support on personal, physical, financial or social issues.

Community engagement

Our mission

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

How does Strix plan to achieve this?

- Strix employees are actively involved in the wider Isle of Man community, primarily through charity support and participation within the IOM Chamber of Commerce STEM Committee.
- LAICA's support of various charities such as the Surgery for Children Association, B.I.R.D. Europe Foundation Onlus and RISE Against Hunger.

Supply chain

Our mission

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

How does Strix plan to achieve this?

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

Certifications

Our mission

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

How does Strix plan to achieve this?

- ISO Quality Assurance Provider, Intertek, has awarded both of Strix's Isle of Man locations a 'Benchmark' score within all six ISO categories, representing the highest ISO standards available. Our larger Guangzhou manufacturing facility also received exceptional results where four out of the six criteria were 'Benchmark' and the remainder 'Mature', a top industry ranking.

Governance

Our mission

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

How does Strix plan to achieve this?

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

"Defining our sustainability KPIs is of paramount importance to benchmarking and tracking our progress."

Mark Bartlett
CEO

Our NEW Duality appliance will address

c.£300m

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

Strix sold c5.6m filters in 2019 equating to

56m

single-use plastic bottles

Gender diversity

19.5%

+3.4%

Global kettle penetration from 38% to 50% would save

14bn kg CO_2

of energy p.a.

USA kettle penetration from 14% to 50% would save

6.6bn kWh

of energy p.a.

Two second saving in steam switch off time would save

1% energy

or 44GWh or £9m p.a. in UK alone

Responsible business

To fulfil our mission of shaping a safer and more sustainable future in the design and supply of innovative hot water and filtration systems, the Group must ensure that it behaves in a socially and environmentally responsible manner.

Corporate Social Responsibility

Strix recognises that long-term success relies upon balancing the interests of its customers, shareholders, employees, suppliers, regulators and the communities in which it operates. 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. Strix holds regular discussions with its customers and suppliers to maintain these key relations which in many cases have been in place for decades.

Employees

The Group currently employs 850 people in ten international locations and is committed to a strategy built around the foundations of recruitment and retention, performance management and development, 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.

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

The Group operates a culture of open communication through a range of mediums including: a global intranet platform, newsletters, and "Think Twice" and "Lean Initiative" schemes. Employee engagements 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. In addition, the Group conducts employee engagement surveys with the last survey undertaken in the earlier part of 2021. As part of our HR strategy, Strix is committed to making positive changes in the Group which will increase our engagement index score.

Ethical behaviour

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

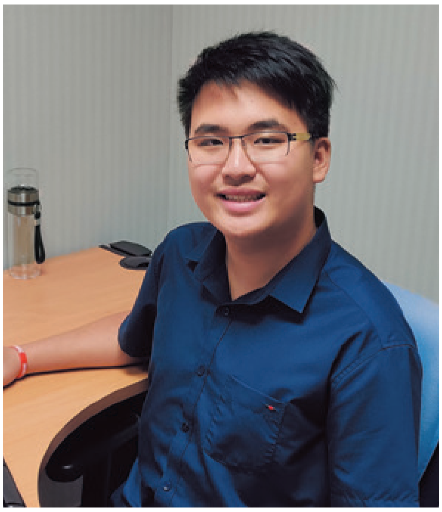
All of these policies are reviewed and updated periodically to ensure our policies remain fit for purpose, take into account evolving risks, and are specific to the locations in which the Group operates.

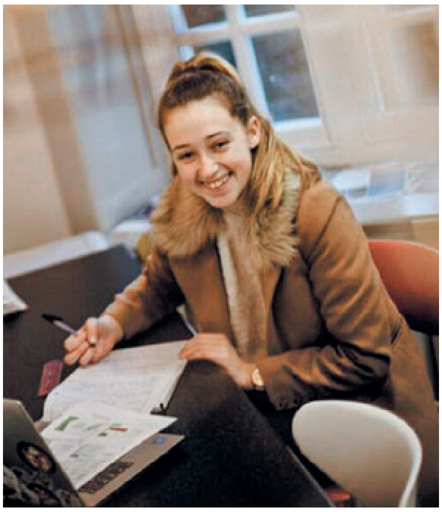
Social contribution

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

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. On the Isle of Man, one such scheme is the King William's College Barrovian Alumni Internship, which allows an alumni of the College aged 18 to 25 to spend three months during the summer working for Strix in Hong Kong. This includes working on business critical projects to support the business. Due to COVID-19-related travel restrictions in 2020, this scheme was placed on hold, however, it will be resumed when restrictions are lifted.

During 2020, we undertook a number of internship programmes across the globe, including multiple internships on the Isle of Man, in Hong Kong and in Guangzhou. This places undergraduates from the Isle of Man, the UK, Hong Kong and China





into placements and provides students with the opportunity to undertake practical work projects to further their studies.

In July 2020, two interns joined the Group's engineering department for practical work experience as part of their final year of undergraduate study at leading UK universities. In September 2020, the Group offered placement to one of our interns within the HR department as part of the Isle of Man Government Summer Internship programme, an offer which has proven successful for both the business and the intern as part of their Business Management degree. Additionally, we have had one intern working alongside our finance team in Hong Kong.

We would like to express our thanks for the valued work that all those involved in the internship programme perform. The below represents a selection of those involved in our global initiative.

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

- Working with the AMTC (Advanced Manufacturing Training Centre) at the UCM (University College, Isle of Man) in providing a number of work experience opportunities for apprentices.
- Supporting the ACE (Awareness of Careers in Engineering) programme on the Isle of Man, which provides a number of local events throughout the year to encourage students to consider future careers in engineering.
- Involvement in STEM Fest Isle of Man and scheduled regular events, including monitoring presence on social media during the COVID-19 pandemic and assisting with STEM activities that students could do at home.
- Undertaking research into IET accreditation of the apprenticeship scheme, and programmes that can be run with the primary schools, planning for events that will take place through 2021, both in the schools and with university students.

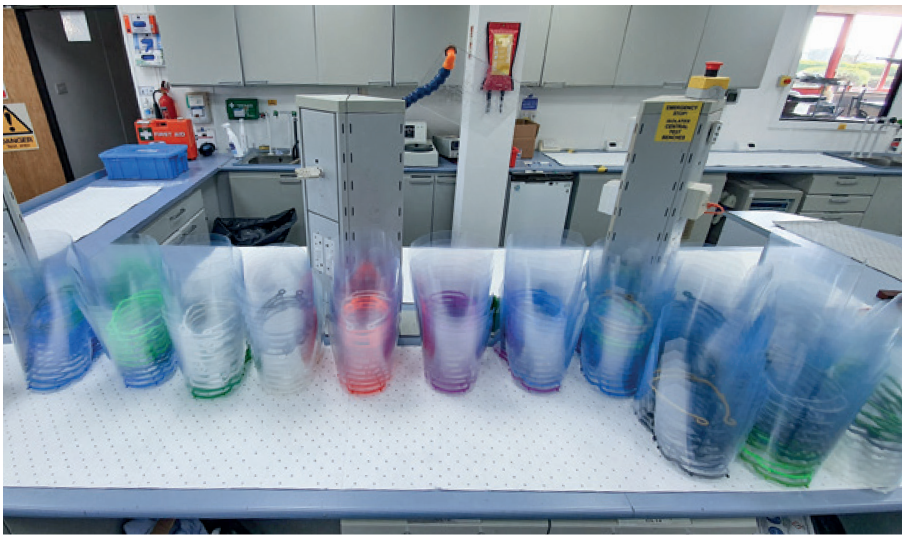
Involvement in Isle of Man business life

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

Involvement in efforts to support the communities during the COVID-19 pandemic

During the year, the Group was involved a number of projects within the local community to assist with efforts in curbing the spread of the coronavirus. These projects included:

- Assisting the Isle of Man Government to increase capacity of safe and reliable PPE on the island by using our connections, technical teams and supply chains from our Chinese plants.
- Repurposing of parts from our product outputs to help in the local community's effort to tackle the virus.
- Co-ordinating with other local businesses in the making and assembly of PPE used by local hospitals during the pandemic.
- One of our valued Workshop Supervisors making nose clips, in their own time using their 3D printing facilities at home, for face masks to be used by key workers in exchange for donations to local charities, Rebecca House children's hospice and Manx Breast Cancer Support.



Chief Financial Officer's statement

Financial strength and robust business model demonstrated our ability to maintain an increased dividend

"Adjusted profit after tax increased to £29.5m, up by 2.3% from 2019, demonstrating Strix's ability to overcome challenging conditions, through our strategic product diversification and efficiency initiatives."

Raudres Wong
Chief Financial Officer

Financial performance

Revenue for 2020 has declined by a modest 1.6% to £95.3m despite the disruption of the pandemic worldwide. LAICA's addition of two months' revenue since completion in October was £4.1m. Strix has continued to increase its market-leading position despite the softened top line. Revenue on a constant currency basis was down 1.3%.

Adjusted gross profit was relatively flat versus the previous year showing a modest £0.2m decline. This incorporates a gross gain of £0.9m relating to the acquisition of LAICA. Adjusted gross profit margin has further increased from 40.9% to 41.4% reflecting the addition of LAICA, supported by a strong product mix and lower labour costs, as a result of our continued automation.

Adjusted EBITDA increased to £38.1m from £36.9m, representing a 3.2% increase, reflecting Strix's strong ability to optimise the overheads cost to accommodate the softening top line performance. Excluding the acquisition of LAICA, adjusted EBITDA increased 1.7% to £37.6m. Adjusted EBITDA is defined as profit before depreciation, amortisation, finance costs, finance income, taxation, and exceptional items including share-based payments.

Adjusted operating profit was impacted by higher depreciation including right-of-use asset and amortisation (2020: £6.0m; 2019: £5.5m) and hence, a lower increase of 1.8% to £32.1m (2019: £31.5m) was delivered in the reported period. LAICA's depreciation and amortisation was £75k for the two months and its operating profit of £0.4m was included.

Financial summary

	Adjusted results[1]			Reported results		
	2020 £m	2019 £m	Change %[5]	**2020 £m**	2019 £m	Change %[5]
Revenue	**95.3**	96.9	-1.6%	**95.3**	96.9	-1.6%
Revenue – constant currency basis[2]	**95.6**	96.9	-1.3%	**95.6**	96.9	-1.3%
EBITDA[3]	**38.1**	36.9	+3.2%	**32.6**	29.6	+10.2%
Gross profit	**39.4**	39.6	-0.5%	**38.9**	39.4	-1.4%
Operating profit	**32.1**	31.5	+1.8%	**26.6**	24.2	+10.0%
Profit before tax	**30.9**	30.2	+2.4%	**25.5**	22.9	+11.3%
Profit after tax	**29.5**	28.9	+2.3%	**24.1**	21.5	+11.8%
Total comprehensive income	**29.6**	28.8	+2.9%	**24.1**	21.4	+12.7%
Net debt[4]	**37.2**	26.3	+41.2%	**37.2**	26.3	+41.2%
Net cash generated from operating activities	**31.2**	34.4	-9.2%	**31.2**	34.4	-9.2%
Basic earnings per share (pence)	**14.9**	15.2	-2.0%	**12.2**	11.3	+8.0%
Total dividend per share (pence)	**7.85**	7.70	2.0%	**7.85**	7.70	2.0%

1. Adjusted results exclude exceptional items, which include share-based payment transactions and other reorganisation and strategic project costs. Adjusted results are non-GAAP metrics used by management and are not an IFRS disclosure.
2. Revenue – constant currency basis, which is defined as 2020 revenue restated at the exchange rates prevailing in 2019, is a non-GAAP metric used by management and is not an IFRS disclosure.
3. EBITDA, which is defined as earnings before finance costs, tax, depreciation and amortisation, is a non-GAAP metric used by management and is not an IFRS disclosure.
4. Net debt excludes the impact of IFRS 16 lease liabilities, pension liabilities, deferred taxes and earn-out provisions on satisfaction of performance conditions.
5. Figures are calculated from the full numbers as presented in the consolidated financial statements.

Adjusted profit before tax increased to £30.9m with a 2.4% growth (2019: £30.2m) despite the softening market conditions. LAICA's contribution was £0.3m. Net finance costs decreased by £0.2m to £1.2m with a reduction in loans prior to the acquisition of LAICA. The Group's reported profit before tax was £25.5m (2019: £22.9m).

Adjusted profit after tax increased to £29.5m (2019: £28.9m), which included LAICA's contribution of £0.2m, an increase of 2.3%. Taxes were held at roughly the same level, at an effective tax rate of 4.5% (2019: 4.4%) of the Group's adjusted profit before tax. This is following a change in tax basis from contract processing to an import processing model in China during 2019. The Group's reported profit after tax was £24.1m at 11.8% growth (2019: £21.5m).

Adjusted diluted earnings per share and reported diluted earnings per share were 14.3p (2019: 14.2p) and 11.7p (2019: 10.6p) respectively. Weighted average number of diluted shares has increased 1.7% due to the vesting of the 2017 IPO LTIPs, new equity raised for the acquisition of LAICA and Zeus warrants being exercised. Basic earnings per share were reported at 12.2p (2019: 11.3p), and adjusted for exceptional costs were 14.9p (2019: 15.2p).

Capital expenditure and capitalised development costs

Tangible assets had additions to net book value of £17.2m in 2020, compared to £15.4m in 2019. This includes £9.1m of new factory construction (2019: £6.0m), plant, machinery and tooling of £3.9m (2019: £3.4m), and LAICA's addition of £3.7m. This continued to demonstrate Strix's investment in its manufacturing and development assets to support our strategic growth objectives.

Intangible assets had additions to net book value of £14.6m (excluding goodwill) in 2020, compared to £3.2m in 2019. This includes £2.8m (2019: £2.4m) of capitalised development costs relating to our R&D investment, £2.4m (2019: £0.3m) of software due to our new ERP and MES system, and £0.4m (2019: £0.5m) of intellectual property rights. LAICA's acquisition added three more intangible valuations; Customers relationships £2.4m, Brand name £6.6m and Goodwill £9.5m.

Chief Financial Officer's statement continued

Share-based payments

The total charge incurred in the consolidated statement of comprehensive income in 2020 for share-based payments was £1.9m (2019: £5.9m). The charge was reduced in 2020 due to the tranche of IPO share options being vested. Some additional share awards were also granted during 2020 to incentivise and retain the Directors and other employees whom the Board consider critical to the achievement of the Group's strategic objectives.

Foreign exchange

The Group is naturally hedged against movements in USD and CNY as it both generates revenues and incurs costs in these currencies. The impact of foreign exchange in 2020 is a loss of £0.5m (2019: loss of £0.2m). Despite significant currency fluctuations in 2020, the foreign exchange loss is equivalent to only 0.5% (2019: 0.2%) of revenue.

Taxation

The effective tax rate for the year is equivalent to 4.5% (2019: 4.4%) of the Group's adjusted profit before tax. In 2019, in order to mitigate the risk of higher tax charges in the future, the Group changed its tax basis in China from the contract processing to the import processing basis.

Balance sheet

Property, plant and equipment increased to £37.2m (2019: £25.5m). Capital additions include £9.1m for the new factory under construction in Guangzhou (2019: £5.7m), £3.9m of plant machinery and tooling (2019: £3.4m), and a £3.7m increase due to the acquisition of LAICA. Depreciation increased to £4.5m (2019: £4.2m), mainly linked to the increased plant machinery and tooling (£2.2m) and right-of-use assets (£1.5m) (2019: £2.1m and £1.3m respectively). Net intangible assets (comprising capitalised development costs, goodwill, software and intellectual property rights) increased by £22.6m (2019: £2.3m) driven by a £18.8m increase due to the acquisition of LAICA, £2.2m increase in investment in ERP system and £1.5m increase in capitalised development costs in line with the Group's strategic growth objectives.

Current assets increased to £51.3m compared to £32.5m in 2019 primarily due to LAICA's acquisition of current assets valued at £16.8m. Inventory increased by £5.7m which was largely due to the addition of LAICA of £4.5m. Non-current assets increased by £34.4m from £32.6m, where LAICA's addition was £13.0m, with the remainder mainly attributed to new factory construction (£9.1m), increased automation facilities (£3.9m), and goodwill from the acquisition of LAICA (£9.5m).

Current liabilities increased to £33.7m (2019: £21.2m) primarily due to the addition of LAICA (£9.2m) that is made up of trade payables, deferred consideration and short-term borrowings.

Non-current liabilities increased to £62.6m (2019: £43.0m), primarily related to the LAICA acquisition; LAICA's contingent consideration (£5.4m) which is payable on the achievement of performance conditions in 2021 and 2022, deferred tax liability arising from acquisition accounting (£2.6m), LAICA's defined benefit plan (£1.4m) and bank loans (£1.1m). A further £10.0m was drawn down from the revolving line facility to finance the LAICA acquisition which brought the total financing amount to £50.0m.

Cash flow and net debt

The net increase in cash and cash equivalents over the year was £1.9m (2019: £0.6m). This was primarily due to the proceeds from Zeus' exercise of warrants of £3.8m offset by higher dividend payment of £1.4m.

Net cash generated from operating activities was down £3.2m in 2020 to £31.2m (2019: £34.4m) with net working capital outflows of £1.7m, predominately due to the addition of LAICA. Net cash used in investing activities has increased £7.8m (2019: £8.9m) to £24.2m due to the acquisition of LAICA; and the increased investment in both tangible and intangible assets.

Net debt (excluding the impact of IFRS 16 lease liabilities) has increased from £26.3m in 2019 to £37.2m to fund the LAICA acquisition, investment in capital expenditure and new factory construction. We expect the Group's net debt and leverage to maintain at roughly the same level with the Group's strong cash generation ability to fund any incremental operating capex. Including the impact of IFRS 16 lease liabilities, which was adopted from 1 January 2019, net debt has increased to £41.3m (2019: £30.8m).

The Group has a revolving credit facility of £80.0m (2019: £49.0m) of which £50.0m (2019: £40.0m) is drawn down as at 31 December 2020. The net debt (excluding the impact of IFRS 16 lease liabilities) to adjusted EBITDA ratio as at 31 December 2020 was 1.0x (2019: 0.7x).

Raudres Wong
Chief Financial Officer

> "Adjusted EBITDA increased to £38.1m from £36.9m, representing a 3.2% increase, reflecting Strix's strong ability to optimise the overheads cost to accommodate the softening top line performance."
>
> **Raudres Wong**
> CFO

Board of Directors

Gary Lamb

Chairman (54) 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 founder director of Bladon Micro Turbine Limited, and remained a Non-Executive Director until July 2017, later rejoining the Board in March 2020. For 11 years, prior to Bladon Jets, Gary was the Finance and IT Director of Strix, leaving in 2007.

Gary is a qualified accountant (CIMA) who has gained extensive business experience over the past 25 years in numerous senior roles, including both private, public as well as private equity backed businesses.

Mark Bartlett

Chief Executive Officer (56) Appointed: 2006 Nationality: British

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

Raudres Wong

Chief Financial Officer (58) Appointed: 2011 Nationality: Chinese

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

Raudres has a BComm and MBA from McMaster University and qualified as a Chartered Accountant in Canada.

Mark Kirkland

Non-Executive Director (53) Appointed: At IPO Nationality: British Committees: (A)(N)(R)

Experience: Mark's initial career was in corporate finance, predominantly spent at UBS Limited. In 2003, as part of the founding team, he became CFO of Raven Mount plc (now part of Raven Property Group Limited, formerly Raven Russia Limited) and later became CFO of Marwyn Management Partners plc. Mark is currently CEO of Delin Capital Asset Management.

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

Richard Sells

Non-Executive Director (62) Appointed: March 2020 Nationality: British Committees: (R)

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. He currently serves on the Advisory Board of Evrythng, an IoT data analytics business, and is as an Associate at The Foundation, a growth-consulting firm.

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

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

Senior management team

Frank Gao
Chief Operating Officer

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

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

David Trustrum
Commercial Director

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

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.

Peter Taylor
Director of Group Finance

Peter joined Strix in April 2018, having worked at a number of multinational companies in the UK, the US, and elsewhere. Peter directs the Finance team, responsible for the accuracy of financial reporting and financial controls.

Matt Thomas
Director of Group Manufacturing, Engineering and Customer Quality

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.

Neil Austin
Director, Water Category and Global Marketing

Neil joined Strix in 2020 and has a dual role heading up the Global Marketing teams and leading the water category. He has extensive commercial experience, primarily in the consumer electronics industry, and most recently was the Chief Commercial Officer for a Medical Neuro stimulation company.

Emma Cox
Director of Human Resources

Emma joined Strix in 2020 and focuses on all things to do with the attraction, recruitment, retention and development of talented people across the organisation. Emma and her team, based both on the Isle of Man and in China, work closely with managers to ensure that they have the right people in the right place, doing the right things at the right time to get the right results.

Board activities

Board roles

Our current Board is made up of three Non-Executive Directors, including the Chairman, and two Executive Directors, the CEO and CFO. All members have been selected for their diverse experience, which draws from a range of industries and backgrounds that align to promote the Group's long-term sustainable success.

The Board has determined that all its Non-Executive members are independent.

Annually, the Board conducts an appraisal evaluation of its own performance whereby each Director will complete questionnaires which are reviewed and feedback is provided to each Director.

Our Chairman

- Chairing Board meetings, Nomination & 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; and
- Ensuring the views of stakeholders are taken into account when making decisions.

Our Non-Executive Directors

- Providing effective and constructive challenge to the Board and scrutinising the performance of management;
- Assisting in the development and approval of the Group's strategy;
- Reviewing Group financial information and ensuring there are effective systems of governance, risk management and internal controls; and
- 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; and
- Responsible for the oversight of the following key functions: Finance, Engineering, Design, Marketing, Supply Chain, Human Resources, Ethics, Responsibility, Strategy and Global Commercial.

BOARD

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

AUDIT COMMITTEE

Chaired by Mark Kirkland

The Audit Committee report can be read on page 65.

NOMINATION COMMITTEE

Chaired by Gary Lamb

The Nominations Committee is responsible for leading the process for all potential appointments to the Board and making recommendations to the Board in relation to potential appointments.

The Nomination Committee report can be found on page 66.

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 67 to 74.

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 Executive Board assists the CEO in implementing the strategy as approved by the Board.

Corporate governance statement

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

Strix applies the principles of the Quoted Companies Alliance Corporate Governance Code (the 'QCA Code') as the Board believes that adherence to the QCA Code provides a strong foundation for delivering shareholder value and serves to mitigate and minimise risks.

Directors of companies incorporated in the Isle of Man are required to comply with certain duties that are contained in the Isle of Man Companies Act, and the Directors comply with those duties.

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 82 to 115, together with the financial position of the Group, its cash flows, liquidity position and borrowing facilities. In addition, note 22 to the Group financial statements includes: the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of financial instruments and hedging activities; and its exposure to price, interest rate, credit and liquidity risk. Accordingly, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future based on the following factors:

- The strong historic trading performance of the Group;
- Budgets and cash flow forecasts for the period to December 2023;
- The current financial position of the Group, including its cash and cash equivalents balances of £15.4m;
- The availability of further funding should this be required (including the headroom of £30.0m on the revolving credit facility and the access to the AIM market afforded by the Company's admission to AIM);
- The low liquidity risk the Group is exposed to;
- The fact that the Group operates within a sector that is experiencing relatively stable demand for its products, amidst the global COVID-19 pandemic; and
- That there has been no disruption to the Group's manufacturing or supply chain.

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

Forward-looking statements

This Annual Report and Accounts 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.

"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

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 2020. This was completed by the use of questionnaires completed by all Directors. The results of this exercise were reviewed and individual feedback was provided for each of the Directors, and the Board as a whole. Feedback was given by an independent Non-Executive Director 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 2020.

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 below and elsewhere in this statement.

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

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

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

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

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

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

Shareholders

The Chairman and the Non-Executive Directors will always make themselves available to meet with shareholders. Normal relationships with shareholders are maintained by the Executive Directors who brief the Board on shareholder issues and who 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 54 of the Annual Report provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

Substantial shareholdings

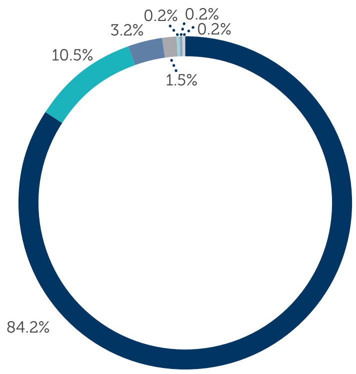
As at 21 April 2021, the Company has been advised, in accordance with the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority, of the following notifiable interests in 3% or more of its voting rights:

	Number
Number of securities in issue:	206,496,375
AIM securities not in public hands:	15.68%

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

Registered shareholder	Shares held	% holding
Octopus Investments	22,722,629	11.00
Schroder Investment Mgt	12,192,276	5.90
Canaccord Genuity Wealth Mgt	11,350,000	5.50
AEGON Asset Mgt	11,071,062	5.36
Premier Miton Investors	9,157,357	4.43
Close Asset Mgt	6,557,325	3.18

The Board is aiming to achieve a mix of institutional, retail and management shareholders which is appropriate for Strix. As at 21 April 2021, the Board considers that the Company's shareholders can be categorised in the following manner:



- Domestic institutions
- Foreign institutions
- Employees, etc.
- Domestic brokers
- Private stakeholders
- Corporate stakeholders
- Foreign brokers

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; and
- 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 2020

For 2020 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 2020 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 2021 are set out on page 73.

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 established a well-documented strategy and business model to create value for shareholders through slow and steady growth primarily through organic growth in its water and appliances categories alongside expansion of its market share in kettle controls. Strix has significant resources available to create medium to long-term value, including: • a market-leading share of the global kettle controls market • significant, long-standing customer relationships • a large portfolio of intellectual property • a strong pipeline of new products.	Disclosure of the Group's strategic pillars is included on pages 24 to 26. Strix's value chain is explained on page 19. The way in which we deliver value for our stakeholders is set out on pages 38 and 39.
Seek to understand and meet shareholder needs and expectations.	Consistent, ongoing two-way dialogue between the Strix executive team and shareholders is key to driving the Group forward and informs our decision-making process. This is undertaken throughout the year via regular reporting of performance and key news announcements via RNS as well as roadshows and investor presentations. Where possible subject to COVID-19 restrictions, all members of the Board attend the AGM and the Board encourages shareholders to attend and ask questions. Where attendance is not possible, questions may be submitted in advance with answers later published on our website. The Board engages with both institutional and private shareholders to understand the needs and expectations of both of these groups.	Our RNS notifications are easily located on the Group's website. This includes the results of the AGM voting outcomes, showing the percentage of votes for, against and withheld for each resolution.
Take into account wider stakeholder and social responsibilities and their implications for long-term success.	Strix's long history has enabled it to develop a good understanding of its key stakeholders. This understanding helps the Board and the management team make well-informed business decisions and to deliver on our strategic objectives. Strix's key stakeholders are its: • Shareholders • Employees • Customers • Suppliers • Communities • Environment.	Please refer to pages 38 and 39 for further information on why and how we engage with these stakeholders.
Embed effective risk management, considering both opportunities and threats, throughout the organisation.	Strix has a risk management framework in place which assists the Board in identifying, assessing and mitigating the risks faced by the Group to an acceptable level alongside the Group's growth plans. This is reviewed on an ongoing basis and actions are taken as needed to reduce the risks to an acceptable level.	The Group's risk management framework is set out on page 40.

Governance principle	Strix response	Further reading
Maintain the Board as a well-functioning, balanced team led by the Chairman.	The Board includes three Non-Executive Directors, being Gary Lamb, Mark Kirkland and Richard Sells who was appointed to the Board on 18 March 2020. 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.	See page 58 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 75 and 76.
Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities.	The Board is composed of individuals with an appropriate mix of experience and skills, including experience serving on the boards of listed companies. The Board is represented by an appropriately diverse mix of individuals, given its size. The Board is not dominated by any one person or group of people. All Directors have the ability to challenge proposals put forward to the meeting and decisions are reached democratically.	A short biography of each Director is provided on pages 56 and 57.
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 • If their role is as an independent Director, that they remain independent. The Board composition has changed following the appointment of Richard Sells on 18 March 2020. The appointment is in line with the Board's vision for succession planning as Richard Sells brings a wealth of commercial experience to the Board which will support the Group's growth ambitions.	Further details on corporate governance are provided on page 59.

QCA principles and Strix continued

Governance principle	Strix response	Further reading
Promote a corporate culture that is based on ethical values and behaviours.	Strix has a responsibility towards its employees and partners. The Group is proud to provide opportunities for the next generation and is passionate about supporting social causes, both on the Isle of Man and beyond. The Group has defined zero-tolerance policies in place for anti-slavery, anti-human trafficking, anti-bribery and anti-corruption efforts. There are whistleblowing facilities in place to report any suspected instances of corruption or bribery to one of the Directors.	Further details on corporate social responsibility, including ethical conduct and sustainable investing, is provided on pages 46 to 49.
Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board.	The Board normally meets on a monthly basis and not fewer than ten times a year, supplemented by additional meetings as and when required. The Board discusses strategy, performance and internal controls based on a formal agenda, which is circulated in advance of each meeting. The Board is also responsible for the approval of RNS announcements and the annual and interim results. The 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. Senior members of staff attend certain Board meetings by invitation to discuss matters in relation to their specific areas of expertise. The Board is also supported by the Audit, Remuneration and Nomination Committees in discharging its responsibilities. 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 as well as by the Nomination Committee.	Details of Nomination Committee meetings held during the year can be found on page 66.
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 on governance and performance 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 • Internal staff meetings or through written/email communication	Please refer to pages 38 and 39 for further information on how we communicate with each of our key stakeholders.

Audit Committee report

The Committee confirms that for the year ended 31 December 2020, the Group fulfilled its Audit Committee responsibilities, as set out in this report, and fulfilled its mandatory audit processes.

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

Audit Committee membership

Mark Kirkland and Gary Lamb served as members of the Committee through the year ended 31 December 2020.

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

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

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

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

The role of the Committee

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

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

Significant issues considered in relation to the financial statements

At the request of the Board, the Audit Committee considered whether the 2020 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:

- The impact of the acquisition of LAICA S.p.A. on the Group;
- Consideration of the going concern basis of preparation adopted in the financial statements; and
- Appropriateness of the disclosures in the financial statements.

Mark Kirkland
Chairman of the Audit Committee

"I am confident that the Committee has upheld its high standards and effectively carried out its duties throughout the year."

Mark Kirkland
Chairman of the Audit Committee

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

- Gary Lamb (Chairman)
- Mark Kirkland

The Nomination Committee met twice during the year. Mark Kirkland was unable to attend one of the meetings, but an alternate was appointed in his place. The purpose of the meetings was to approve the appointment of Richard Sells as an additional Non-Executive Director and to appoint him to the Remuneration Committee. In addition, during the year the Committee reappointed Gary Lamb and Mark Kirkland to the Audit, Nomination and Remuneration Committees for a further three-year term.

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 2020 and explains how we intend to implement the policy for 2021. The key elements of our approach are summarised below.

The Remuneration Committee

The members of the Remuneration Committee during 2020 were Gary Lamb (Chairman) and Mark Kirkland, both of whom are independent Non-Executive Directors. Gary Lamb is also Chairman of the Board. Richard Sells, also an independent Non-Executive Director, joined the Committee with effect from 1 March 2021.

The Committee held four meetings during 2020. Mark Kirkland was unable to attend two meetings due to restrictions imposed in response to the COVID-19 pandemic but appointed an alternate to attend in his place. He reviewed the Committee papers ahead of each meeting as normal and provided input into Committee deliberations through prior discussions with the Committee Chairman.

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 2020

The start of 2020 was a period of considerable uncertainty for the business and its stakeholders in light of the outbreak of the COVID-19 pandemic and resulting restrictions imposed throughout the world. As discussed throughout this Annual Report, Strix's performance over the year as a whole was resilient, and after a marked recovery in the second half of the year the Board was pleased to report a growth in adjusted profit after tax compared to the prior year. The Group has benefited from diversification and the extension into new product lines, supported by high cash generation and a strong balance sheet. Dividend payments have been maintained and the ongoing strength of the business was demonstrated in impressive share price performance after a correction early in the year as markets reacted to the impact of the pandemic.

Directors' remuneration report continued

Early in the year, and as disclosed in last year's report, proposals to adjust the salaries of the Executive Directors in light of the growth and development of Strix since the IPO in 2017 were suspended due to the uncertainties caused by the spreading pandemic. This was kept under review throughout the year but it was ultimately agreed to keep the CEO and the CFO at the same salary levels for the duration of 2020.

After the 2020 year end, the Committee reviewed the performance of the business and made decisions regarding the level of payout of annual bonuses and the level of vesting of LTIP awards. The Committee agreed a bonus payment of 16.5% of basic salary for the Executive Directors in recognition of the resilient performance achieved during 2020. Vesting of the LTIP award granted in 2018 depended on the level of EPS growth achieved over the three years to the end of 2020. The Committee agreed a final vesting level of 53.2% for this award, which was deemed to be consistent with the overall level of performance over the three-year performance period.

A new LTIP grant was made in April 2020, with performance measured over the three years to the end of 2022. Awards were granted to the Executive Directors at a level of 100% of basic salary. Last year, we reported that the Committee would apply the same EPS target range to this award as was in place for the awards granted in prior years. After further consideration, however, the Committee decided to make a small adjustment to the targets to ensure that the award provides a suitable incentive to drive performance over the next few years. While the requirement to achieve a minimum level of 3% per annum EPS growth for a threshold level of vesting remains, the target for the maximum level of vesting was reduced from 7% to 5% per annum growth. The Committee believes that this new upper target, which is consistent with the ambitious growth strategy for the business communicated at the Capital Markets Day in 2020, remains appropriately challenging.

Proposed application of the remuneration policy for 2021

As noted above, proposed salary adjustments for the Executive Directors for 2020 were not implemented during the course of the year. After the year end, the Committee reviewed the situation and decided that, in light of the success of Strix during 2020, its resilience in a challenging environment, and the ongoing growth of the business, it was appropriate to finally put in place the changes that were initially envisaged last year.

In reaching this decision, the Committee again noted the exceptional leadership of Mark Bartlett, the CEO, over the period since IPO, a time when Strix has become a bigger and more complex company, extending into new technologies and expanding its global footprint. Strix is now a genuinely international company, operating in multiple jurisdictions, and this requires considerable time and commitment from the CEO. Mark has demonstrated this repeatedly during 2020 as Strix has adapted to the challenges posed by the pandemic. Mark is critical to the success of the business and the Committee believes that it is only fair that his commitment is appropriately rewarded as the Company enters the next crucial stage of its development.

As a result, the Committee has agreed to increase Mark's salary from £311,508 to £360,000 with effect from 1 April 2021, an increase of 15.6%. This change was originally intended to apply from January 2020 but, as noted above and in last year's report, we made the prudent decision to put the increase on hold given the market uncertainties following the outbreak of the pandemic. The Committee is aware that the increase is significant in percentage terms and would like to make it clear that this is a special adjustment and not indicative of the likely level of annual increase in future years. At the present time, we anticipate that future increases will be limited to those applicable to the wider workforce.

Separately, the Committee has also considered the broader debate about executive pension provision which has followed the implementation of the 2018 UK Corporate Governance Code. While the Code does not apply to Strix, the Committee seeks to comply with good practice in corporate governance and has therefore agreed with Mark that his pension contribution rate will be reduced from 20% of basic salary to 10% with effect from 1 April 2021. This level of pension contribution is now consistent with that of the CFO and other members of Strix's management team.

For the CFO, Raudres Wong, the Committee has agreed a 2.5% salary increase with effect from 1 April 2021.

The annual bonus opportunity for 2021 will remain at 100% of basic salary for the Executive Directors, with bonus payments primarily based upon the achievement of a profit before tax target. In addition, we intend to introduce an ESG measure to apply to 15% of the maximum bonus, consistent with the Group's focus on ESG as a critical priority for the business. Our intention is that the performance targets will be disclosed in next year's Directors' remuneration report when they are no longer considered commercially sensitive.

The LTIP grant to be made in 2021 will again be at a level of 100% of basic salary for the Executive Directors. This award will vest subject to performance conditions to be met over the three years to the end of 2023. After consideration, the Committee has decided to continue using an EPS metric for this award, ensuring that vesting requires demonstrable growth over the performance period. Full details of the targets to be used are set out on page 73.

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 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 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 73.

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

Directors' remuneration report continued

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 be needed to recognise, for example, change in responsibility and/or time commitments.

Service contracts and payments for loss of office

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

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

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

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

Directors' remuneration for 2020

		Salary and fees[1] £k	Benefits[2] £k	Pension £k	Annual bonus £k	Long-term incentives[3] £k	Total £k
Executive Directors							
Mark Bartlett	**2020**	**312**	**68**	**64**	**51**	**338**	**833**
	2019	312	65	64	–	6,935	7,376
Raudres Wong	**2020**	**305**	**12**	**31**	**51**	**311**	**710**
	2019	305	6	31	–	3,468	3,810
Non-Executive Directors							
Gary Lamb	**2020**	**72**	**–**	**–**	**–**	**–**	**72**
	2019	70	–	–	–	–	70
Mark Kirkland	**2020**	**46**	**–**	**–**	**–**	**–**	**46**
	2019	45	–	–	–	–	45
Richard Sells[4]	**2020**	**32**	**–**	**–**	**–**	**–**	**32**

1. As disclosed in last year's report, the 2020 fee for Gary Lamb for serving as Chairman of the Board and Non-Executive Director was increased from £70,000 to £80,000 with effect from 1 January 2020 following a review. The fee for Mark Kirkland for serving as a Non-Executive Director was increased from £45,000 to £48,000. In light of the COVID-19 outbreak, both Directors agreed that their fees would revert to their former levels with effect from March 2020. Following a further review later in the year, and in recognition of the overall resilience of the Company against the backdrop of the pandemic, it was agreed that the fees would be restored to the January 2020 levels with effect from 1 January 2021.
2. Mark Bartlett's benefits include participation in the Company's private medical insurance scheme, a car allowance and a cost-of-living allowance reflecting his residence in Hong Kong. Raudres Wong's benefits include participation in the Company's medical insurance and permanent health insurance schemes.
3. The numbers in this column for 2020 reflect the value of the 2018 LTIP award based on the vesting level for the award (53.2%) and the share price on the exercise date, 21 April 2021 (£2.90), plus an amount reflecting the value of dividend equivalents. This award was based on performance measured up to 31 December 2020. The numbers in this column for 2019 reflect the value of the 2017 LTIP award at the exercise date, 6 April 2020 (£1.70), plus an amount reflecting the value of dividend equivalents. This award was based on performance measured up to 31 December 2019. Full details of the performance conditions for this award and the vesting outcome were included in the 2019 Directors' remuneration report.
4. Richard Sells was appointed to the Board on 18 March 2020 as a Non-Executive Director and for the year under review his annual fee was set at £40,000 for this role.

Annual bonus scheme outcome for 2020

Executive Directors had an entitlement to an annual bonus up to a maximum opportunity of 100% of basic salary for 2020. Achievement of the bonus was based on performance conditions linked to the achievement of challenging PBT and cash flow targets.

In light of the level of PBT reported for 2020 being 2.4% higher than that achieved for 2019, the Committee agreed bonus payments at a level of 16.5% of basic salary for both Executive Directors.

Directors' remuneration report continued

LTIP award granted in 2020

Executive Directors and other senior employees were granted an award of shares under the LTIP in April 2020. For the Executive Directors, the award was granted at a level of 100% of basic salary. Vesting of the award is subject to the achievement of performance conditions based on the Company's EPS performance over the three financial years ending 31 December 2022, as set out below. The maximum EPS target has been set at 5% per annum growth, which differs from the 7% target set out in last year's Directors' remuneration report. This is as a result of the Committee deciding, after further consideration, that an adjustment was required to provide an appropriate incentive to participants in the current business environment. The Committee believes that the new upper target remains appropriately challenging and is consistent with the ambitious growth strategy for the business communicated at the Capital Markets Day in 2020.

Annual EPS growth to be achieved in the period ending 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 awards are subject to malus and clawback provisions, as set out in the remuneration policy on page 67.

Performance under the LTIP award granted in 2018

Executive Directors and other members of senior management were granted an award of shares under the LTIP in November 2018. Vesting of the awards was based on EPS performance measured over the period to 31 December 2020. The specific EPS targets, and the performance achieved, are set out below.

Annual EPS growth to be achieved in the period ended 31 December 2020	Level of vesting
Below 3%	0%
3%	25%
Between 3% and 7%	Vesting on a straight-line basis between 25% and 100%
7% or above	100%

The Committee assessed the level of performance achieved after the year end (having made an appropriate adjustment to reflect the impact of the HaloSource acquisition to ensure EPS was measured fairly on a like-for-like basis) and determined that the targets had been partially met. As a result, the LTIP award vested at a level of 53.2%. As determined at the start of the performance period, EPS was calculated on the basis of 190 million shares in issue. The Committee considered that the level of vesting was appropriate in light of the overall performance of the Group over the performance period noting, among other things, the impressive level of Total Shareholder Return achieved over the period.

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

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 below.

Executive	Scheme	Grant date	Exercise price	Number of LTIP shares at 31 December 2019	Granted during year	Vested during year	Lapsed during year	Number of shares at 31 December 2020	End of performance period	Vesting date[1]
Mark Bartlett	LTIP	08 Aug 2017	Nil	3,800,000	–	3,800,000	–	–	31 Dec 2019	1 Jan 2020[2]
	LTIP	01 Nov 2018	Nil	208,417	–	–	–	208,417[3]	31 Dec 2020	1 Jan 2021[3]
	LTIP	20 May 2019	Nil	198,398	–	–	–	198,398	31 Dec 2021	1 Apr 2022
	LTIP	06 Apr 2020	Nil	–	197,138	–	–	197,138	31 Dec 2022	1 Apr 2023
Raudres Wong	LTIP	08 Aug 2017	Nil	1,900,000	–	1,900,000	–	–	31 Dec 2019	1 Jan 2020[2]
	LTIP	01 Nov 2018	Nil	191,870	–	–	–	191,870[3]	31 Dec 2020	1 Jan 2021[3]
	LTIP	20 May 2019	Nil	196,267	–	–	–	196,267	31 Dec 2021	1 Apr 2022
	LTIP	06 Apr 2020	Nil	–	196,060	–	–	196,060	31 Dec 2022	1 Apr 2023

1. These LTIP options cannot be exercised until the Remuneration Committee determines the performance conditions have been met.
2. As explained in the 2019 Directors' remuneration report, the performance conditions for this award were formally tested after the 2019 year end and it was deemed that this award had vested in full. The options were exercised on 6 April 2020.
3. As explained above, the performance conditions for this award were formally tested after the 2020 year end and it was deemed that this award had vested in part.

Directors' shareholding guidelines and share interests

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

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

Director	Beneficially owned at 31 December 2020	Shareholding guideline achieved at 31 December 2020 as % of 2020 basic salary[1]
Mark Bartlett	3,400,000	>200%
Raudres Wong[2]	2,200,000	>150%
Gary Lamb	500,000	n/a
Mark Kirkland	–	n/a
Richard Sells	–	n/a

1. Based on the year end share price of £2.20.
2. Shares held in the name of her husband, Wing Yip Fong.

Application of the remuneration policy for 2021

Fixed remuneration

As explained in detail in the statement from the Chairman of the Remuneration Committee on page 68, the Committee has decided to increase the salaries of the Executive Directors with effect from 1 April 2021 after no increases were implemented during 2020. The salary levels for 2021 are set out in the table below.

Director	Salary with effect from 1 April 2021	% increase
Mark Bartlett	£360,000	15.6%
Raudres Wong	£312,378	2.5%

In addition, and in line with general market trends, the level of pension provision for the CEO with effect from 1 April 2021 will reduce from 20% to 10% of basic salary. This level of pension contribution is now consistent with that of the CFO and other members of Strix's senior management team.

Annual bonus scheme

The annual bonus scheme will continue to incentivise the delivery of performance over the short term. The scheme will again primarily be based upon the achievement of a challenging profit before tax target. In addition, we intend to introduce an ESG measure to apply to 15% of the maximum bonus, consistent with the Group's focus on ESG as an important priority for the business.

We intend to disclose the specific bonus targets in the 2021 Directors' remuneration report, alongside details of performance against the targets.

The maximum annual bonus opportunity for the Directors for 2021 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. The awards will be subject to the achievement of performance conditions based on the Group's EPS performance over the three financial years ending 31 December 2023. The performance targets to be used are set out below.

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

Directors' remuneration report continued

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.

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 67.

Chairman and Non-Executive Directors

As disclosed in last year's report, the fees for Gary Lamb, the Board Chairman, and Mark Kirkland, the other Non-Executive Director in post since 2017, were increased with effect from 1 January 2020 following a review. The Chairman's fee was increased from £70,000 to £80,000 and the fee for Mark Kirkland was increased from £45,000 to £48,000. This was the first time since the IPO in 2017 that the fees for these Directors had been increased. As also disclosed last year, the Chairman and Mark Kirkland agreed in March 2020 for the fees to revert to their previous levels in light of the COVID-19 outbreak. This temporary reduction applied for the rest of 2020. Following a review later in the year, and in recognition of the overall resilience of the Company against the backdrop of the pandemic, it was agreed that the fees would be restored to the January 2020 levels with effect from 1 January 2021.

Richard Sells was appointed to the Board on 18 March 2020 on a fee of £40,000 per annum. The Board has approved an increase to this fee to £48,000 per annum, with effect from 1 March 2021. This aligns his fee with that of Mark Kirkland and recognises his recent appointment to the Remuneration Committee and his work leading the Board's approach to ESG matters.

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 2020

The Directors present their report together with the audited consolidated financial statements of Strix Group Plc ("the Company") for the year ended 31 December 2020.

Principal activities of the Group

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

Business review and future developments

The Group has delivered a solid performance across the Group during 2020 despite the global impact of the COVID-19 pandemic on businesses and the economy. Obtaining access to more revolving credit facilities as a result of the LAICA S.p.A. acquisition resulted in the Group's net debt position increasing to £37.2m (2019: £26.3m), excluding the impact of IFRS 16 lease liabilities.

The Group has made significant progress during the year with respect to the construction of the new factory, which is expected to be completed on time and within budget.

Results and dividends

The Group recorded revenue in the year of £95.3m (2019: £96.9m) and a profit after tax of £24.1m (2019: £21.5m).

The Directors recommend a final dividend for the year of 5.25p per share which, if approved at the Annual General Meeting ('AGM') on 27 May 2021, will be payable on 2 June 2021 to shareholders who are on the register at 7 May 2021 and the shares will trade ex-dividend from 6 May 2021. Together with the interim dividend paid during the year of 2.6p per share, this will result in a total dividend of 7.85p per share.

Financial risk management

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

Directors and their interests

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

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

Mark Kirkland will retire by rotation in accordance with the Company's Memorandum and Articles of Association and will be proposed for re-election at the AGM on 27 May 2021. The Directors who held office during the year and as at 31 December 2020 had the following interests in the number of ordinary shares of the Company:

Name of Director	2020	2019
Mark Bartlett	**3,400,000**	300,000
Mark Kirkland	**–**	–
Gary Lamb	**500,000**	500,000
Raudres Wong	**2,200,000**	300,000
Richard Sells	**–**	–

Directors' report continued

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 2020 is shown below:

	2020	2019
Mark Bartlett	**603,953**	4,206,815
Raudres Wong	**584,197**	2,288,137

The market price of the Company's shares at the end of the financial year was 220.0p (2019: 195.0p) and the range of market prices in the year was between 134.8p and 245.5p (2019: between 135.0p and 200.0p).

No changes took place in the interests of Directors between 31 December 2020 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 to 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
23 March 2021


53.4
LAICA
53.4

Statement of Directors’ responsibilities in respect of the financial statements

For the year ended 31 December 2020

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 they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- making judgements and accounting estimates that are reasonable and prudent;
- preparing the consolidated financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business; and
- preparing consolidated financial statements which give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period.

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

Raudres Wong
Director
23 March 2021

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 2020 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 balance sheet as at 31 December 2020;
- 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 cash flow statement 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 matter	How our audit addressed the key audit matter
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; and • Testing a sample of revenue transactions back to the purchase order, the invoice and proof of receipt from the client to confirm occurrence and accuracy of the transaction. Based on our work we did not identify any evidence of inappropriate management override in respect of the amount of revenue recorded through inappropriate journal entries.
Acquisition accounting Refer to notes 2 and 14 to the financial statements. The Group acquired 100% of the share capital of LAICA S.p.A. ("LAICA") on 26 October 2020 for £24.4 million resulting in goodwill of £9.5 million. 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, 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 LAICA acquisition. The Group has elected to continue to record the acquisition related entries as provisional as at 31 December 2020 as permitted under IFRS 3. The final entries will be presented in the 30 June 2021 half yearly report.	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, including contingent and deferred 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.

The Directors are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with our engagement letter dated 26 February 2021 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
Sixty Circular Road, Douglas, Isle of Man
23 March 2021

Consolidated statement of comprehensive income

For the year ended 31 December 2020

	Note	2020 £000s	2019 £000s
Revenue	7	**95,305**	96,876
Cost of sales – before exceptional items		**(55,896)**	(57,259)
Cost of sales – exceptional items	6	**(504)**	(171)
Cost of sales		**(56,400)**	(57,430)
Gross profit		**38,905**	39,446
Distribution costs		**(5,001)**	(5,287)
Administrative expenses – before exceptional items		**(3,479)**	(3,385)
Administrative expenses – exceptional items	6	**(4,952)**	(7,152)
Administrative expenses		**(8,431)**	(10,537)
Share of profits from joint ventures		**61**	–
Other operating income		**1,101**	587
Operating profit		**26,635**	24,209
Analysed as:			
Adjusted EBITDA[1]		**38,080**	36,904
Amortisation	11	**(1,477)**	(1,256)
Depreciation	12	**(3,042)**	(2,903)
Right-of-use depreciation	12	**(1,470)**	(1,323)
Exchange differences on translation of foreign operations		**–**	110
Other exceptional items	6	**(5,456)**	(7,323)
Operating profit		**26,635**	24,209
Finance costs	8	**(1,194)**	(1,351)
Finance income		**13**	19
Profit before taxation		**25,454**	22,877
Income tax expense	9	**(1,384)**	(1,339)
Profit for the year		**24,070**	21,538
Other comprehensive income/(expense)			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		**31**	(110)
Total comprehensive income for the year		**24,101**	21,428
Profit for the year attributable to:			
Equity holders of the Company		**24,049**	21,538
Non-controlling interests		**21**	–
		24,070	21,538
Total comprehensive income for the year attributable to:			
Equity holders of the Company		**24,120**	21,428
Non-controlling interests		**(19)**	–
		24,101	21,428
Earnings per share (pence)			
Basic	10	**12.2**	11.3
Diluted	10	**11.7**	10.6

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 86 to 115 form part of these consolidated financial statements.

Consolidated balance sheet

As at 31 December 2020

	Note	2020 £000s	2019 £000s
ASSETS			
Non-current assets			
Intangible assets	11	**29,648**	7,068
Property, plant and equipment	12	**37,205**	25,525
Investments in joint ventures		**92**	–
Total non-current assets		**66,945**	32,593
Current assets			
Inventories	15	**15,224**	9,497
Trade and other receivables	16	**20,672**	9,333
Cash and cash equivalents	17	**15,446**	13,658
Total current assets		**51,342**	32,488
Total assets		**118,287**	65,081
EQUITY AND LIABILITIES			
Equity			
Share capital and share premium	24	**13,130**	1,900
Share-based payment reserve	23	**1,913**	13,063
Retained earnings/(deficit)		**6,290**	(14,052)
Non-controlling interests		**716**	–
Total equity		**22,049**	911
Current liabilities			
Trade and other payables	18	**27,151**	17,773
Borrowings	19	**2,220**	–
Future lease liabilities	26	**1,254**	1,508
Current income tax liabilities	18	**3,048**	1,929
Total current liabilities		**33,673**	21,210
Non-current liabilities			
Future lease liabilities	26	**2,846**	2,960
Deferred tax liability	14	**2,558**	–
Borrowings	19	**50,426**	40,000
Contingent consideration	14	**5,380**	–
Post-employment benefits	5(c)	**1,355**	–
Total non-current liabilities		**62,565**	42,960
Total liabilities		**96,238**	64,170
Total equity and liabilities		**118,287**	65,081

The consolidated financial statements on pages 82 to 115 were approved and authorised for issue by the Board of Directors on 23 March 2021 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 2020

	Share capital and share premium £000s	Share-based payment reserve £000s	Retained (deficit)/ earnings £000s	Total equity attributable to owners £000s	Non-controlling interests £000s	Total equity £000s
Balance at 1 January 2019	1,900	6,904	(21,180)	(12,376)	–	(12,376)
Transition to IFRS 16 (note 2)	–	–	(270)	(270)	–	(270)
Balance at 1 January 2019	1,900	6,904	(21,450)	(12,646)	–	(12,646)
Profit for the year	–	–	21,538	21,538	–	21,538
Other comprehensive income	–	–	(110)	(110)	–	(110)
Total comprehensive income for the year	–	–	21,428	21,428	–	21,428
Dividends paid (note 25)	–	–	(13,870)	(13,870)	–	(13,870)
Share-based payment transactions (note 23)	–	6,159	(238)	5,921	–	5,921
Total transactions with owners recognised directly in equity	–	6,159	(14,108)	(7,949)	–	(7,949)
Post-employment benefit transactions (note 5(c))	–	–	78	78	–	78
Other transactions recognised directly in equity	–	–	78	78	–	78
Balance at 1 January 2020	**1,900**	**13,063**	**(14,052)**	**911**	**–**	**911**
Profit for the year	**–**	**–**	**24,049**	**24,049**	**21**	**24,070**
Other comprehensive income	**–**	**–**	**71**	**71**	**(40)**	**31**
Total comprehensive income for the year	**–**	**–**	**24,120**	**24,120**	**(19)**	**24,101**
Dividends paid (note 25)	**–**	**–**	**(15,310)**	**(15,310)**	**–**	**(15,310)**
Dividends paid to non-controlling interests			**108**	**108**	**(108)**	**–**
Acquisition of LAICA S.p.A. (note 14)	**–**	**–**	**–**	**–**	**843**	**843**
Transfers between reserves (note 23)	**–**	**(13,019)**	**13,019**	**–**	**–**	**–**
Issue of shares (note 24)	**11,230**	**–**	**–**	**11,230**	**–**	**11,230**
Share-based payment transactions (note 23)	**–**	**1,869**	**–**	**1,869**	**–**	**1,869**
Total transactions with equity holders recognised directly in equity	**11,230**	**(11,150)**	**(2,183)**	**(2,103)**	**735**	**(1,368)**
Other transactions recognised directly in equity (note 23)	**–**	**–**	**(1,595)**	**(1,595)**	**–**	**(1,595)**
Balance at 31 December 2020	**13,130**	**1,913**	**6,290**	**21,333**	**716**	**22,049**

The notes on pages 86 to 115 form part of these consolidated financial statements.

Consolidated cash flow statement

For the year ended 31 December 2020

	Note	2020 £000s	2019 £000s
Cash flows from operating activities			
Cash generated from operations	27	**32,120**	35,345
Tax paid		**(908)**	(985)
Net cash generated from operating activities		**31,212**	34,360
Cash flows from investing activities			
Purchase of property, plant and equipment		**(12,999)**	(12,565)
Capitalised development costs	11	**(2,808)**	(2,358)
Purchase of HaloSource Inc. assets net of cash acquired	14	**–**	(953)
Purchase of LAICA S.p.A. net of cash acquired	14	**(6,735)**	–
Purchase of intangibles	11	**(1,642)**	(518)
Proceeds on sale of property, plant and equipment		**–**	4
Finance income		**13**	19
Net cash used in investing activities		**(24,171)**	(16,371)
Cash flows from financing activities			
Drawdowns under credit facility	19	**22,193**	9,000
Repayment of borrowings	19	**(12,339)**	(10,000)
Finance costs paid	19	**(1,951)**	(1,198)
Principal elements of lease payments	26	**(1,455)**	(1,301)
Proceeds from issue of new shares	23	**3,800**	–
Dividends paid	25	**(15,310)**	(13,870)
Dividends paid to non-controlling interests		**(63)**	–
Net cash used in financing activities		**(5,125)**	(17,369)
Net increase in cash and cash equivalents		**1,916**	620
Cash and cash equivalents at the beginning of the year		**13,658**	13,521
Effects of foreign exchange on cash and cash equivalents		**(128)**	(483)
Cash and cash equivalents at the end of the year		**15,446**	13,658

The notes on pages 86 to 115 form part of these consolidated financial statements.

Notes to the consolidated financial statements

For the year ended 31 December 2020

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 name Steam Plc and with the registered number 014963V. The Company changed its name to Strix Group Plc on 24 July 2017. 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 and water filtration.

2. PRINCIPAL ACCOUNTING POLICIES

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

Basis of preparation

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

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

Historical cost convention

The financial statements have been prepared on a historical cost basis, except for the following:

- contingent consideration – measured at fair value

Basis of consolidation

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

Subsidiaries

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

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control 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 balance sheet, 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 balance sheet.

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.

Notes to the consolidated financial statements continued

2. PRINCIPAL ACCOUNTING POLICIES continued

Transactions eliminated on consolidation

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

Business combinations

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

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

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

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

Going concern

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

The Directors have made enquiries to assess the appropriateness of continuing to adopt the going concern basis. In making this assessment they have considered:
- the strong historic trading performance of the Group;
- budgets and cash flow forecasts for the period to December 2023;
- the current financial position of the Group, including its cash and cash equivalents balances of £15.4m;
- the availability of further funding should this be required (including the headroom of £30.0m on the revolving credit facility and the access to the AIM market afforded by the Company's admission to AIM);
- the low liquidity risk the Group is exposed to;
- the fact that the Group operates within a sector that is experiencing relatively stable demand for its products, amidst the global COVID-19 pandemic; and
- that there has been no disruption to the Group's manufacturing or supply chain.

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 annual financial statements.

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 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.

Notes to the consolidated financial statements continued

2. PRINCIPAL ACCOUNTING POLICIES continued

Foreign currency translation continued

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 balance sheet presented are translated at the closing rate at the date of that balance sheet, 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 the consolidated statement of comprehensive income.

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 2020 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 2020 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Property, plant and equipment

Initial recognition and measurement

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

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

Subsequent measurement

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

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

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.

Notes to the consolidated financial statements continued

2. PRINCIPAL ACCOUNTING POLICIES continued

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.

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 a brand have been recognised on the acquisition of LAICA S.p.A. 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 over the following periods:

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

Amortisation is charged to the consolidated statement of comprehensive income on a straight-line basis over the estimated useful lives above. Given proximity of the LAICA S.p.A. acquisition to the year end, the intangible assets arising on acquisition have not been amortised in the period and amortisation will be charged straight-line basis over the estimated useful lives commencing 1 January 2021.

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.

Notes to the consolidated financial statements continued

2. PRINCIPAL ACCOUNTING POLICIES continued

Intangible assets continued

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.

Leases

Leases in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases.

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

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

Leases are recognised as right-of-use 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.

Notes to the consolidated financial statements continued

2. PRINCIPAL ACCOUNTING POLICIES continued

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 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.

Borrowings, including option-type arrangements, are recognised initially at fair value. Option-type borrowing arrangements are subsequently measured at amortised cost. Fees paid on the establishment of such option-type arrangements are recognised as a 'right to borrow' asset, and are capitalised as a prepayment for liquidity services and amortised over the period of the facility to which the fees relate. This prepayment has been deducted from the carrying value of the financial liability at 31 December 2020. In the prior year the amount is included within prepayments. The prior year amounts have not be restated as they are not considered to be material.

Borrowing costs

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.

Notes to the consolidated financial statements continued

2. PRINCIPAL ACCOUNTING POLICIES continued

Cash and cash equivalents

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

Employee benefits

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

Short-term benefits

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

Pensions

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

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

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 balance sheet in respect of the defined benefit scheme is the present value of the defined benefit obligation at the balance sheet 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 on the face of the consolidated balance sheet 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.

Notes to the consolidated financial statements continued

2. PRINCIPAL ACCOUNTING POLICIES continued

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 first in, first out ('FIFO') method. Cost comprises expenditure which has been incurred in the normal course of business in bringing the products to their present location and condition, and include all related production and engineering overheads at cost. Net realisable value is the estimated selling price in the ordinary course of business, less applicable selling expenses. At the end of each reporting period, inventories are assessed for impairment. If inventory is impaired, the identified inventory is reduced to its selling price less costs to complete and an impairment charge is recognised in the consolidated statement of comprehensive income.

Revenue

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

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

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

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

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

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

Cost of sales

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

Exceptional items

Items that are material in size, unusual or infrequent in nature are included within operating profit and disclosed separately as exceptional items in the consolidated statement of comprehensive income. The separate reporting of exceptional items helps provide an indication of the Group's underlying performance, and includes restructuring costs, exit costs, share-based payment transaction costs and costs relating to certain strategic projects.

Notes to the consolidated financial statements continued

2. PRINCIPAL ACCOUNTING POLICIES continued

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 balance sheet as a capitalised development cost.

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

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

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

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

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

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

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

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

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

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

Share capital and share premium
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction from the proceeds. Share premium has arisen on the issue of shares during the year and 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.

Notes to the consolidated financial statements continued

2. PRINCIPAL ACCOUNTING POLICIES continued

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 recognised by deducting the carrying amount of the asset. The grant is recognised in profit or loss over the life of a depreciable asset as a reduced depreciation expense. The grants are dependent on the subsidiary company having fulfilled certain operating, investment and profitability criteria in the financial year, primarily relating to employment.

EBITDA and adjusted EBITDA – non-GAAP performance measures

Earnings before Interest, Taxation, Depreciation and Amortisation ('EBITDA') and adjusted EBITDA are non-GAAP measures used by management to assess the operating performance of the Group. Exceptional items charges are excluded from EBITDA to calculate adjusted EBITDA.

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

3. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements under IFRS requires the Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

Critical judgements in applying the entity's accounting policies

Going concern

The Directors have prepared the consolidated financial statements on a going concern basis. In making this judgement the Directors have considered the Company's and the Group's financial position, current intentions, profitability of operations and access to financial resources and analysed the impact of the situation in the financial markets on the operations of the Group, as set out in the paragraphs entitled 'Going concern' in note 2.

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 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. which has a Euro functional currency and LAICA International Corp. which has a Taiwan Dollar functional currency. This may change as the Group's operations and markets change in the future.

Capitalisation of development costs

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

Notes to the consolidated financial statements continued

3. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES continued

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed below.

Acquisition of a subsidiary

In performing the acquisition accounting, the fair value of the consideration transferred (including contingent consideration) and fair value of the assets acquired and liabilities assumed have been measured. Initially, these are measured on a provisional basis and if new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the above amounts, or any additional provisions that existed at the date of acquisition, then the accounting for the acquisition will be revised. The key inputs used are disclosed in note 14.

4. SEGMENTAL REPORTING

Management has determined the operating segments based on the operating reports reviewed by the Board of Directors that are used to assess both performance and strategic decisions. Management has identified that the Board of Directors is the chief operating decision maker in accordance with the requirements of IFRS 8 'Operating segments'. The Group's activities consist of the design, manufacture and sale of thermostatic controls, cordless interfaces, and other products such as water jugs and filters, primarily to Original Equipment Manufacturers ('OEMs') based in China. The Group has been managed as one entity and management have consequently reported internally on the Group's performance as one segment.

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

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

A prior year comparative analysis has not been provided has no such analysis had been presented to the Board of Directors previously for monthly management reporting purposes. Consequently, the prior year comparative analysis of gross profit has been not been disclosed in this note.

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

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.

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

	2020 £000s	2019 £000s
Country of domicile		
Intangible assets	**8,888**	6,137
Property, plant and equipment	**2,958**	3,381
Total country of domicile non-current assets	**11,846**	9,518
Foreign countries		
Intangible assets	**20,760**	931
Property, plant and equipment	**34,247**	22,144
Total foreign non-current assets	**55,007**	23,075
Total non-current assets	**66,853**	32,593

Notes to the consolidated financial statements continued

4. SEGMENTAL REPORTING continued

Major customers

In 2020, there were two major customers that individually accounted for at least 10% of total revenues (2019: two customers). The revenues relating to these customers in 2020 were £13,683,000 and £11,618,000 (2019: £20,816,000 and £11,064,000).

5. EMPLOYEES AND DIRECTORS

(a) Employee benefit expenses

	2020 £000s	2019 £000s
Wages and salaries	**18,347**	17,981
Defined contribution pension cost (note 5(c)(i) and 5(c)(iii))	**631**	646
Employee benefit expenses	**18,978**	18,627
Share-based payment transactions (note 23)	**1,869**	5,944
Total employee benefit expenses	**20,847**	24,571

(b) Key management compensation

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

	2020 £000s	2019 £000s
Salaries and other short-term employee benefits	**1,673**	1,787
Post-employment benefits	**160**	160
Termination benefits	**99**	100
Share-based payment transactions	**404**	4,525
	2,336	6,572

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

(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 £611,000 (2019: £646,000).

(ii) The Strix Limited (1978) Retirement Fund

The Strix Limited (1978) Retirement Fund is a defined benefit scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Group. The trustees of the pension fund are required by law to act in the interest of the fund and of all relevant stakeholders in the scheme. The trustees are responsible for the investment policy with regard to the assets of the fund.

The scheme is closed to new members and future accruals. During 2019, all retirement benefit plan obligations relating to the defined benefit scheme were transferred to Aviva. On transfer, income of £78,000 was recognised directly in equity.

The remainder of the disclosures required by IAS 19 have not been included in these financial statements as the scheme is not material to the Group.

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

LAICA S.p.A., acquired by the Group on 26 October 2020 (note 14), 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.

Notes to the consolidated financial statements continued

5. EMPLOYEES AND DIRECTORS continued

(c) Retirement benefits continued

(iii) LAICA S.p.A. Termination Indemnity continued

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

The below chart summarises the defined benefit pension liability of LAICA S.p.A. at 31 December 2020:

	2020 £000s
Liability as at date of acquisition by the Group (26 Oct 2020)	**878**
Current service cost for the period	**20**
Liability as at 31 December 2020	**898**

The key actuarial assumptions used in arriving at these figures include:

- annual discount rate of 2.5%
- annual price inflation of 6.0%
- annual TFR increase of 2.1%
- demographic assumptions based on INPS published data

The remainder of the post-employment benefit liability of £457,000 (2019: £nil) as at 31 December 2020 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

	2020 £000s	2019 £000s
Employee benefit expense	**18,978**	18,627
Depreciation charges	**3,042**	2,903
Right-of-use depreciation charges	**1,470**	1,323
Amortisation and impairment charges	**1,477**	1,298
Exceptional items – reorganisation costs	**334**	171
Exceptional items – strategic projects	**3,253**	1,208
Exceptional items – share-based payment transactions	**1,869**	5,944
Foreign exchange losses	**505**	266

Research and development expenditure totalled £4,117,000 (2019: £4,439,000), and £2,808,000 (2019: £2,358,000) of development costs have been capitalised during the year.

(b) Exceptional items

Strategic project costs relate to certain projects being undertaken to support the achievement of the Group's strategic plans including the acquisitions of LAICA S.p.A. and HaloSource disclosed in note 14, COVID-19 costs of £630,000 and the implementation of a new global Enterprise resource planning system.

The share-based payment transactions relate to conditional share options and awards issued to certain employees. Further details are provided in note 23.

Notes to the consolidated financial statements continued

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:

	2020 £000s	2019 £000s
Fees payable to Company's auditor and its associates for the audit of the consolidated financial statements	**178**	124
Fees payable to Company's auditor and its associates for other services:		
– the audit of Company's subsidiaries	**24**	4
– other assurance services	**12**	9
– tax compliance and other	**7**	5
	221	142

7. REVENUE

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

	2020 £000s	2019 £000s
Kettle controls	**79,816**	85,799
Water category	**11,744**	9,829
Appliances category	**3,745**	1,248
Total revenue	**95,305**	96,876

8. FINANCE COSTS

	2020 £000s	2019 £000s
Letter of credit charges	**89**	65
Right-of-use lease interest	**103**	110
Borrowing costs	**1,002**	1,176
Total finance costs	**1,194**	1,351

9. TAXATION

Analysis of charge in year	2020 £000s	2019 £000s
Current tax (overseas)		
Current tax on overseas profits for the year	**1,384**	1,265
Adjustments in respect of prior years – overseas	**–**	74
Total tax charge	**1,384**	1,339

Overseas tax relates primarily to tax payable by the Group's subsidiary in China. During 2016, the Group's Chinese subsidiary paid additional tax of £1.1m following a benchmarking assessment by the Chinese tax authorities relating to contract processing businesses in the years 2009 to 2014. The potential additional liabilities for 2015 to 2018 of £0.9m (2019: £1.2m), has been included within the current tax liability balance in the consolidated balance sheet as a result. The Chinese subsidiary converted to an import processing model in 2019.

A deferred tax liability of £2,558,000 (2019: £nil) has been recognised as part of the fair value acquisition accounting of LAICA S.p.A. (note 14) relating to the timing differences arising on the recognition of intangible assets.

Notes to the consolidated financial statements continued

9. TAXATION continued

As the most significant subsidiary in the Group is based on the Isle of Man, this is considered to represent the most relevant standard rate for the Group. The tax assessed for the year is higher than the standard rate of income tax in the Isle of Man of 0% (2019: 0%). The differences are explained below.

	2020 £000s	2019 £000s
Profit on ordinary activities before tax	**25,454**	22,877
Profit on ordinary activities multiplied by the rate of income tax in the Isle of Man of 0% (2019: 0%)	**–**	–
Impact of higher overseas tax rate	**1,384**	1,265
Adjustments in respect of prior years – overseas	**–**	74
Total taxation charge	**1,384**	1,339

The Group is subject to Isle of Man income tax on profits at the rate of 0% (2019: 0%), Chinese income tax on profits at the rate of 25% (2019: 25%) and Italian income tax on profits at a rate of 27.9% (2019: n/a), following the acquisition of the Italian subsidiary LAICA S.p.A. on 26 October 2020.

10. EARNINGS PER SHARE

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

	2020	2019
Earnings (£000s)		
Earnings for the purposes of basic and diluted earnings per share	**24,049**	21,538
Number of shares (000s)		
Weighted average number of shares for the purposes of basic earnings per share	**197,432**	190,000
Weighted average dilutive effect of share awards	**8,947**	12,845
Weighted average number of shares for the purposes of diluted earnings per share	**206,379**	202,845
Earnings per ordinary share (pence)		
Basic earnings per ordinary share	**12.2**	11.3
Diluted earnings per ordinary share	**11.7**	10.6
Adjusted earnings per ordinary share (pence)[1]		
Basic adjusted earnings per ordinary share[1]	**14.9**	15.2
Diluted adjusted earnings per ordinary share[1]	**14.3**	14.2

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

	2020 £000s	2019 £000s
Profit for the year	**24,049**	21,538
Add back:		
Reorganisation costs/exit costs	**334**	171
Strategic project costs	**3,253**	1,208
Share-based payment transactions	**1,869**	5,944
Adjusted earnings[1]	**29,505**	28,861

1. Adjusted results exclude exceptional items, which include share-based payment transactions 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.

Notes to the consolidated financial statements continued

11. INTANGIBLE ASSETS

	2020						
	Development cost £000s	Software £000s	Intellectual property £000s	Customer relationships £000s	Brand name £000s	Goodwill £000s	Total £000s
At 1 January							
Cost	9,837	922	488	–	–	384	11,631
Accumulated amortisation and impairment	(4,006)	(540)	(17)	–	–	–	(4,563)
Net book value	5,831	382	471	–	–	384	7,068
Period ended 31 December							
Additions	2,808	2,363	140	–	–	–	5,311
Acquisition of LAICA S.p.A. (note 14)	–	–	214	2,406	6,643	9,522	18,785
Disposals (cost)	(300)	–	–	–	–	–	(300)
Disposals (accumulated depreciation)	267	–	–	–	–	–	267
Amortisation charge	(1,260)	(170)	(47)	–	–	–	(1,477)
Exchange differences	1	1	(8)	–	–	–	(6)
Closing net book value	7,347	2,576	770	2,406	6,643	9,906	29,648
At 31 December							
Cost	12,346	3,286	834	2,406	6,643	9,906	35,421
Accumulated amortisation and impairment	(4,999)	(710)	(64)	–	–	–	(5,773)
Net book value	7,347	2,576	770	2,406	6,643	9,906	29,648

Amortisation charges have been treated as an expense, and are allocated to cost of sales (£1,410,000), distribution costs £nil and administrative expenses (£67,000) in the consolidated statement of comprehensive income.

£861,000 (2019: £nil) of assets from property, plant and equipment (note 12) have been reclassified to intangible assets. These amounts are included within the additions of software and intellectual property.

	2019				
	Development costs £000s	Software £000s	Intellectual property £000s	Goodwill £000s	Total £000s
At 1 January					
Cost	12,886	579	–	–	13,465
Accumulated amortisation and impairment	(8,324)	(337)	–	–	(8,661)
Net book value	4,562	242	–	–	4,804
Period ended 31 December					
Additions	2,358	343	175	–	2,876
HaloSource acquisition	–	–	316	384	700
Impairment	(42)	–	–	–	(42)
Amortisation charges	(1,036)	(202)	(18)	–	(1,256)
Exchange differences	(11)	(1)	(2)	–	(14)
Closing net book value	5,831	382	471	384	7,068
At 31 December					
Cost	9,837	922	488	384	11,631
Accumulated amortisation and impairment	(4,006)	(540)	(17)	–	(4,563)
Net book value	5,831	382	471	384	7,068

Amortisation charges in the prior year were treated as an expense, and were allocated to cost of sales (£1,153,000), distribution costs £nil, and administrative expenses (£103,000) in the consolidated statement of comprehensive income.

There were no reversals of prior year impairments during the year (2019: same).

Notes to the consolidated financial statements continued

12. PROPERTY, PLANT AND EQUIPMENT

	2020							
	Plant and machinery £000s	Fixtures, fittings and equipment £000s	Motor vehicles £000s	Production tools £000s	Land and buildings £000s	Right-of-use assets (note 26) £000s	Assets under construction £000s	Total £000s
At 1 January								
Cost	**21,924**	**4,126**	**130**	**13,298**	**1,996**	**5,386**	**8,569**	**55,429**
Accumulated depreciation	**(14,444)**	**(2,935)**	**(66)**	**(11,291)**	**(33)**	**(1,135)**	**–**	**(29,904)**
Net book value	**7,480**	**1,191**	**64**	**2,007**	**1,963**	**4,251**	**8,569**	**25,525**
Period ended 31 December								
Additions	**–**	**413**	**–**	**–**	**–**	**–**	**13,094**	**13,507**
LAICA S.p.A. acquisition	**769**	**37**	**7**	**–**	**1,769**	**1,150**	**–**	**3,732**
Transfers	**3,239**	**–**	**–**	**715**	**7**	**–**	**(4,822)**	**(861)**
Disposals (cost)	**(3,136)**	**(209)**	**–**	**–**	**–**	**–**	**–**	**(3,345)**
Disposals (accumulated depreciation)	**3,125**	**208**	**–**	**–**	**–**	**–**	**–**	**3,333**
Depreciation charge	**(1,367)**	**(701)**	**(29)**	**(849)**	**(96)**	**(1,470)**	**–**	**(4,512)**
Exchange differences	**(46)**	**–**	**–**	**–**	**(35)**	**(3)**	**(90)**	**(174)**
Closing net book value	**10,064**	**939**	**42**	**1,873**	**3,608**	**3,928**	**16,751**	**37,205**
At 31 December								
Cost	**22,750**	**4,367**	**137**	**14,013**	**3,737**	**6,533**	**16,751**	**68,288**
Accumulated depreciation	**(12,686)**	**(3,428)**	**(95)**	**(12,140)**	**(129)**	**(2,605)**	**–**	**(31,083)**
Net book value	**10,064**	**939**	**42**	**1,873**	**3,608**	**3,928**	**16,751**	**37,205**

Depreciation charges are allocated to cost of sales (£3,601,000), distribution costs (£137,000) and administrative expenses (£774,000) in the consolidated statement of comprehensive income.

During the year, 861,000 (2019: £nil) of assets under construction have been reclassified to intangible assets. These amounts are included within the additions in note 11. In addition, borrowing costs of £190,000 (2019: £54,000) have been capitalised to land and buildings in the year.

	2019							
	Plant and machinery £000s	Fixtures, fittings and equipment £000s	Motor vehicles £000s	Production tools £000s	Land and buildings £000s	Right-of-use assets (note 26) £000s	Assets under construction £000s	Total £000s
At 1 January								
Cost	20,624	3,673	141	13,484	–	–	1,889	39,811
Opening balance at adoption of IFRS 16	–	–	–	–	–	3,343	–	3,343
Accumulated depreciation	(14,695)	(2,595)	(51)	(11,377)	–	–	–	(28,718)
Net book value	5,929	1,078	90	2,107	–	3,343	1,889	14,436
Period ended 31 December								
Additions	–	743	–	–	1,996	2,344	10,041	15,124
HaloSource acquisition	135	93	1	49	–	–	23	300
Transfers	2,545	–	–	819	–	–	(3,364)	–
Disposals	(9)	–	–	–	–	–	–	(9)
Depreciation charge	(1,119)	(758)	(27)	(966)	(33)	(1,323)	–	(4,226)
Exchange differences	(1)	35	–	(2)	–	(113)	(20)	(101)
Closing net book value	7,480	1,191	64	2,007	1,963	4,251	8,569	25,525
At 31 December								
Cost	21,924	4,126	130	13,298	1,996	5,386	8,569	55,429
Accumulated depreciation	(14,444)	(2,935)	(66)	(11,291)	(33)	(1,135)	–	(29,904)
Net book value	7,480	1,191	64	2,007	1,963	4,251	8,569	25,525

Depreciation charges in the prior year were allocated to cost of sales (£3,453,000), distribution costs (£355,000), and administrative expenses (£418,000) in the consolidated statement of comprehensive income.

Notes to the consolidated financial statements continued

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	Manufacture and sale of products	China	100	Subsidiary
Strix (U.K.) Limited	Group's sale and distribution centre	UK	100	Subsidiary
Strix Hong Kong Limited	Sale and distribution of products	Hong Kong	100	Subsidiary
Strix (China) Limited	Construction of manufacturing facility	China	100	Subsidiary
HaloSource Water Purification Technology (Shanghai) Co. Limited	Manufacture and sales of products	China	100	Subsidiary
Strix (USA), Inc.	Research and development, sales, and distribution of products	USA	100	Subsidiary
Strix Italy S.R.L.	Holding company	Italy	100	Subsidiary
LAICA S.p.A.	Manufacture and sales of products	Italy	100	Subsidiary
LAICA Iberia Distribution S.L.	Sale and distribution of products	Spain	100	Subsidiary
LAICA International Corp.	Sale and distribution of products	Taiwan	67	Subsidiary
Taiwan LAICA Corp.	Sale and distribution of products	Taiwan	67	Subsidiary
Foshan Yilai Life Electric Appliances Co. Limited.	Sale and distribution of products	China	45	Joint venture
LAICA Brand House Limited	Holding and licensing of trademarks	Hong Kong	45	Joint venture

Incorporation of Strix Italy S.R.L.

On 26 August 2020, Strix Italy S.R.L. was incorporated in Italy and is a wholly-owned subsidiary of Strix (U.K.) Limited. The entity was incorporated for the purposes of effecting the acquisition of LAICA S.p.A.

Acquisition of issued share capital of LAICA S.p.A.

On 26 October 2020, the Group completed the acquisition of the entire issued share capital of LAICA S.p.A., including its subsidiaries and interests in joint ventures. 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 assets included within the consolidated financial statements to which these restrictions apply is £4,618,000 (2019: £2,300,000).

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. ACQUISITION OF LAICA

On 26 October 2020, the Group completed the acquisition of 100% of the issued share capital of LAICA S.p.A. ('LAICA') through its newly incorporated subsidiary, Strix Italy S.R.L. ('Strix Italy'). LAICA is an Italian company focused on water purification and the sale of small household appliances for personal health and wellness. The Group entered into a share purchase agreement with vendor shareholders of LAICA, pursuant to which it has acquired control of LAICA, including its subsidiaries and interests in joint ventures. The total initial consideration for the acquisition was £11.7m (€13.0m), of which £10.1m was paid upfront in cash and the remaining £1.6m was settled 8 March 2021 (note 18), and 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).

A further contingent consideration of up to £6.4m (€7.1m) is payable in cash subject to certain conditions being met, including threshold financial targets for the financial years ending 31 December 2021 and 2022. The fair value of the contingent liability is £5.4m and was estimated by calculating present value of the future expected cash flows using a discount rate of 12.7%. In addition, a supplemental consulting arrangement has been entered into for £4.4m (€4.9m) related to compensation for post-combination services, which will be expensed in future years as the services are rendered to LAICA.

The Board considered the acquisition to represent an expansion of the Group's water category, as well as an enhancement of its presence in the health and wellness market, thereby capitalising on the double-digit growth of global sales for both the small domestic appliance and water markets, driven by increased consumer demand. LAICA has a considerable global presence, an established product range and an advanced new product roadmap. The acquisition will also provide some consolidation of the water treatment range, driving efficiencies and providing a comprehensive portfolio of products for the Group.

Notes to the consolidated financial statements continued

14. ACQUISITION OF LAICA continued

As at the date of these financial statements, the initial accounting for the acquisition of LAICA is preliminary given the short period of time since the date the acquisition was completed and the impact of COVID-19 restrictions. The provisional fair value of the assets and liabilities acquired were as follows:

	Book values £000s	Fair value adjustments £000s	Fair values £000s
Non-current assets			
Intangible assets	437	8,826	**9,263**
Property, plant and equipment	3,732	–	**3,732**
Investment in joint ventures	20	–	**20**
Total non-current assets	4,189	8,826	**13,015**
Current assets			
Inventories	5,543	–	**5,543**
Trade and other receivables	7,869	–	**7,869**
Cash and cash equivalents	3,371	–	**3,371**
Total current assets	16,783	–	**16,783**
Total assets	20,972	8,826	**29,798**
Non-current liabilities			
Long-term borrowings	1,182	–	**1,182**
Post-employment benefits	1,322	–	**1,322**
Lease liabilities	895	–	**895**
Deferred tax liability	–	2,558	**2,558**
Total non-current liabilities	3,399	2,558	**5,957**
Current liabilities			
Current borrowings	2,513	–	**2,513**
Lease liabilities	255	–	**255**
Trade and other payables	5,403	–	**5,403**
Total current liabilities	8,171	–	**8,171**
Total liabilities	11,570	2,558	**14,128**
Net assets acquired	9,402	6,268	**15,670**

The fair value of the intangible assets were calculated based on a discounted cash flow model, based on the expected future income they will generate. The discount rate applied was the Group's Weighted Average Cost of Capital, and a growth rate of 2% was assumed in perpetuity, based on the target inflation rate of the European Central Bank. A deferred tax liability has arisen on the fair value adjustments to intangible assets at the Italian corporate tax rate.

The fair value of acquired receivables shown in the table above and gross contractual amounts differs by a loss allowance of £95,000.

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.

The acquired business contributed revenues of £4.1m and an adjusted total comprehensive income of £0.2m to the Group for the period from 26 October 2020 to 31 December 2020. If LAICA had been acquired at the beginning of the reporting period, its contribution to revenue and profit for the year of the Group would have been £21.6m and £1.6m respectively.

The goodwill of £9.5m, calculated as the purchase consideration of £24.4m less the fair value of the net assets acquired of £15.7m less non-controlling interests of £0.8m is attributable to intangible assets that do not qualify for separate recognition, such as the cumulative skills and knowledge of the members of staff who became employees of the Group at the date of acquisition, together with the synergies expected to be generated by the Group following the acquisition, particularly within the water and small appliances categories. None of the goodwill is expected to be deductible for tax purposes.

Notes to the consolidated financial statements continued

14. ACQUISITION OF LAICA continued

The following acquisitions were made in the year ending 31 December 2019:

Acquisition of specified assets from HaloSource

On 7 March 2019, the Group completed the acquisition of specified assets from HaloSource Corporation ('HaloSource'), following approval by HaloSource shareholders at a general meeting held on 26 February 2019. The Group entered into an asset purchase agreement with HaloSource, pursuant to which it has acquired specified assets relating to HaloSource's HaloPure division and its astrea product, for total consideration of US$1.33m (£1.01m) payable in cash.

HaloSource has now been fully integrated into Strix systems and operations.

15. INVENTORIES

	2020 £000s	2019 £000s
Raw materials and consumables	**9,154**	5,071
Finished goods and goods in transit	**6,070**	4,426
	15,224	9,497

The cost of inventories recognised as an expense and included in cost of sales amounted to £39,052,000 (2019: £35,037,000). The provision for impaired inventories is £2,513,000 (2019: £302,000). There were no reversals of previous inventory write-downs.

16. TRADE AND OTHER RECEIVABLES

	2020 £000s	2019 £000s
Amounts falling due within one year:		
Trade receivables	**11,565**	4,286
Trade receivables past due	**1,790**	502
Loss allowance	**(159)**	(50)
Trade receivables – net	**13,196**	4,738
Prepayments	**1,108**	1,042
Advance purchase of commodities	**2,788**	2,174
Other receivables	**3,580**	1,379
	20,672	9,333

Trade and other receivables carrying values are considered to be equivalent to their fair values.

The amount of trade receivables impaired at 31 December 2020 is equal to the loss allowance provision (2019: same).

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

Other receivables includes government grants due of £433,000 (2019: £392,000). There were no unfulfilled conditions in relation to these grants at the year end, although if the Group ceases to operate or leaves the Isle of Man within ten years from the date of the last grant payment, funds may be reclaimed.

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

	2020 £000s	2019 £000s
Pound Sterling	**5,110**	3,430
Chinese Yuan	**4,356**	2,952
US Dollar	**1,863**	2,464
Euro	**8,210**	344
Hong Kong Dollar	**114**	123
Taiwan Dollar	**1,019**	–
Other	**–**	20
	20,672	9,333

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 2020 was £159,000 (2019: £50,000).

Notes to the consolidated financial statements continued

17. CASH AND CASH EQUIVALENTS

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

	2020 £000s	2019 £000s
Pound Sterling	**4,594**	4,712
Chinese Yuan	**3,851**	1,409
US Dollar	**3,228**	7,091
Hong Kong Dollar	**108**	247
Euro	**2,058**	199
Taiwan Dollar	**1,607**	–
	15,446	13,658

Cash and cash equivalents includes £401,000 (2019: £380,000) of cash deposits held as a guarantee to China SuiDong Customs office.

18. TRADE AND OTHER PAYABLES

	2020 £000s	2019 £000s
Trade payables	**10,499**	6,779
Current income tax liabilities	**3,048**	1,929
Social security and other taxes	**316**	98
Other liabilities	**8,242**	5,620
Payments in advance from customers	**2,955**	1,286
Accrued expenses	**3,620**	3,990
Consideration payable	**1,519**	–
	30,199	19,702

The fair value of financial liabilities approximates their carrying value due to short maturities.

Other liabilities includes deferred government grants of £709,000 (2019: £333,000) There were no unfulfilled conditions in relation to these grants at the year end.

Consideration payable are amounts due in relation to the acquisition of LAICA S.p.A. (note 14). This amount was settled on 8 March 2021.

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

	2020 £000s	2019 £000s
Pound Sterling	**8,414**	6,025
Chinese Yuan	**12,493**	10,216
US Dollar	**1,800**	2,669
Hong Kong Dollar	**6,460**	364
Euro	**383**	427
Taiwan Dollar	**649**	–
Other	**–**	1
	30,199	19,702

19. BORROWINGS

	2020 £000s	2019 £000s
Total current borrowings	**2,220**	–
Total non-current borrowings	**50,426**	40,000

All of the current bank loans comprise of small individual short-term arrangements for financing purchases and optimising cash flows within the Italian subsidiary and were entered into by LAICA S.p.A. prior to acquisition by the Group.

Current and non-current borrowings are shown net of loan arrangement fees of £175,000 (2019: £nil) and £700,000 (2019: £nil), respectively.

Notes to the consolidated financial statements continued

19. BORROWINGS continued

Term and debt repayment schedule for long-term borrowings

	Currency	Interest rate	Maturity date	Total £000s
Revolving credit facility	GBP	LIBOR +1.50% to +2.85%	27 May 2025	**50,000**
Unicredit facility	EUR	EURIBOR +1.10% to +3.60%	28 June 2024	**317**
Banco BPM	EUR	EURIBOR +1.10% to +3.60%	30 November 2023	**536**
Bank Sinopac Co. Ltd	TWD	1.57% fixed	29 May 2027	**273**
				51,126

On 27 July 2017, the Company entered into an agreement with The Royal Bank of Scotland Plc (as agent), and the Royal Bank of Scotland International Limited and HSBC Bank Plc (as original lenders) in respect of a revolving credit facility of £70,000,000, of which £40,000,000 was drawn down as at 31 December 2019. During 2020, the Company refinanced this by entering into an agreement with The Royal Bank of Scotland Plc (as agent), along with the Bank of China (UK) Limited and the Bank of Ireland in respect of a revolving credit facility of £80,000,000, with materially the same terms and covenants as the existing facility.

On 27 May 2020, the first facility available with Royal Bank of Scotland Plc through the addition of the Bank of China (UK) Limited increased to £60,000,000, and has continued to increase by a further £20,000,000 on 1 October 2020 by applying for a further facility with Bank of Ireland through the same. As at 31 December 2020, the total facilities available are £80,000,000 (2019: £49,000,000).

The initial drawdown of £50,000,000 allowed for the refinancing of the existing revolving credit facility as well as being used to fund the acquisition of LAICA S.p.A. (note 14). Additional amounts may be drawn under the agreement for financing working capital and for general corporate purposes 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 (2019: same).

Transactions costs amounting to £875,000 incurred as part of the debt financing with the new facility entered into during the year have been capitalised in the current year and will be amortised over the period of the five-year facility.

The various agreements contains 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 2020, the Group has not breached any of the financial covenants contained within the agreements – see note 22(d) for further details (2019: same).

Interest applied to the revolving credit facility is calculated as the sum of the margin and LIBOR. The margin is a calculated based on the Group's leverage as follows:

Leverage	Annualised margin %
Greater than or equal to 2.5x	2.85%
Less than 2.5x but greater than or equal to 2.0x	2.50%
Less than 2.0x but greater than or equal to 1.5x	2.20%
Less than 1.5x but greater than or equal to 1.0x	2.00%
Less than 1.0x	1.50%

At 31 December 2020, the margin applied was 2.00% (2019: 1.50%).

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.

Notes to the consolidated financial statements continued

20. COMMITMENTS

(a) Capital commitments

	2020 £000s	2019 £000s
Contracted for but not provided in the consolidated financial statements – Property, plant and equipment	**4,307**	12,559

Construction of new factory

The above commitments include capital expenditure of £2,810,000 (2019: £10,472,000) relating to the construction of a new factory in Zengcheng district, China. Strix (China) Limited entered into a contract with Shanghai Installation Engineering Group Co. on 2 September 2019 for CNY 128,000,000 (£14,450,000).

21. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

The Group has a number of ongoing legal intellectual property cases, including legal actions initiated by the Group, as well as invalidation challenges brought by the defendants. A number of these cases are still in the process of going through the due legal process in the countries in which the matters have been raised. As a result, no contingent assets have been recognised as receivable at 31 December 2020 (2019: same), as any receipts are dependent on the final outcome of the ongoing legal processes in each case. There are no contingent liabilities at 31 December 2020 (2019: 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 UK 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
- United States Dollar
- Chinese Yuan
- Hong Kong Dollar
- Euro
- Taiwan Dollar

Exposure by currency is analysed in notes 16, 17 and 18.

(ii) Interest rate risk

The Group is exposed to interest rate risk on its long-term borrowings, being the revolving credit facility and other borrowings disclosed in note 19. The interest rates on the revolving credit facility are variable, based on LIBOR and certain other conditions dependent on the financial condition of the Group, which exposes the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. Other borrowings are made up of both fixed rate loans and variable loans based on EURIBOR. This exposure is not considered by the Directors to be significant.

(iii) Price risk

The Group is exposed to price risk, principally in relation to commodity prices of raw materials. The Group enters into forward commodity contracts or makes payments in advance in order to mitigate the impact of price movements on its gross margin. The Group has not designated any of these contracts as hedging instruments in either 2020 or 2019. At 31 December 2020 and 2019, payments were made in advance to buy certain commodities at fixed prices, as disclosed in note 16.

Notes to the consolidated financial statements continued

22. FINANCIAL RISK MANAGEMENT continued

(iv) Sensitivity analysis

- **Foreign exchange risk:** The Group is primarily exposed to exchange rate fluctuations between GBP and USD, CNY, HKD, EUR and TWD. Assuming a reasonably possible change in FX rates of +10% (2019: +10%), the impact on profit would be a decrease of £805,000 (2019: a decrease of £361,000), and the impact on equity would be an increase of £1,232,000 (2019: an increase of £2,230,000). A -10% change (2019: -10%) in FX rates would cause an increase in profit of £1,832,000 (2019: an increase in profit of £442,000) and a £1,505,000 decrease in equity (2019: £2,726,000 decrease in equity). This has been calculated by taking the profit generated by each currency and recalculating a comparable figure on a constant currency basis, and by retranslating the amounts in the consolidated 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 LIBOR/EURIBOR rate of ±0.5% (2019: ±0.5%), the impact on profit would be an increase/decrease of £234,000 (2019: £204,000), and the impact on equity would be an increase/decrease of £37,000 (2019: £125,000). 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 ±23% for silver (2019: ±8.2%) and ±37% for copper (2019: ±4.4%) based on volatility analysis for the past year, the impact on profit would be an increase/decrease of £3,353,000 (2019: £1,043,000). 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 (2019: 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 no external concentrations of credit risk. The Group has policies in place to ensure that sales of goods are made to clients with an appropriate credit history. The Group uses letters of credit and advance payments to minimise credit risk. Management believe there is no further credit risk provision required in excess of normal provision for doubtful receivables, as disclosed in note 16. The amount of trade and other receivables written off during the year amounted to less than 0.04% of revenue (2019: less than 0.05% of revenue).

Cash and cash equivalents are held with reputable institutions. All material cash amounts are deposited with financial institutions whose credit rating is at least B based on credit ratings according to Standard & Poor's. The following table shows the external credit ratings of the institutions with whom the Group has cash deposits:

	2020 £000s	2019 £000s
AA	**–**	636
A	**5,497**	2,169
BBB	**9,909**	10,824
BB	**–**	–
B	**14**	–
n/a	**26**	29
	15,446	13,658

(c) Liquidity risk

The Group maintained significant cash balances throughout the period and hence suffers minimal liquidity risk. Cash flow forecasting is performed for the Group by the finance function, which monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs and so that the Group minimises the risk of breaching borrowing limits or covenants on any of its borrowing facilities. The Group has put into place revolving credit facilities to provide access to cash for various purposes, and headroom of £30,000,000 (2019: £9,000,000) remains available on this facility at 31 December 2020.

The Group's non-derivative financial liabilities include trade and other payables (less payment received in advance) substantially all have a contractual maturity date of less than three months. The Group's borrowings are represented by several credit facilities detailed in note 19, including current borrowings due for repayment in 2021 of £2,395,000 (2019: £nil), and the remainder falling due between two and seven years. The contingent consideration payable in relation to the acquisition of LAICA S.p.A. as disclosed in note 14, will only become payable in 2022 after 2021 performance criteria have been assessed.

(d) Capital risk management

The Group manages its capital to ensure its ability to continue as a going concern and to maintain an optimal capital structure to reduce the cost of capital. The aim of the Group is to maintain sufficient funds to enable it to make suitable capital investments whilst minimising recourse to bankers and/or shareholders. In order to maintain or adjust capital, the Group may adjust the amount of cash distributed to shareholders, return capital to shareholders, issue new shares or raise debt through its access to the AIM market.

Notes to the consolidated financial statements continued

22. FINANCIAL RISK MANAGEMENT continued

(d) Capital risk management continued

Capital is monitored by the Group on a monthly basis by the finance function. This includes the monitoring of the Group's gearing ratios and monitoring the terms of the financial covenants related to the revolving credit facilities as disclosed in note 19. These ratios are formally reported on a quarterly basis. The financial covenants were complied with throughout the period. At 31 December 2020 these ratios were as follows:

- **Interest cover ratio:** 33.4x (2019: 26.7x) – minimum per facility terms is 4.0x; and
- **Leverage ratio:** 1.1x (2019: 0.7x) – maximum per facility terms is 2.5x

(e) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level is as follows:

- **Level 1:** The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in level 1.
- **Level 2:** The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.
- **Level 3:** If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

The resulting fair value estimate for contingent consideration payable recognised during the year, where the fair values have been determined based on probability estimates of meeting threshold financial targets for the financial years ending 31 December 2021 and 2022 and discounted using a rate of 12.7%, has been classified as a level 3. There have been no other movements into or out of any levels during the year.

Description	2020 £000s	2019 £000s	Unobservable inputs	Probability weighted inputs 2020	2019	Relationship of unobservable inputs to fair value
Contingent consideration	**5,380**	–	Risk adjusted discount rate	**12.7%**	n/a	A change in the discount rate by 100 bps would increase/decrease the FV by £69,000.
			Probability weighted cash flows	**£nil – £6,425,000**	n/a	If actual EBITDA is 10% higher the FV would increase by £1,030,000 or if it is 10% lower it would decrease by £1,615,000

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, and share price targets for the three financial years 2017 to 2019. Further awards have been made since August 2017 under the same scheme on similar terms.

During 2019, 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.

Notes to the consolidated financial statements continued

23. SHARE-BASED PAYMENTS continued

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:

	2020 Number of Shares	2019 Number of Shares
At 1 January	**11,173,522**	10,295,525
Granted during the year	**1,230,358**	1,189,813
Exercised during the year	**(8,754,059)**	–
Forfeited during the year	**(59,438)**	(311,816)
As at 31 December	**3,590,383**	11,173,522
Vested and exercisable at 31 December	**124,793**	–

The Group has recognised a total expense of £1,869,000 (2019: £5,944,000) in respect of equity-settled share-based payment transactions in the year ended 31 December 2020.

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 2020 was 8.5 years (2019: 6.7 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 2020	Share options outstanding at 31 December 2019
15 August 2017	133.38	15 August 2027	100.00%	**124,793**	7,862,873
12 February 2018	138.00	12 February 2028	100.00%	**19,500**	35,336
01 November 2018	146.80	01 November 2028	51.16%	**748,853**	755,344
26 November 2018	136.00	26 November 2028	100.00%	**10,760**	10,760
04 March 2019	155.00	04 March 2029	100.00%	**200,215**	215,651
20 May 2019	157.80	20 May 2029	54.00%	**525,602**	544,140
21 August 2019	161.80	21 August 2029	100.00%	**7,288**	7,288
06 April 2020	170.00	06 April 2030	100.00%	**339,567**	–
01 May 2020	183.40	01 May 2030	50.00%	**502,495**	–
06 May 2020	181.00	31 December 2029	100.00%	**36,364**	–
Total Share Options				**2,515,437**	9,431,392

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)	Expiry date	Weighted average probability of meeting performance criteria	Conditional share awards outstanding at 31 December 2020	Conditional share awards outstanding at 31 December 2019
15 August 2017	133.38	03 January 2020	100.00%	**–**	985,143
12 February 2018	138.00	03 January 2020	100.00%	**14,000**	29,000
12 February 2018	138.00	01 January 2021	100.00%	**60,500**	60,500
01 November 2018	146.80	01 January 2021	43.15%	**348,233**	348,233
20 May 2019	157.80	01 April 2022	54.00%	**304,254**	304,254
19 August 2019	158.00	01 April 2022	100.00%	**4,250**	15,000
24 February 2020	179.80	24 April 2022	100.00%	**15,500**	–
06 April 2020	170.00	06 April 2022	100.00%	**101,381**	–
01 May 2020	183.40	31 December 2022	50.00%	**198,347**	–
06 May 2020	181.00	31 December 2022	100.00%	**28,481**	–
Total conditional share awards				**1,074,946**	1,742,130
Total share options and conditional share awards				**3,590,383**	11,173,522

Notes to the consolidated financial statements continued

23. SHARE-BASED PAYMENTS continued

Long-term incentive plan terms continued

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 £47,000 (2019: £30,000) and the expected charge over the life of the options by a total of £420,000 (2019: £427,000).

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 £1.4120 (2019: £1.3180).

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

	2020 £000s	2019 £000s
Share-based payments transactions (note 5(a))	**1,869**	5,944
Other share-based payments	**–**	215
Share-based payments transferred to other reserves upon exercise/vesting	**(13,019)**	–
Total share-based payment transactions	**(11,150)**	6,159

Zeus warrant

As part of the admission to trading on AIM in August 2017, the Group granted Zeus Capital Limited a warrant for 3,800,000 ordinary shares at an exercise price of £1.00. The warrant was not reliant on any service conditions and was exercisable between 8 August 2019 and 8 August 2027. This warrant was exercised by Zeus on 27 November 2020.

Valuation model inputs

The key inputs to the Black-Scholes model for the purposes of estimating the fair value of the warrant include an admission share price of £1.00, a risk free rate equivalent to the price of a two-year United Kingdom Gilt, a two-year vesting period, and volatility based on the share price of a selection of peer companies for the two years prior to admission equating to 10.74%.

Other movements

Other transactions recognised directly in equity include the settlement of dividend entitlements previously accrued as part of the LTIP programme, a release of Zeus warrant share options held in the prior year that have been exercised and amounts released from forfeited LTIP shares.

24. SHARE CAPITAL AND SHARE PREMIUM

	Number of shares (000s)	Par value £000s	Total £000s
Allotted and fully paid: ordinary shares of 1p each			
Balance at 1 January 2020	190,000	1,900	1,900
Shares issues during the year	15,746	157	157
Balance at 31 December 2020	205,746	2,057	2,057

Under the Isle of Man Companies Act 2006, the Company is not required to have an authorised share capital. The issued capital of the Company on incorporation was one A ordinary share of £1, issued to Darbara Limited. This share was transferred to Strix Group Limited prior to admission to trading on AIM, and was repurchased and cancelled by the Company as part of the pre-admission Group reorganisation.

On 8 August 2017, the Company issued 190,000,000 ordinary shares of £0.01 each.

During the year, the Company issued shares for a total value of £11,230,000, which included 3,192,236 shares at nominal value of £31,922 issued as part of the total consideration paid for the acquisition of LAICA S.p.A. on 27 October 2020 (note 14), 3,800,000 shares at a nominal value of £38,000 issued to Zeus Capital Limited on exercising their warrant (note 23), and the remainder relate to employee share-based payments (note 23). Accordingly, £11,073,000 was recognised as share premium.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank pari passu in all respects including voting rights and dividend entitlement.

See note 23 for further information regarding share-based payments which may impact the share capital in future periods.

Notes to the consolidated financial statements continued

25. DIVIDENDS

The following amounts were recognised as distributions in the year:

	2020 £000s	2019 £000s
Interim 2020 dividend of 2.6p per share (2019: 2.6p)	**5,167**	4,940
Final 2019 dividend of 5.1p per share (2018: 4.7p)	**10,143**	8,930
Total dividends recognised in the year	**15,310**	13,870

In addition to the above dividends, since year end the Directors have proposed the payment of a final dividend of 5.25p per share (2019: 5.1p). The aggregate amount of the proposed final dividend expected to be paid on 2 June 2021 out of retained earnings at 31 December 2020, 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.

	2020 £000s	2019 £000s
Final 2020 dividend of 5.25p per share (2019: 5.1p)	**10,802**	9,725
Total dividends proposed but not recognised in the year, and estimated to be recognised in the following year	**10,802**	9,725

26. LEASES

(a) Amounts recognised in the consolidated balance sheet

The consolidated balance sheet shows the following amounts relating to leases:

	2020 £000s	2019 £000s
Right-of-use assets		
Offices & warehouses	**3,928**	4,251
Total right-of-use assets	**3,928**	4,251
Current future lease liabilities (due within 12 months)	**1,254**	1,508
Non-current future lease liabilities (due in more than 12 months)	**2,846**	2,960
Total future lease liabilities	**4,100**	4,468

Additions to the right-of-use assets during the 2020 financial year were £1,150,000 (2019: £2,338,000).

The movement in lease liabilities is as follows:

	2020 £000s	2019 £000s
Balance as at 1 January	**4,468**	3,613
Additions	**1,150**	2,338
Repayments	**(1,455)**	(1,301)
Interest expense (included in finance cost)	**103**	110
Sub-lease income	**(160)**	(121)
Foreign exchange gains	**(6)**	(171)
Balance as at 31 December	**4,100**	4,468

(b) Amounts recognised in the consolidated statement of comprehensive income

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

	2020 £000s	2019 £000s
Depreciation of right-of-use assets	**(1,470)**	(1,323)
Interest expense (included in finance cost)	**(103)**	(110)
Foreign exchange gains	**6**	171
Total cost relating to leases	**(1,567)**	(1,262)

Notes to the consolidated financial statements continued

27. CASH FLOW STATEMENT NOTES

(a) Cash generated from operations

	Note	2020 £000s	2019 £000s
Cash flows from operating activities			
Operating profit		**26,635**	24,209
Adjustments for:			
Depreciation of property, plant and equipment	12	**3,042**	2,903
Depreciation of right-of-use assets	12	**1,470**	1,323
Amortisation of intangible assets	11	**1,477**	1,256
Share of profits from joint ventures		**(61)**	–
Impairment of intangible assets	11	**–**	42
Loss on disposal of property, plant and equipment	12	**12**	5
Government grants relating to capital expenditure		**–**	(40)
Pension contributions made	5(c)	**–**	(89)
Share-based payment transactions	23	**687**	5,944
Net exchange differences		**505**	156
		33,767	35,709
Changes in working capital:			
(Increase)/decrease in inventories		**(138)**	1,318
Increase in trade and other receivables		**(4,294)**	(1,750)
Increase in trade and other payables		**2,785**	68
Cash generated from operations		**32,120**	35,345

(b) Movement in net debt

			Non-cash movements		
	At 1 January 2020 £000s	Cash flows £000s	Currency movements £000s	Other movements £000s	**At 31 December 2020 £000**
Borrowings	(40,000)	(9,854)	28	(3,695)	**(53,521)**
Loan arrangement fees	–	798	–	77	**875**
Lease liabilities	(4,468)	1,455	6	(1,093)	**(4,100)**
Total liabilities from financing activities	**(44,468)**	**(7,601)**	**34**	**(4,711)**	**(56,746)**
Cash and cash equivalents	13,658	1,916	(128)	–	**15,446**
Net debt	**(30,810)**	**(5,685)**	**(94)**	**(4,711)**	**(41,300)**

Included in the non-cash movements are balances that were acquired as part of the LAICA S.p.A. acquisition.

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.

Notes to the consolidated financial statements continued

29. RELATED PARTY TRANSACTIONS continued

(b) Related party balances

Trading balances

	Balance due from		Balance due to	
	2020 £000s	2019 £000s	**2020 £000s**	2019 £000s
The Strix Limited Retirement Fund	**–**	–	–	(66)
Foshan Yilai Life Electric Appliances Co. Ltd	**94**	–	–	–

(c) Related party transactions

The following transactions with related parties occurred during the year:

Name of related party	**2019 £000s**	2018 £000s
Transactions with other related parties		
Revenue earned from Foshan Yilai Life Electric Appliances Co. Ltd	**72**	–
Contributions paid to The Strix Limited Retirement Fund (note 5(c)(i))	**(611)**	(735)

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

Other than the deferred consideration payment made on 8 March 2021 in relation to the acquisition of LAICA S.p.A. disclosed in note 14, the Group does not have any material events after the reporting period to disclose.

Legal and professional advisors

Registered office
Strix Group Plc
Forrest House
Ronaldsway
Isle of Man
IM9 2RG

Principal bankers
The Royal Bank of Scotland International Limited
2 Athol Street
Douglas
Isle of Man
IM99 1AN

Bank of China (UK) Limited
1 Lothbury
London
EC2R 7DB

The Governor and Company of the Bank of Ireland
40 Mespil Road
Dublin 4
Ireland

Share registrars
Link Market Services (Isle of Man) Limited
PO Box 227
Clinch's House
Lord Street
Douglas
Isle of Man
IM99 1RZ

Financial PR and IR
IFC Advisory Limited
24 Cornhill
London
EC3V 3ND

Independent auditor
PricewaterhouseCoopers LLC
Sixty Circular Road
Douglas
Isle of Man
IM1 1SA

Nominated advisor and broker
Zeus Capital Limited
82 King Street
Manchester
M2 4WQ

and

10 Old Burlington Street
London
W1S 3AG

Joint broker
Stifel Nicolaus Europe Limited
150 Cheapside
London
EC2V 6ET

Solicitors
CMS Cameron McKenna Nabarro Olswang LLP
Cannon Place
78 Cannon Street
London
EC4N 6AF

Company number
014963V (Isle of Man)

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Strix Group Plc
Forrest House
Ronaldsway
Isle of Man
IM9 2RG

Tel: +44 (0)1624 829 829
Email: info@strix.com

www.strixplc.com