Innovative & Sustainable Technology

Annual Report and Accounts 2023

About Us

Strix is a global leader in the design, manufacture and supply of kettle safety controls and other components, 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).

Alongside this established and sustained leadership in the kettle control business, Strix has expanded its landscape, further strengthening its product portfolio with the acquisition of Billi, the award-winning global premium water filtration brand with operations in Australia, New Zealand and the UK.

With continued focus on profitable segments in the consumer goods market, via world-class brands and its own brands, LAICA and Aqua Optima, Strix is committed to delivering products that are innovative, sustainable, reliable and of a high safety standard.

Our mission:

Innovating safety and design for a sustainable future.

Our vision:

Establishing a world-leading innovative and sustainable technology business.

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2023 Highlights

Financial highlights

Revenue

£144.6m

35.2%

2023	£144.6m
2022	£106.9m

Adjusted profit before tax

£21.9m

(1.1%)

2023	£21.9m
2022	£22.2m

Adjusted profit after tax

£20.1m

(12.7%)

2023	£20.1m
2022	£23.0m

Adjusted EBITDA margin

27.3%

(270 bps)

2023	27.3%
2022	30.0%

Adjusted earnings per share

9.2p

(15.7%)

2023	9.2p
2022	10.9p

Total dividend per share for the year

0.9p

(85%)

2023	0.9p
2022	6.0p

Highlights

- During 2023, Strix demonstrated robust revenue growth, largely driven by the acquisition of Billi, and continues to be highly profitable.
- Management prioritised the integration of Billi during FY 2023. This was to unlock the anticipated revenue and cost synergies, maximising the Group's highly cash generative operational model.
- In FY 2023, Billi delivered double-digit revenue and profit growth on a constant currency basis, and Strix anticipates this will continue due to the expanded target-addressable market that Billi provides.
- During the year, LAICA achieved EBITDA growth of 24.8%. This was attributed to the seamless integration of LAICA within the wider Strix Group together with a commitment to both cost control and process enhancement at the local level.
- Recovery in the kettle controls regulated markets started during H2 2023, recording quarter-on-quarter growth against the prior year. This has continued into 2024.
- The Group has undertaken an internal divisional restructuring programme to realign the business and focus on core competencies.
- The Strix Consumer Goods division has been streamlined to focus on a targeted and diversified range of consumer-facing product lines in order to drive ongoing profitable growth.

Company Overview

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

Strix's long-term vision is to diversify its revenue streams across the two divisions, Strix Controls and Premium Filtration Systems (PFS) (Billi) and Strix Consumer Goods, through the implementation of its growth and sustainability strategies. The Group's medium-term targets aim to be achieved through organic growth and a commitment to providing a safer and sustainable future for its stakeholders. This reinforces its focus on expanding its revenue streams in consumer goods, whilst continuing to defend and expand its market share in kettle controls.

% of lines automated in China

77%

Number of employees

1,000+

Total revenue (2023)

£144.6m

Strix Controls and Premium Filtration Systems (Billi)
Takes the lead in pioneering innovative safety controls and water management solutions.

Strix
TECHNOLOGY

Strix Consumer Goods
Encompasses our dedication to creating exceptional products that enhance everyday living.

Company Overview continued

Strix Controls and Premium Filtration Systems (Billi)

Strix's core product line of safety controls for small domestic appliances (primarily kettles) continues to make up the largest part of the Group's business. Strix remains the strong market leader, rigorous in its targeted approach across key markets and regions. Within the new divisional structure, Controls is paired with Billi, the hot, chilled, filtered and sparkling water dispensing specialists, acquired in November 2022. A natural fit within the Strix Group's technology, water, filtration and appliance business, Billi holds the second largest share in its home markets of Australia and New Zealand and is growing rapidly in the UK.

Commercially, Strix Controls and Billi's routes-to-market remain distinct, with separate sales, service and support teams. However, both businesses are primarily B2B, where Strix's global presence supports Billi's geographical expansion. Shared research and development (R&D), compliance, intellectual property, manufacturing and sourcing expertise provides opportunities to reduce costs and scale up. Technology synergies (water heating, thermal control and energy efficiency) help to accelerate Billi's new product development – united with Strix Controls in enabling consumers around the world to make and enjoy their drinks safely, conveniently and sustainably.

Strix Controls

£70.1m

(FY 2022: £68.2m)

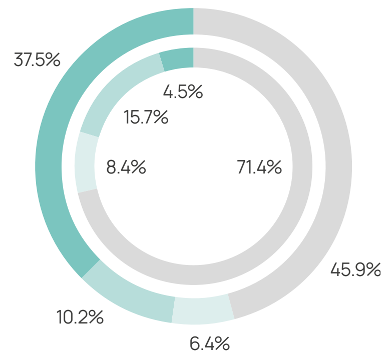
Premium and Industrial Filtration Systems

£42.1m

(FY 2022: £3.2m)

- Kettle Controls regulated markets 2023: £51.4m (FY 2022: £51.0m)
- Kettle Controls less regulated markets 2023: £7.2m (FY 2022: £6.0m)
- Kettle Controls China 2023: £11.5m (FY 2022: £11.2m)
- Premium and Industrial Filtration Systems 2023: £42.1m (FY 2022: £3.2m)

2023 (outer circle)
2022 (inner circle)



Notes: The Industrial Filtration Systems sales achieved RMB7 million in 2023, 33% growth against 2022. However, they only show a 21% increase in pounds sterling terms due to this being a purely Chinese business and unfavourable exchange rate movements. The growth is mainly from water treatment application in the livestock industry. There are more and more farming companies starting to realise the importance of water quality to animals. It is expected that the Industrial Filtration Systems business will continue to grow year-on-year, especially when the livestock market expands.

Strix Consumer Goods

Dedicated to pioneering sustainability and innovation to create products that enhance wellbeing in homes worldwide, Strix's Consumer Goods division is focused on two core product categories: water filtration and small domestic appliances.

In response to the increasing consumer demand for healthier and more sustainable choices, Strix is offering a range of innovative products. Supported with strategic market positioning and brand differentiation, our flagship brands 'LAICA' and 'Aqua Optima' are designed to empower individuals to make conscious decisions for themselves and the environment. Additionally, we leverage our extensive manufacturing capabilities to offer tailored solutions to third-party brands and retailers as a trusted Original Equipment Manufacturer partner.

With manufacturing facilities in China and Italy, sales offices across all continents, and two Innovation Centres, the Strix Consumer Goods division operates as a truly global solutions provider. Each production unit adheres to stringent quality standards and follows a unified methodology to ensure efficiency and consistency in delivering products worldwide.

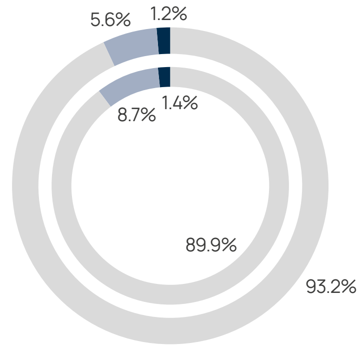
Consumer Goods

£32.4m

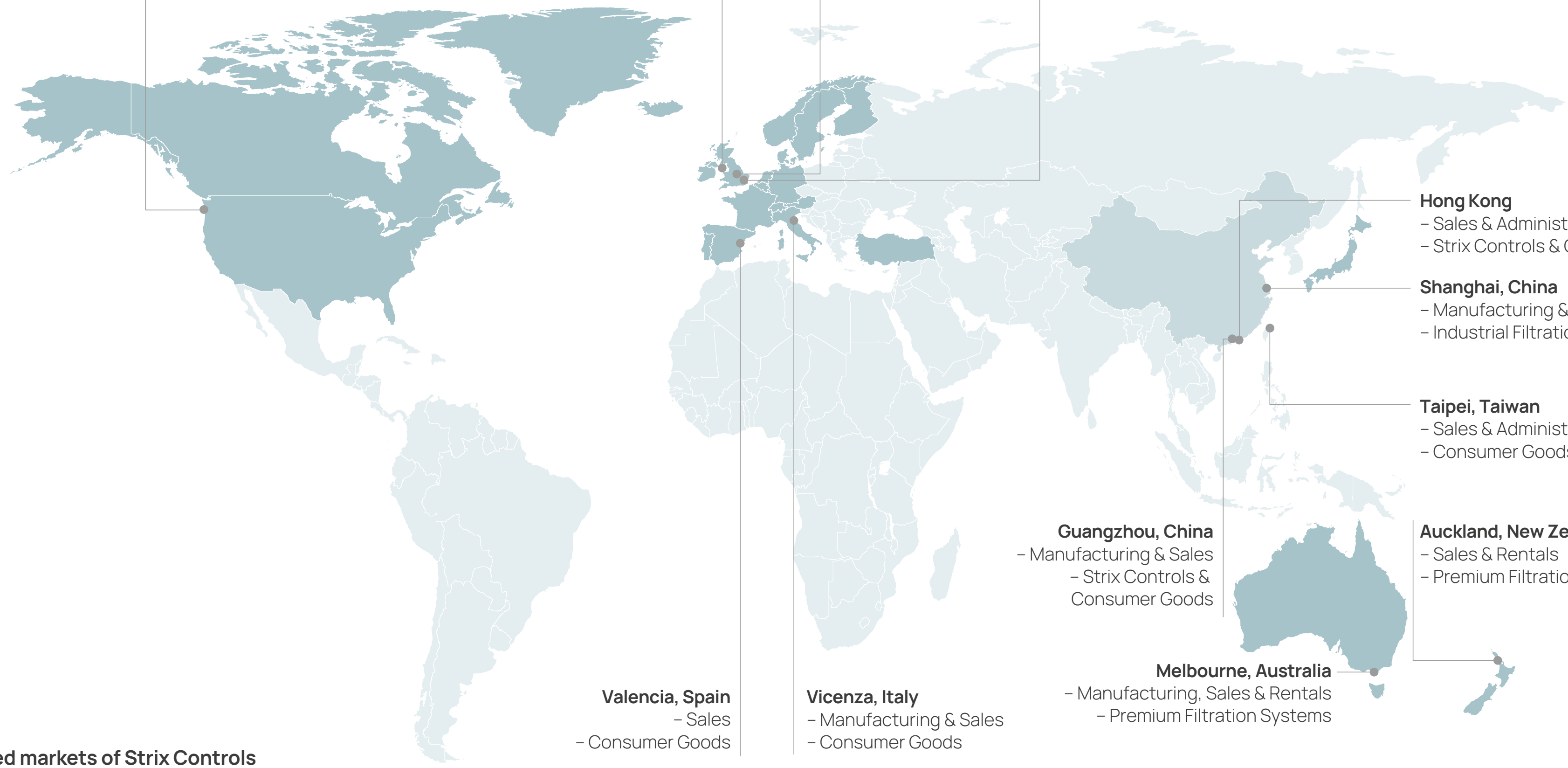
(FY 2022: £35.5m)

- EMEA 2023: £30.1m (FY 2022: £31.9m)
- APAC 2023: £1.9m (FY 2022: £3.1m)
- Americas 2023: £0.4m (FY 2022: £0.5m)

2023 (outer circle)
2022 (inner circle)



Locations



Bothell, USA
– Sales
– Consumer Goods

Isle of Man
– Head Office, Manufacturing, Sales, Research & Development
– Strix Controls & Consumer Goods

Wolverhampton, UK
– Sales & Rentals
– Premium Filtration Systems

London, UK
– Showrooms
– Premium Filtration Systems

Hong Kong
– Sales & Administration
– Strix Controls & Consumer Goods

Shanghai, China
– Manufacturing & Sales
– Industrial Filtration Systems

Taipei, Taiwan
– Sales & Administration
– Consumer Goods

Guangzhou, China
– Manufacturing & Sales
– Strix Controls & Consumer Goods

Auckland, New Zealand
– Sales & Rentals
– Premium Filtration Systems

Melbourne, Australia
– Manufacturing, Sales & Rentals
– Premium Filtration Systems

Valencia, Spain
– Sales
– Consumer Goods

Vicenza, Italy
– Manufacturing & Sales
– Consumer Goods

Segmented markets of Strix Controls (the Group's largest segment)
Regulated markets
Less regulated markets
China

Business Model

About us

Strix Controls and Premium Filtration Systems (Billi):

- Strong, market-leading position in kettle controls, used over 1 billion times around the world, every day.
- Patent-protected technology, appliance concept ideation and in-house industrial design services make Strix the strategic partner of choice for global brands and small domestic appliance manufacturers.
- Billi designs and manufactures instant boiling, chilled and sparkling filtered water systems.
- Billi is an award-winning premium water filtration brand across Australia, New Zealand and the UK. Now emerging as a global player with expanding geographical reach.

Strix:

- A truly global solution provider.
- Manufacturing expert with precision engineering capabilities, intricate knowledge and know-how.
- Adheres to stringent quality and safety standards.
- Emphasis on products that meet end users' needs.
- Go-to-market routes through own brands and key partners.
- Renowned for innovation, sustainability, quality and service.

Strix Consumer Goods:

- Consumer-focused approach across multiple go-to-market channels.
- Multiple recognised brands across the globe.
- Advanced water filtration portfolio.
- Convenient, simple and sustainable product solutions across water filtration and small appliances.
- Strong manufacturing capability with exceptional facilities in both Italy and China to drive OEM business across both appliance and water filtration categories.

Our USP

Strix Controls:

A market leader with direct relationships with Original Equipment Manufacturers (OEMs), brands and retailers. Extensive market knowledge enables Strix to work closely with stakeholders across all areas, helping to build and maintain market share while acting as a barrier to entry for competitors.

Premium Filtration Systems (Billi):

Proprietary, water-cooled technology and cutting edge filtration are coupled with distinctive design, premium service and support. Billi's easy-to-install under-bench units are virtually silent in operation and up to 40% more energy efficient than alternative solutions.

Strix Consumer Goods:

Our two core brands, LAICA and Aqua Optima, offer innovative consumer products to multiple market segments globally across online and offline channels. In addition, the division benefits from private label and trade brand agreements with multiple large retailers and brands. Increasing distribution of our innovative products, private label distribution and brand awareness will drive our growth within the consumer goods market.

Growth opportunities

Strix Controls:

- New applications of controls in small domestic appliances (SDA) such as travel flasks and milk frothers.
- Increasing penetration of kettles into new markets.
- Expansion of market share in less regulated markets as rising consumer expectations demand new features.

Premium Filtration Systems (Billi):

- Billi continues to emerge as a global player in new markets.
- Sustainability initiatives to reduce plastic waste caused by single-use plastic bottles.
- Consumers actively moving away from sugary beverages and towards healthier alternatives, such as filtered water.
- Recurring revenue streams from Billi including rental, servicing contracts and filters replacements.

Strix Consumer Goods:

- Expand OEM contracts.
- Grow brand awareness and cross-sell LAICA and Aqua Optima brands across key target territories.
- Introduce new, health focused products across water filtration and small appliances.
- Further expansion into Asian markets.
- Focus on profitable growth: product rationalisation underway to focus on most profitable and differentiated stock keeping units (SKUs).
- Strategically targeting incremental market segments where we can address customer needs and add value.

How we create value

Strix

Strix passionately invests in research and innovation, ensuring the delivery of top-notch and high-quality products. With proactive streamlining and optimisation initiatives, Strix is regularly seeking means to improve its operational efficiency, reduce costs and enhance productivity.

Investors

Robustness of Strix's business helps to achieve strong cash inflows together with sustainable profits, allowing Strix to deliver an attractive return to its investors. Coupled with this business model, divisions are able to adapt and meet market-specific needs in an agile manner and therefore enhance the Group's performance.

Customers

Strix shares its control and water filtration knowledge to help its customers achieve faster product releases and to design products which are in line with market trends. In parallel, Strix strives for products with designs that directly address the needs of its valued customers and provide consumer goods that add significant value to the lives of the end users.

Employees

Strix focuses on recruiting and retaining top talent who are aligned with its values, vision and goals. Strix also invests in employee training, development and engagement initiatives to empower our workforce and foster a culture of excellence and agility, to adapt and respond to constantly changing market dynamics, customer preferences and competitive pressures.

Suppliers

Strix works closely with its suppliers to build strong relationships which brings value to both parties. Besides supporting suppliers in their compliances, Strix and its suppliers work together to devise solutions and intelligence in improving supply chain and logistics processes and systems.

Business Model: Strix Controls and Premium Filtration Systems (Billi)

A divisional structure was implemented within Strix in 2023 to drive focus, clear direction and efficiencies. With dedicated divisional resources, supported by streamlined Group functions, this model enables Strix to serve customers with greater operational agility, increase offerings efficiently, gain competitive advantage and deliver enhanced performance.

Strix Controls

The Strix Controls business comprises the design, manufacture and sales of electrical heating and safety controls for SDA, primarily kettles but also adjacent applications such as milk frothers and appliances for healthy eating and travel.

Strix maintains a strong, market-leading position in the kettle controls market and is unique in the breadth and depth of expertise, products and services offered to the SDA industry. Through extensive market intelligence, technical knowledge and manufacturing experience, Strix creates value through technology and design innovation, safety and product quality, sustainability and a global support service. Leveraged through direct relationships with OEMs, brands and retailers within the electric kettle control supply chain, customers regularly seek advice on product design, specification, and manufacturing solutions. This helps build and maintain market share and acts as a barrier to entry for competitors by ensuring that Strix controls are specified and used in new and existing designs.

Long-term growth

Sustainable growth comes from strengthening the Strix unique customer value proposition and adopting a split strategy approach across the three major markets listed below.

Regulated markets

The goal is to uphold and improve majority share through the development of innovative new products with features that enhance our customer value and more widely promote the Strix Global Support Service.

Less regulated markets

Strix has the opportunity to grow more aggressively in this market, through leveraging established OEM partnerships, enhancing Strix brand recognition and through introducing a new range of low-cost controls.

China domestic market

China consumers demand new solutions where traditional products are being left behind. A rigorous value-based approach to product development and automation process improvements will drive Strix's share in this extremely cost-competitive market, supported by the launch of new low-cost controls.

Billi

Billi is a globally renowned designer and manufacturer of premium instant boiling, chilled and sparkling filtered water systems, headquartered in Melbourne, Australia. Customers in commercial, institutional, retail and hospitality sectors are served via direct sales and service organisations. Distribution and service partnerships further support Billi's expanding geographical reach. Recurring revenue streams include rental and servicing contracts and also replacement filters, increasingly sold via the web-shop.

Proprietary water-cooled technology means that Billi's under-bench units are virtually silent in operation and up to 40% more energy efficient than alternative solutions. Billi does not require cupboard ventilation and the products save space and simplify installation. Cutting-edge filtration technology provides superior drinking water quality and taste.

Geographical expansion

Business development activities in South East Asia are already gaining traction. With Billi UK firmly established as a technical and commercial support hub, expansion is now possible into Europe – a growth market for under-bench water dispensers. The Middle East also offers opportunities, driven by growth in the sustainable building sector.

Residential market

Billi has been a leading player in the Commercial and Institutional markets for many years, supplying corporate offices, government, educational and healthcare customers. The energy saving, small footprint, quiet operation and easy-to-install value proposition of the Billi range fits well with residential requirements. Expanding the 'Billi at Home' product range for sale through existing and new retail partnerships offers significant growth potential.

Group synergy

Established Group functions including Research & Development, IP Protection and Compliance improve efficiency and bolster Billi's new product development capability. Existing Strix relationships and networks support Billi's geographic expansion plans outside its established markets of Australia, New Zealand and the UK.

Business Model: Strix Consumer Goods

Functioning as a comprehensive solutions provider throughout the value chain, the Strix Consumer Goods division supplies finished products in the water filtration and small appliance sectors, mainly to OEMs, brands and various retailers worldwide. Such partners harness Strix's offerings, in conjunction with a diverse array of combined solutions, to create innovative products that captivate consumers worldwide.

Strix continues its relentless expansion of Consumer Goods product offerings, while seamlessly blending the roles of OEM, technology provider and consumer goods provider across its diverse brand portfolio. This growth, primarily driven by strategic acquisitions like the LAICA group of companies, combines internally developed and sourced products, bolstering innovation and expertise in chemistry, international sourcing and engineering. With LAICA on board, Strix has significantly widened its footprint in the Consumer Goods market, introducing new product ranges and strengthening existing distribution channels.

Strix is dedicated to maintaining its competitive edge by leveraging its R&D and manufacturing capabilities to introduce innovative and environmentally sustainable consumer goods. In a market increasingly concerned with water quality and environmental impact, Strix is at the forefront of water filtration technology and products, addressing issues such as chemical contaminants and microplastics. The Group is also focused on expanding into new markets, capitalising on its portfolio of cutting-edge products and technologies to drive category growth.

Strix aims to supply products that enhance safety, convenience and sustainability in consumers' homes. With brands like LAICA, Aqua Optima and also private labels, a diverse range of options spanning health & wellness, kitchen, beverage, hot water on demand, food preservation and baby care is available to cater for various consumer needs and price points. By investing in core technologies and drawing on past successes like the Tommee Tippee Perfect Prep machine and Aurora launches, the groundwork for future advancements has been set.

Strix has significantly widened its footprint in the Consumer Goods market, introducing new product ranges and strengthening existing distribution channels.

Chairman's Statement

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

Gary Lamb
Non-Executive Chairman

Introduction

During 2023, Strix strengthened its resilient product portfolio through the integration of Billi, increased its focus on profitability in the consumer goods market and continued to defend its market share in kettle controls.

Following on from an extremely challenging 2022, we are pleased to report that Strix has demonstrated good revenue growth and strong margins, reflecting the underlying profitability of the Group. The business remains strongly cash generative thereby providing the opportunity to expand its addressable market across all divisions.

The resurgence of the Controls regulated markets started in H2 of 2023, resulting in quarter-on-quarter growth against the prior year that has continued into Q1 of 2024. Billi's robust revenue and profit growth is also expected to continue, helped by a staged expansion into key European markets. A divisional restructuring at the start of 2024 has streamlined and refocused the Consumer Goods division to drive ongoing profitable growth.

The Group remains focused on delivering against its key strategic business objectives of developing leading, innovative technology in the fields of water heating, safety control systems and drinking water treatment.

In the Strix Controls segment, Strix will look to enhance revenue through introducing new products which are focused on sustainability, safety and convenience, and provide the opportunity to expand the addressable markets within the less regulated and the China domestic markets. It will also leverage the Group's global manufacturing footprint to drive cost efficiency and improve sustainability.

In the Premium Filtration Systems (Billi) segment, the key focus will be on expansion into Europe and further product development to support both residential and commercial market opportunities.

Following a divisional restructure in the Strix Consumer Goods division, a refreshed and streamlined strategy focused on driving ongoing profitable growth will see LAICA becoming a centre of excellence for the Group. Strix will expand its market share through innovation, world class sourcing and commercial excellence. In order to drive profitability, the division will look to rationalise products and expand geographically.

The increase in net debt following the acquisition of Billi, combined with the high interest rates environment, has resulted in the Group reviewing its capital allocation framework so as to prioritise cash retention and net debt leverage reduction in the short term.

An initial target of reducing net debt leverage to 1.5x EBITDA has been established, after which leverage appetite will remain in the range of 1.0x to 2.0x for the medium term.

In order to support the focus on maximising cash generation and debt reduction, the Board has decided to implement a temporary pause in the final and interim dividend payments in 2024, with the aim being that a sustainable dividend pay-out ratio of 30% of adjusted PAT will return in 2025.

This pause will enable the Group to accelerate its deleveraging profile to ensure that it will be in a stronger financial position. It will also provide the flexibility for prudent strategic investment into new products, technologies and manufacturing capabilities to support an accelerated growth profile in the medium term as the market continues to recover.

The Group has been in discussions with its banking syndicate to improve flexibility and has agreed a normalisation of the net debt leverage covenant to 2.75x EBITDA for the duration of the remaining facility.

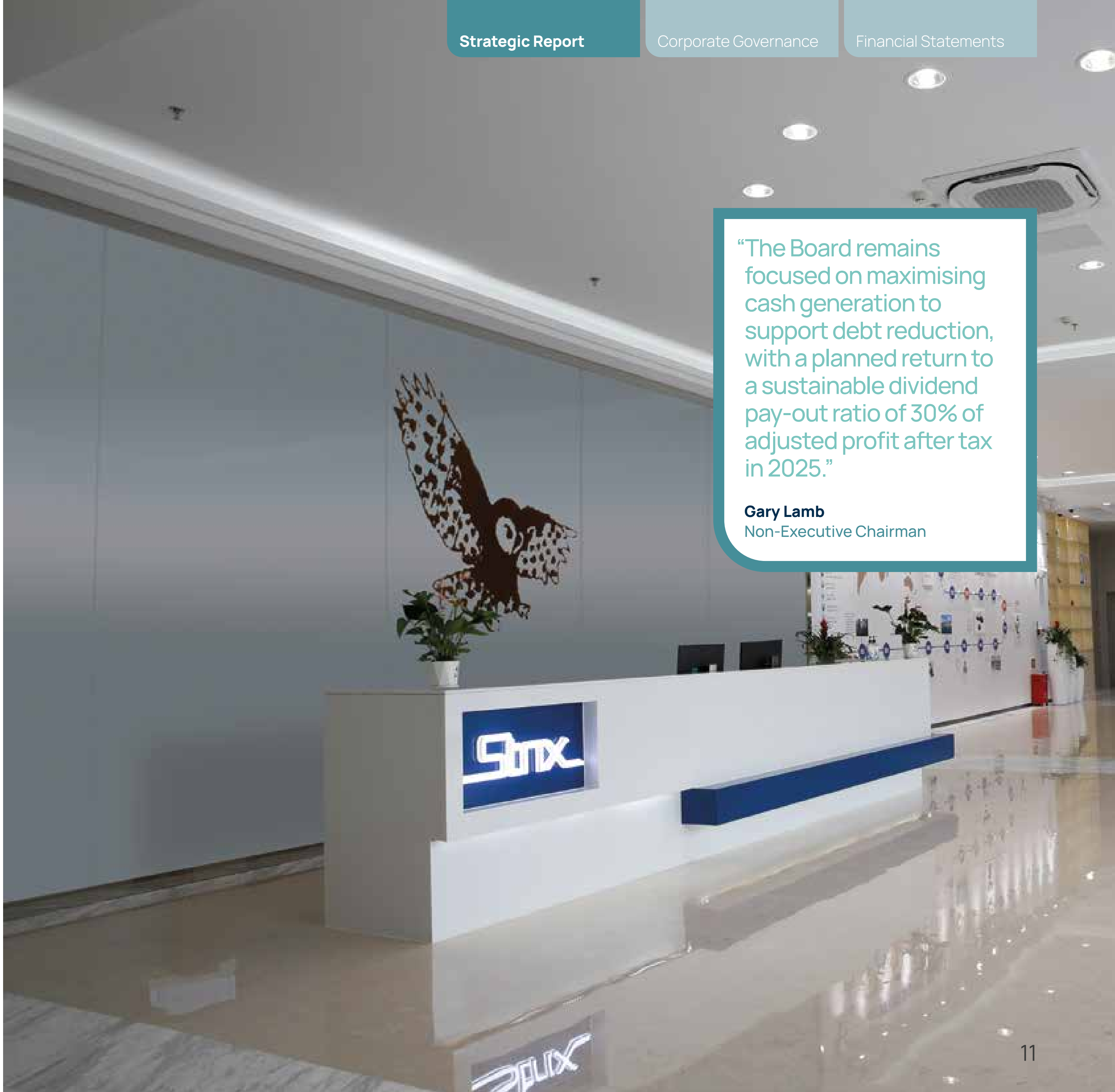
The Group is also delighted to welcome Clare Foster to the role of Chief Financial Officer. Clare was most recently the Group Chief Financial Officer at Trifast Plc and that role combined with over 25 years of experience working in international businesses, makes her a valuable addition to Strix's leadership team. The Group was also pleased to appoint Rachel Pallett as CCO of Strix Controls and

Premium Filtration Systems (Billi). Rachel has 30 years of international experience in the business of engineering and has held senior executive positions at Spirax Sarco Engineering Plc.

Strix's 2024 sustainability agenda remains a key focus as it delivers on its Scope 1 and 2 targets, analyses its Scope 3 emissions and continues to work on its other KPIs. The pace and delivery of these goals reflects the strong employee ethos and commitment to the agenda. An updated ESG report is available on the Strix website.

The Board is pleased with the Group's performance in 2023, and on its behalf, I would like to thank all employees for their continued diligence and dedication. Coupled with the new divisional structure that is to focus on expanding the addressable markets across all divisions, I am confident that we have the right people, in the right places, with the right skill sets, who are motivated and engaged to deliver on our strategic objectives going forward and will support an accelerated growth profile in the medium-term.

Gary Lamb
Non-Executive Chairman



"The Board remains focused on maximising cash generation to support debt reduction, with a planned return to a sustainable dividend pay-out ratio of 30% of adjusted profit after tax in 2025."

Gary Lamb
Non-Executive Chairman

Chief Executive Officer's Statement

"Strix is a resilient and highly cash generative business with the opportunity to expand its addressable market across all divisions."

Mark Bartlett
Chief Executive Officer

Executive summary

Despite the macro challenges, Strix's investment proposition, which was seen so positively by the equity capital markets post its IPO, remains fundamentally unchanged. Its core business is a resilient one and maintains its dominant market position with stable market share by value.

In FY 2023, Strix demonstrated robust revenue growth, largely driven by the acquisition of Billi, and continues to be highly profitable as well as strongly cash generative.

During the year the Group undertook an internal divisional restructuring programme to realign its business and focus on its core competencies. The aim is to steer valuable resources more towards profitable growth opportunities.

FY 2023 also saw changes at the senior management level, with Raudres Wong stepping down as CFO in October and Mark Kirkland taking on the interim CFO role while a new appointment was confirmed. Post year end, we were delighted to welcome Clare Foster, who has been appointed to the role CFO, as well as Rachel Pallett, who has been appointed as CCO of Strix Controls and Premium Filtration Systems (Billi).

During 2024, Strix is undertaking a rebasing of the core business in order to provide a strong platform for medium-term growth opportunities as the market continues to recover.

The Board remains focused on maximising cash generation to support debt reduction which will result in a temporary pause in dividend payments during the 2024 calendar year. A planned return to a sustainable dividend pay-out ratio of 30% of adjusted profit after tax will take place in 2025.

This pause will enable the Group to accelerate its deleveraging profile and provide the financial flexibility to enable the business to make measured strategic investments into new products, technologies and manufacturing capabilities to support an accelerated growth profile in the medium term.

Financial performance

The Group has seen strong growth with revenues increasing by 35.2% year-on-year to £144.6m (FY 2022: £106.9m), mainly as a result of the full year inclusion of Billi revenues of £41.3m (FY 2022: 1 month revenue of £2.7m).

The Group's adjusted EBITDA margin remains strong at 27.3% (FY 2022: 30.0%) reflecting the robust underlying profitability of the Group amidst the macro challenges.

Despite the significant increase in net finance costs, the Group's adjusted profit before tax shows only a slight year-on-year decrease of £0.3m to £21.9m (FY 2022: £22.2m).

Adjusted profit after tax for the full year was £20.6m on a constant currency basis and £20.1m on a reported basis.

Cash generation was strong (operating cash conversion was 106%) and year-end net debt was reduced by £3.7m to £83.7m.

Strix Controls

Strix Controls revenue increased to £70.1m (FY 2022: £68.2m).

Whilst the macroeconomic and geopolitical environment that Strix and its peers operate in remains challenging, revenue growth in Strix Controls outpaced the market, growing at 2.7% by value. The recovery in regulated markets started in H2 of 2023 (albeit slower than originally anticipated) recording quarter-on-quarter growth against the prior year. Key initiatives going forward include:

- New patent protected Series Z controls range undergoing customer testing, with preparations for volume manufacture underway;
- 'Technology Showcase' to demonstrate how Series Z controls enable new applications and growth opportunities beyond traditional kettles; and
- A new range of low-cost controls tailored to the domestic China and less regulated markets requirements which increases the target addressable market.

Premium Filtration Systems (PFS) (Billi)

The strategic acquisition of Billi delivered double-digit revenue and profit growth on a constant currency basis over the period. Strix anticipates that this trajectory will continue given the expanded target addressable market that Billi provides.

The new Billi UK head office in Wolverhampton, a new UK warehousing, distribution and refurbishment facility in Thurrock, and the flagship Billi showroom and event space in London are now open. The right-sizing of Australian storage and distribution facilities in New South Wales, Western Australia and South Australia is also complete. First installations of the new OmniOne unit, offering boiling, chilled and sparkling water for commercial and residential applications, and the introduction of the new Luxgarde UVC purification system for defence against waterborne bacteria and pathogens, are underway.

Key initiatives going forward include:

- Global launch of the new Multi-Function Tap, compatible with the full range of Billi under-counter modules;
- Introduction of the new OmniOne under-counter unit to export markets (commercial and residential applications);
- New product development programme targeting the residential market via selected channel partners;
- European expansion via strategic sales and service partners, with technical and commercial support from Billi UK; and
- Business development in South East Asia and the Middle East through established distribution channels.

Strix Consumer Goods

Overall, the Strix Consumer Goods division reported an 8.7% decrease in revenue to £32.4m in 2023 (FY 2022: £35.5m), driven primarily by a softening of the appliances category market. However, this was partially offset by improved water category revenues.

In 2023, Aqua Optima secured a distribution agreement with a leading UK retail outlet. It was also agreed they would be a strategic brand partner for a European private label deal within the water category for distribution into France and expansion into Turkey. Aurora Coffee also launched in North America.

Key initiatives going forward include:

- Drive the Original Equipment Manufacturer (OEM) business: two major contracts have been secured which will deliver c.40% of 2024 growth; and
- New product development focus on bolstering core profitable categories, including launches across filtration and vacuum sealer categories.

A divisional restructuring at the start of 2024 has streamlined and refocused the Strix Consumer Goods division to drive ongoing profitable growth.

Senior management changes

Further to the prior announcement, Strix is also pleased to welcome the appointment of Clare Foster as Chief Financial Officer. Clare has over 25 years of experience working in international businesses and was most recently the Group Chief Financial Officer at Trifast Plc making her a valuable addition to Strix's leadership team.

The Group actively monitors the markets in which it operates for violation of its intellectual property rights.

Chief Executive Officer's Statement continued

She joined Strix on 1 February 2024 and following a handover period, formally took office and joined the Board on 2 April 2024 at which point Mark Kirkland stepped down as Interim Chief Financial Officer. Mark continues as a Non-Executive Director on the Strix Board.

In addition, Rachel Pallett has been appointed as Chief Commercial Officer of Strix Controls and Premium Filtration Systems (Billi). Rachel has 30 years of international experience in the business of engineering. She has held senior executive positions at Spirax Sarco Engineering Plc, where she was Director of Business Development for Steam Specialties – responsible for the design, development and commercialisation of steam systems, controls and thermal energy management solutions. Prior to Spirax, she held several leadership and technical positions at Renishaw Plc, the precision metrology and healthcare technology group.

Barriers to entry and defence of intellectual property

Strix constantly assesses the risks posed by competitive threats. This drives the determination to constantly evolve its innovative technologies in a sustainable way by investing in its portfolio of intellectual property to protect its new products.

The Group actively monitors the markets in which it operates for violation of its intellectual property rights. Strix has unique relationships with its brands, OEMs and retailers and provides its support across the value chain and throughout the product lifecycle, including product design and advice on specification and manufacturing solutions.

These value-added services and existing strong relationships ensure brands, OEMs and retailers continue to rely on Strix's components and support.

Sustainability

Strix core products are associated with the consumption of critical resources, primarily electricity and water. Strix's drive for continual improvement within this area has ensured alignment with a sustainability-led agenda. Recent years have seen an increase in the emphasis and broadening of the scope of its sustainability agenda. This was highlighted by the adoption of a wide range of key performance indicators (KPIs) and associated targets in 2021.

The Group's sustainability strategy and adopted KPIs are generating greater emphasis and efforts on a broad range of aspects. Employee training has been a focus, with a significant increase in training hours assisted by the adoption of a more structured approach which has included the Kallidus e-learning system and a new training management structure in China. Health and safety continues to be a top priority with the three-year average trend continuing in a positive direction.

Key strategic business objectives

Strix reconfirms its commitment to the key strategic business objectives outlined below:

Strix Controls:

- Profitably grow revenue through the introduction of innovative new products focused on sustainability, safety and convenience – including a new range of controls to increase the addressable markets within the less regulated and the China domestic markets.
- Leveraging the Group's global manufacturing footprint to drive cost efficiency and improve sustainability.

Premium Filtration Systems (Billi):

- Leverage new product development and expand the geographical distribution in both residential and commercial markets.
- Priority will be placed on expansion into Europe and further product development to support the residential market opportunities.

Strix Consumer Goods:

- Following a divisional restructure, a refreshed and robust strategy will see LAICA in Italy becoming a highly profitable centre of excellence for the Group.
- Grow market share through innovation, world-class sourcing and commercial excellence.
- Focus will be on geographical expansion and rationalisation of products to maximise profitability.

Developing leading, innovative technology in the fields of water heating, safety control systems and drinking water treatment.

Strix values its employees and their contribution and looks to develop their wellbeing. This is reflected in improved facilities offered by the new Chinese facility, whilst other geographies have seen changes in the working week, increased holiday entitlement and the introduction of two charity days a year.

Strix's sustainability agenda for 2024 remains high on the agenda as it delivers on its Scope 1 & 2 targets, analyses its Scope 3 emissions and continues to focus on its other KPIs. The pace and delivery of these goals reflects the strong employee ethos and commitment to the agenda. An updated ESG report was uploaded to the Strix Group Plc website on 27 March 2024.

Outlook

A rebasing of the core business is being undertaken in 2024 to build strong foundations for medium-term growth opportunities as the market continues to recover.

Despite the macro challenges, the fundamentals of the Group that were seen so positively by the capital markets post-listing remain unchanged. The core business is a resilient one and maintains its dominant market position, with a stable kettle controls market share by value.

The recovery in the Strix Controls regulated markets started in H2 of 2023 (albeit slower than originally anticipated) recording quarter-on-quarter growth against the prior year and this has continued into Q1 of 2024.

PSF (Billi)'s double-digit revenue and profit growth is expected to continue, helped by a staged expansion into key European markets.

Divisional restructuring at the start of 2024 has streamlined and refocused the Strix Consumer Goods division to drive ongoing profitable growth.

Whilst the Board remains focused on deleveraging, prudent strategic investment continues into new products, technologies and manufacturing capabilities to support an accelerated growth profile in the medium term.

Mark Bartlett
Chief Executive Officer

"The strategic acquisition of Billi has delivered double-digit revenue and profit growth on a constant currency basis over the period which is anticipated to continue, helped by a staged expansion into key European markets."

Mark Bartlett
Chief Executive Officer

Investment Case

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

1.

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

- Global market value share of the kettle controls remained stable as the Group retained dominance in the market.
- Whilst the macroeconomic and geopolitical environment that Strix and its peers operate in remains challenging, revenue growth in Strix Controls outpaced the market, growing at 2.7% by value.
- The recovery in regulated markets started in H2 of 2023 (albeit slower than originally anticipated) recording quarter-on-quarter growth against the prior year.
- Key initiatives going forward include:
  - New patent protected Series Z controls range undergoing customer testing, with preparations for volume manufacture underway;
  - 'Technology Showcase' to demonstrate how Series Z controls enable new applications and growth opportunities beyond traditional kettles; and
  - A new range of low-cost controls tailored to the domestic China and less regulated markets requirements which increases the target addressable market.

2.

Significant growth opportunities in the Premium Filtration Systems (PFS) (Billi) and Consumer Goods segments

- The strategic acquisition of Billi delivered double-digit revenue and profit growth on a constant currency basis over the period. Strix anticipates that this trajectory will continue given the expanded target-addressable market that Billi provides.
- Key initiatives going forward include:
  - Global launch of new Multi-Function Tap, compatible with the full range of Billi under-counter modules;
  - Introduction of the new OmniOne under-counter unit to export markets (commercial and residential applications);
  - New product development programme targeting the residential market via selected channel partners;
  - European expansion via strategic sales and service partners, with technical and commercial support from Billi UK; and
  - Business development in South-East Asia and the Middle East through established distribution channels.
- In 2023, Aqua Optima secured a distribution agreement with a leading UK retail outlet. It was also agreed they would be a strategic brand partner for a European private label deal within the water category for distribution into France and expansion into Turkey. Aurora Coffee also launched in North America.
- Key initiatives going forward include:
  - Drive OEM business; two major contracts secured which will deliver c.40% of 2024 growth;
  - New product development focus on bolstering core profitable categories, including launches across filtration and vacuum sealer categories; and
  - A divisional restructuring at the start of 2024 has streamlined and refocused the Strix Consumer Goods division to drive ongoing profitable growth.

3.

Strong ESG credentials with structural growth tailwinds

- Comprehensive Board-led sustainability strategy embedded within core business activities and aligned with key and relevant UN Sustainable Development Goals.
- Range of initiatives that focus on the full spectrum of Environmental, Social and Governance with baselines established to track improvements and to clearly monitor progress year-on-year.
- Achieved ambitious net zero Scope 1 & 2 target in 2023 with a reduction in emissions of 95% over two years and investment to supply 10% of our requirements from our own solar infrastructure.
- Focus turning to reducing Scope 3 emissions.
- An updated ESG report is available on the Strix website.

4.

Market-leading adjusted EBITDA margin

- Significant investment in automation, as well as ongoing focus on other efficiency measures, strategic initiatives and acquisition synergies underpinning EBITDA margin uplift.
- Increasing the appliances product mix further, to focus on differentiated products, boosts margins as these are typically more complex technologies that can command a higher price point.
- Increased capacity at the new factory allows for insourcing 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.

5.

Disciplined Capital Allocation Framework

- A rebasing of the core business is being undertaken in 2024 to build strong foundations for medium-term growth opportunities as the market continues to recover.
- The Board remains focused on maximising cash generation to support debt reduction which will result in a temporary pause in dividend payments during the 2024 calendar year.
- A planned return to a sustainable dividend pay-out ratio of 30% of adjusted profit after tax will take place in 2025.
- This pause will enable the Company to accelerate its deleveraging profile and provide the financial flexibility to enable the business to make measured strategic investments into new products, technologies and manufacturing capabilities to support an accelerated growth profile in the medium-term.
- A target of initially reducing net debt leverage to 1.5x EBITDA has been put in place. After this period, leverage appetite for the Group will remain at between 1.0x to 2.0x for the medium term.

Financial Key Performance Indicators

Financial and non-financial key performance indicators (KPIs) are used to track and measure our progress over time. In addition, during 2023, clear ESG KPIs were established to track our improvements in line with our key sustainability pillars.

Strix Controls and Premium Filtration Systems (Billi)

KPI		Definition	2023 performance
Strix Controls revenues (£'000)		Value of items sold during the year within the Strix Controls category.	The increase is attributable to overall market growth of c.1% in value, c.5% in volume and further buoyed by double-digit growth in less regulated markets.
2023	70,102		
2022	68,243		
Change (2023/2022)	2.7%		
Premium Filtration Systems (Billi) revenues (£'000)		Value of items sold during the year within the Premium Filtration Systems category.	The increase is due to the inclusion of full year results of Billi. Prior year revenues included one month revenues due to acquisition of Billi on 30 November 2022. Billi has a successful history of growth, with double-digit revenue compound annual growth rate over past five years.
2023	42,106		
2022	3,224		
Change (2023/2022)	1,206.0%		
Consumer Goods revenues (£'000)		Value of items sold during the year within the consumer goods category.	Overall, the Strix Consumer Goods division reported an 8.7% decrease, driven primarily by a softening of the appliances category market. However, this was partially offset by improved water category revenues. Further, LAICA achieved adjusted EBITDA growth of 24.8% versus 2022 and Aqua Optima achieved brand growth of 19% versus 2022 with further geographical expansions planned.
2023	32,378		
2022	35,453		
Change (2023/2022)	(8.7%)		

KPI		Definition	2023 performance
Adjusted EBITDA margin[1,2]		Adjusted EBITDA margin highlights the underlying operational performance of the Group after adjusting for adjusting items, the impact of financing decisions, and depreciation and amortisation.	The Group's adjusted EBITDA margin remains strong at 27.3% (FY 2022: 30%) reflecting the robust underlying profitability of the Group despite the macro challenges.
2023	27.3%		
2022	30.0%		
Change (2023/2022)	(270 bps)		
Adjusted gross profit margin[1]		Adjusted gross profit margin highlights the profit generated from our sales, after deducting the costs associated with making and selling our products, after adjusting costs.	Adjusted gross profit margin in FY 2023 was 80 bps higher at 39.6% (FY 2022: 38.8%). The main driver of this is from our Premium Filtration Systems (Billi) segment where gross margins have increased strongly to 45.8% (FY 2022: 35.4%) as a result of the full year inclusion of Billi. With the addition of Billi, Premium Filtration Systems now represents the highest gross margin segment in the Group.
2023	39.6%		
2022	38.8%		
Change (2023/2022)	80 bps		

Footnotes

1. Adjusted results exclude adjusting items (please refer to note 6 to the Group financial statements). 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.

Non-Financial Key Performance Indicators

2023 sustainability highlights.

Operating cash conversion[3]

2023	106%
2022	94%
Change (2023/2022)	1,200 bps

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.

2023 performance

In line with previous years, the Group has maintained consistently high operating cash generation. This has been helped by strong working capital management, leading to further decreases in net working capital compared to cash outflows in the prior year.

Total R&D expenditure (£'000)

2023	4,485
2022	4,888
Change (2023/2022)	(8.2%)

2023: (3.1% of net sales)
2022: (4.6% of net sales)

Definition

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

2023 performance

Fairly constant R&D to net sales ratio of 3–5% year-on-year in line with the medium-term goals.

Footnotes
3 Cash generated from operations as a percentage of EBITDA.

Gender diversity

2023	26.7%
2022	27.3%
2021	27.3%
Change (2023/2022)	(2.2%)

Definition

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

2023 performance

The percentage of women in management roles across the Group remained relatively stable at 26.7% (FY 2022: 27.3%) whilst across the Group we retained a positive balance with women accounting for c.52% of the overall workforce.

Energy usage per unit (kwh/kpcs)

2023	29.1
2022	29.2
2021	29.8
Change (2023/2022)	(0.3%)

Definition

Energy usage is expressed in terms of total kilowatt hours consumed divided by the total number of finished goods produced in the year.

2023 performance

Energy intensity showed a small improvement over the prior year despite the inclusion of Billi for the first time. Intensity, excluding Billi, improved c.7% over prior year demonstrating the improvement activities undertaken in the period.

Business travel (tCO_2e)

2023	574
2022	98
2021	93
Change (2023/2022)	485.7%

Definition

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

2023 performance

The expansion of the Group's geographical footprint with the acquisition of Billi, including actions associated with the integration into the Group, led to a significant increase in business travel. Despite this, the associated emissions remain well within our stated target of below pre-COVID levels (1,014 tCO_2e in 2019).

Non-Financial Key Performance Indicators continued

Waste

2023	1,339
2022	1,301
2021	1,969
Change (2023/2022)	2.9%

Definition

The total waste generated in the business.

2023 performance

Waste increased due to the acquisition of Billi but declined marginally on an underlying basis. The recycling rate increased by 1% to 95%.

Electricity generated in house

2023	9.6%
2022	9.3%
2021	0.0%
Change (2023/2022)	3.2%

Definition

Proportion of the Group's total electricity requirement generated from in-house renewables – solar.

2023 performance

The overall proportion of electricity generated in-house increased due to the addition of Billi. The underlying figures declined marginally despite additional solar array installations due to the vagaries of the weather.

Water usage (m^3)

2023	31,780
2022	34,600
2021	46,848
Change (2023/2022)	(8.2%)

Definition

Water usage is expressed in cubic meters.

2023 performance

Water usage was reduced despite the addition of Billi, itself a water orientated business. This reflected internal actions and reduced testing, a key usage for the Group. Underlying water intensity improved by 10% excluding Billi.

Water intensity (m^3/£m)

2023	220
2022	333
2021	392
Change (2023/2022)	(33.9%)

Definition

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

2023 performance

Water intensity declined ahead of the overall water usage due to the impact of Billi.

Total lost time accidents

2023	14
2022	9
2021	11
Change (2023/2022)	55.6%

Definition

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

2023 performance

2023 saw an increase in accidents, primarily in our Chinese facility. Whilst none of these accidents were serious and the long-term trend for accidents and the associated lost time rates are both still in a downward (positive) direction, any accident is one too many. Hence, management has taken actions to hire an Industrial Engineer in the China Health & Safety team to provide a unique insight into hazards associated with high levels of automation in addition to bespoke on the job training given to all relevant staff.

A real opportunity for future growth

Strix's growth ambitions are at the forefront of all strategic decisions. Growth continues to be achieved primarily organically and through strategic acquisitions in the Group's water and appliances categories, supported by its solid market-leading position in kettle controls.

Strix Controls

Overview

The global market for small domestic appliances (SDA) began a slow recovery in H2 2023 after a prolonged softening in 2022, resulting from the cost of living crisis prompted by the Russia/Ukraine conflict. Data indicates that c.4% SDA market growth in 2023 was driven by the popularity of air-fryers in the UK and Chinese healthy-eating appliances, implying that electric kettles and other SDA growth rates remained negative overall. Strix controls are primarily used in electric kettles where household penetration rates provide an indicator of potential growth. In 2023 Strix estimates global electric kettle penetration remained around 35% to 40%.

Regulated kettle markets

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 2023, the regulated kettle control markets ended the year on a positive trend but still flat year-on-year. Strix is the key supplier to the regulated markets, where customers favour high-quality controls to meet tighter regulations. In this mature market, Strix's market value share remained at c.70%.

Less regulated kettle markets

Less regulated markets are those where either high safety and/or intellectual property standards are not in place, or where they are in place but less rigorously enforced. Examples of less regulated markets include the CIS, Middle East, South East Asia, Africa and South America. 2023 saw this market rebound, gaining momentum in H2 to deliver c.7% year-on-year growth. In less regulated markets, Strix's share remained at c.35% of the controls market.

China domestic market

China is generally considered to be a less regulated market but continues to develop with improving safety standards and enforcement. In 2023, ongoing softness in China's post-COVID economy saw the domestic kettle market decline c.2% and Strix's value share soften slightly to c.35%.

Market share by value

Regulated markets

c.70%

Less regulated markets

c.35%

China

c.35%

Projected growth for global drinking water dispenser market between 2024 and 2030

c.+9%

Billi

Overview

The global drinking water dispenser market is projected to grow at a compound annual growth rate of c.9% from 2024 to 2030. Billi is recognised as a key exponent of the premium 'under-the-bench' category in established markets and continues to emerge as a global player in new markets. Consumer interest in the convenience of accessing hot, chilled, sparkling and filtered water from a multi-function dispenser is driven by increasing awareness regarding water quality and collective consciousness around sustainability, health and wellbeing. Other growth drivers within this segment include custom tapware finishes and design profiles, and the ability to conserve space requirements.

Sustainability

Sustainability initiatives targeting the reduction of single-use plastics seek to eliminate traditional bottled water and replace them with reusable vessels. Growing preferences for more eco-friendly solutions continue to drive the adoption of under-bench drinking water systems, with the emphasis on energy efficiency and reduced waste.

Health and wellness

Consumers are actively moving away from sugary beverages and towards calorie-free alternatives, including filtered and sparkling water, creating new interest in water dispensing systems. Additionally, increasing concerns over waterborne diseases and contaminants propel demand for under-bench drinking water systems that offer superior filtration and purification capabilities.

Established and emerging markets

There is a steady increase in requirement for under-bench drinking water appliances worldwide. Established markets include Australia, New Zealand and the UK. South Asia including Singapore and Hong Kong were also strong performers. The rest of the world is considered as an emerging market in the under-bench segment, with Europe and the Middle East currently considered as high potential growth opportunities.

Case Study: The Hütt 01 Passivhaus, Coburg

Felicity and Marc Bernstein, the Interior Designer, Architect and Directors of Melbourne Design Studio, have long held a passion for sustainability. Over the years, they have created a variety of environmentally responsible dwellings for their clients – including a home for themselves: Hütt 01 Passivhaus in the heart of Coburg, a North Melbourne neighbourhood. That's why it was paramount for all of the elements of the design, including the kitchen fittings, to help achieve their sustainability goals.

The Bernsteins wanted to cut down on single-use plastic and encourage their family of five to drink more water. "Because we never liked the taste of unfiltered tap water, we used to buy lots of bottled drinks – still water, sparkling water, lightly sparkling water, infused water and even soft drinks," Marc and Felicity share.

Billi's B5000 Sparkling system was the natural fit for the innovative, all-electric Passivhaus. While providing the occupants with an instant access to filtered boiling, chilled and sparkling water from a single dispenser, the environmentally responsible product also boasts a variety of features designed to save water and energy, as well as reduce waste.

"Billi's self-learning eco mode is great because the dispenser only heats up water when required," Felicity and Marc enthuse. The product also features the Ica Bank technology which enables faster recovery of chilled water supply. That allows greater saturation of CO_2 and more efficient recharge of sparkling water, reducing waste and impact on landfill all at once.

"We also love that the product is GreenTag certified. It means the manufacturer is doing the right thing, and helps with our environmental choices. Minimising the need to buy bottled drinks substantially reduces our landfill, as well as water and energy waste. It therefore sits very well in our Passivhaus model home as it supports our sustainable lifestyle choices."

"Billi's self-learning eco mode is great because the dispenser only heats up water when required."

Consumer Goods: A relentless pursuit of customer satisfaction

The strategy in the water category remains centred on functioning as an Original Equipment Manufacturer (OEM), a technology provider and a consumer products enterprise across its diverse range of brands and partnerships. The LAICA brand is tailored to meet the needs of families, focusing on reducing water contaminants while preserving essential minerals crucial for health. With a diverse range of specialised filters, LAICA products address specific water concerns related to tea and coffee preparation, mineralisation and microplastics reduction. Aqua Optima, on the other hand, emphasises convenience, compatibility with existing jugs, simplicity and competitive pricing for private label solutions.

In late 2023, Strix ventured into the adjacent consumer market of sparkling water dispensers under the LAICA brand, aiming to develop market knowledge to facilitate the potential introduction of additional appliances offering filtered and carbonated water.

Looking ahead, the Strix roadmap for new water product aims to enhance filtration capabilities, expanding into new channels and addressing rising demands linked to the worldwide pollution of specific contaminants and evolving preferences for filtered water characteristics.

In the appliance category, Strix strives to develop products that not only meet but exceed expectations. The LAICA appliance roadmap has been crafted with this core ethos at its heart, aiming to provide consumers with a broader range of solutions that help them live a healthier, more sustainable life at home. The strong success and growth of the vacuum range instil us with confidence in the direction and lineup of LAICA products moving forward.

The recent launch of Aurora Coffee, for example, a combined coffee maker and hot water dispenser under the Aqua Optima brand, has begun to attract consumer demand while tapping into the large coffee category across our target markets of North America and Western Europe. Within the baby care category, we endeavour to be the premier technical solutions provider for leading baby care brands seeking innovative electrical appliances. After the successful demand for the world's fastest steriliser-dryer in collaboration with the renowned US baby care brand Baby Brezza, our core European business will reinforce its strong performance with new upcoming solutions to be launched in late 2024 and 2025. These endeavours solidify our position as a trusted partner in the baby care industry, delivering cutting-edge solutions to meet the evolving needs of busy parents worldwide.

As Strix continues to push the boundaries of innovation, expanding beyond the core appliance categories, the product roadmap within the 'home' category has been shaped and refined. Our strategic roadmap embraces diverse modes of execution, ranging from harnessing in-house innovation to a rapid sourcing approach, aimed at building a comprehensive, credible product lineup aligned with our brand direction and values.

Key Strategic Indicators

Indicator	Organic revenue growth >GDP (%)	Adjusted EBITDA Margin of >25%	Premium Filtration Systems (Billi) revenues to grow at >10%	Net debt leverage reduction to 1.5x EBITDA
Key metric	2023: 2.7% 2022: (19.9%)	2023: 27.3% 2022: 30%	2023: 10% 2022: N/A	2023: 2.19x 2022: 2.24x
Definition	Group organic revenue growth is calculated as Group sales less acquisitions in the current financial year, against the prior year	Adjusted earnings before interest, tax, depreciation and amortisation	Premium Filtration Systems (Billi) revenue growth is calculated as sales in the current financial year, against the prior year at constant exchange rate	Net debt/Adjusted EBITDA. Net debt is calculated excluding accrued interest, ROU lease liabilities, and net of loan arrangement fees, as defined in our banking facility agreement
	Global GDP growth has been based on current forecasts at 3.2% for 2023, 2024 and 2025 from the IMF			
Why?	Our focus on growth makes revenue growth in excess of prevailing macroeconomic conditions an important barometer of the Group's success	Our focus is on achieving highly profitable growth and maintaining our strong profitability at EBITDA level is key to this	The ongoing rapid expansion of Premium Filtration Systems (Billi) is a key strategic aim of the Group and formed a significant part of the original acquisition business case	The reduction in net debt leverage is a key priority of the Group to provide a secure foundation, reduce interest costs and improve access to funding fit for our medium-term aspirations
Progress in FY2023	Revenues in our Strix Controls segment grew close to global GDP at 2.7%, but offset by challenging market conditions in our Strix Consumer Goods division	Despite a small decrease in EBITDA margin, due to margin pressures in the Strix Consumer Goods division, the Group remained highly profitable in the year, reporting an EBITDA margin of 27.3%	Premium Filtration Systems (Billi) grew by 10% at constant exchange rate in the year reflecting ongoing market share gains in the UK and Australia	Net debt leverage was 2.19x EBITDA at 31 December 2023, in compliance with our debt covenant threshold of 2.25x EBITDA

Strix Controls

Strix still holds a strong market- leading position in the kettle controls market. However, the Company continues to reach out for further growth. We aim to achieve this by adopting a split strategy approach across our three market segments: regulated, less regulated and China.

Regulated markets

Within regulated markets, our goal is to uphold and improve our majority share while protecting average selling price through developing innovative new products with features that enhance our customer value proposition, and more widely promoting our Global Support Service.

Less regulated markets

Strix has over two times more share in regulated markets than the more fragmented less regulated segment, which provides opportunities for more aggressive growth in this segment. We will achieve this through leveraging our established Original Equipment Manufacturer (OEM) partnerships, further expanding our Strix VQ product range and enhancing Strix brand recognition.

China domestic market

China consumers demand new solutions where traditional products are being left behind. A rigorous value-based approach to product development will be taken to underpin our position in this extremely cost-competitive market.

Key initiatives

- New patent protected Next Gen controls range undergoing customer testing and preparations for volume manufacture underway.
- 'Technology Showcase' to demonstrate how Next Gen controls enable new applications and growth opportunities beyond traditional kettles.
- A new range of low-cost controls tailored to the domestic China and less regulated market requirements.
- Strix's in-house Industrial Design Service provides a customisable 'ready-to-go' kettle design catalogue, significantly reducing 'time-to-market' without compromising quality or performance.
- An unmatched global network of Applications Engineers, Technical Specialists and Key Account Managers ensure prompt support and a professional service wherever customers design and manufacture their product.
- Years of experience in SDA design and manufacture have honed our ability to solve problems and identify opportunities in partnership with all our stakeholders.

Premium Filtration Systems: Billi

Geographical expansion
Business development activities in South East Asia are already gaining traction with notable opportunities in the hospitality sector.

With Billi UK firmly established as a technical and commercial support hub, expansion is now possible into Europe – a growth market for under-bench water dispensers.

The Middle East also offers opportunities, driven by growth in the sustainable building sector.

Commercial and residential markets
Billi has been a leading player in the commercial and institutional markets for many years, supplying corporate offices, government, educational and healthcare customers. Growth in refurbishment comes from 'return-to-workplace' initiatives, wellbeing and sustainability drivers.

The energy saving, small footprint, quiet operation and easy-to-install value proposition of the Billi range fits well with residential requirements. Expanding the 'Billi at Home' product range for sale through existing and new retail partnerships offers significant growth potential.

Group synergy
Established Group functions including Research & Development, IP Protection and Compliance improve efficiency and bolster Billi new product development capability.

Existing Strix relationships and networks support Billi's geographic expansion plans outside their established markets of Australia, New Zealand and the UK.

Growth drivers
- Global launch of new Multi-Function Tap, compatible with the full range of Billi under-counter modules.
- Introduction of the new OmniOne under-counter unit to export markets (commercial and residential applications).
- New product development programme targeting the residential market via selected channel partners.
- European expansion via strategic sales and service partners, with technical and commercial support from Billi UK.
- Business development in South East Asia and the Middle East through established distribution channels.

Consumer Goods: Appliances and Water

Market dynamics vs. new strategy

Macro
- Changing purchasing habits and disposable income challenges mean less consumer loyalty and a rise in private label and challenger brands.
- Our brands are well positioned to take market share versus the market leader in water filtration.
- Strix holds significant contracts within the private label water filtration market and is poised to grow as many consumers trade down to private label alternatives.
- Despite the cost of living crisis, sustainability remains a key concern and consideration in many consumer purchase journeys.
- Strix continues to develop products to address sustainability problems.

Key initiatives
- Correctly position brands for best gross profit contribution.
- Enter the market of coffee machines filters with own brands.
- Expand OEM contracts for internally manufactured appliances.
- Introduce health driven products in water filtration.
- Expand health and wellness appliance products and sales.
- Expand vacuum sealer sales of machines and consumables.
- Restart LAICA sales in China for both water filtration and appliances.
- Enter new Asian markets.

Adapted strategy
- The challenges presented by the worldwide ever-changing political and economic scenarios pushed us to adapt and rebase the business towards goals set on more consolidated and reliable elements of the Strix Consumer Goods division.

Delivering Our Strategy

Strix Controls

Strix remains the market-leading provider of control components within the global kettle control market – essential to product safety and energy efficient operation.

The introduction of new product series over the last couple of years continues to strengthen Strix's commercial and technology leadership position. 'Good', 'Better' and 'Best' range classification ensures Strix products are aligned to match customer need and price points. The new, innovative Next Generation Series Z control range drives down cost and increases customer benefits, providing new electronic features and an expanded range of design options with a focus on aesthetic trends, consumer energy saving and Original Equipment Manufacturer (OEM) cost benefits.

Although kettles remain the primary application for Strix Controls, new applications in the small domestic appliance (SDA) market continue to emerge, including milk frothers, healthy eating appliances, travel kettles and flasks. The small size, novel features and common platform that define the Next Generation Series Z control range provides designers with considerably more freedom to expand their product ranges and generate profitable, incremental business growth in the kettle and adjacent appliance markets. This enables Strix to strengthen and grow strategic partnerships with the world's premium brands and OEMs.

Continued enhancement of the VQ controls range, which provides a lower cost alternative for less regulated markets, provides further growth opportunities – leveraged through Strix's long-established OEM relationships.

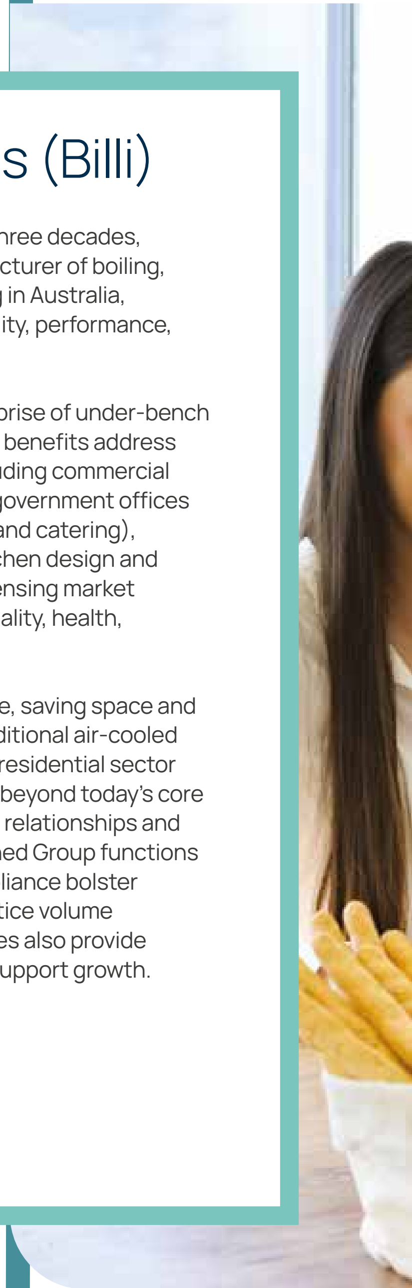
The Group remains focused on defending its intellectual property, including success in China. Strix has increased its focus on identifying the sale of copyists and unsafe kettles particularly for online sales. This has led to a number of actions being undertaken that include product recalls, intellectual property enforcement raids, unfair competition claims, patent infringement claims and copyright claims.

Premium Filtration Systems (Billi)

Billi joined the Strix Group in November 2022. Over the last three decades, Billi has established itself as a premier designer and manufacturer of boiling, chilled, sparkling and still filtered water systems. Originating in Australia, Billi has consistently set industry benchmarks for functionality, performance, modern aesthetics and customer service.

The wide range of Billi drinking water systems primarily comprise of under-bench units and compatible dispensers. Billi's system features and benefits address a variety of customer needs across key market sectors including commercial (e.g. corporate and government offices), institutional (e.g. government offices and correctional facilities), hospitality (hotels, restaurants and catering), healthcare (e.g. hospitals and aged care) and retail (e.g. kitchen design and plumbing). Trends driving growth in the drinking water dispensing market include increasing consumer awareness regarding water quality, health, wellbeing and sustainability.

Proprietary water-cooled technology is core to the Billi range, saving space and enabling up to 40% energy efficiency improvement over traditional air-cooled systems. This opens new opportunities in the fast-growing residential sector and also aligns with the opportunity to significantly expand beyond today's core markets of Australia, New Zealand and the UK. Existing Strix relationships and networks support Billi's geographic expansion and established Group functions including Research & Development, IP Protection and Compliance bolster Billi's new product development capability. Strix's best-practice volume manufacturing, procurement and product testing capabilities also provide opportunities to reduce costs and increase throughput to support growth.



Strix Consumer Goods

Consumer goods within the Group has undergone significant changes since the IPO. These transformations were catalysed by the acquisition of LAICA in 2020, the expansion of the Aqua Optima branded products and the Group reorganisation into two distinct divisions in 2023. The recent adoption of such divisional structure has enabled the Strix Consumer Goods division to focus its efforts on a targeted and diverse array of customer-facing product lines, catering to both business-to-customer and business-to-business clientele with customised attention to each channel.

The division now operates as a truly omnichannel player, seamlessly navigating digital and traditional bricks-and-mortar channels. With continued and gradual investments in digital channels, the Group successfully ventured into new 'direct to consumer' marketplaces in 2023, unlocking fresh business opportunities and new avenues for customer interaction. Divisional leadership has implemented a clear plan to sustain volumes and enhance profitability, overseeing operational processes from sales to supply chain management for all manufacturing locations. These initiatives have already yielded visible results in 2023, significantly contributing especially to LAICA's outstanding profit performance.

In the water filtration category, the successful coordination of the existing brands, coupled with the collaborative efforts of the Research & Development team, will drive the Group's ongoing strategy forward. In the UK and Europe, leveraging the Aqua Optima and LAICA brands, the division secured new retail listings in 2023, expanding presence across the region. Aqua Optima has forged partnerships with leading UK retail brands to launch private label products and introduced innovative filter products to the market, such as the Evolve+ fast flow and Perfect Pour. Meanwhile, LAICA remains the Group's premium brand in the category, with a strategic focus on expanding its heritage into new markets. The LAICA filters, renowned for their Italian ingenuity, innovation and craftsmanship, deliver superior filtering performance, elevating the taste and quality of home drinking water, while at the same time making it healthier.

The brand portfolio has strengthened Strix's competitive position in the water filtration market, laying the groundwork for future growth. With a comprehensive roadmap of new product launches and cross-selling initiatives across all brands, the water category is poised for strategic expansion in the years ahead.

Within the SDA category, the Group has continued to innovate with products such as the Aurora range, a Hot Water Dispenser for Philips, and the innovative LAICA Dual Flo and ISEO kettles, blending LAICA's filtration expertise with Strix's temperature regulation technology and safety. Furthermore, the Group expanded its existing Aurora range with the successful launch of the Aurora Coffee, now available in selected marketplaces.

New Products Roadmap

Strix continues to invest in its research and development capabilities, delivering innovative new technology that creates added value, improves safety, enhances consumer experience and reduces environmental impact. Innovation is combined with an in-depth understanding of customer requirements and market trends across all the Group's market sectors and geographies, delivering products that meet consumer needs at a variety of price points and functionality levels.

	2022	2023	2024
Strix Controls	• Fast Boil – Patented 15A range expansion. • Original Equipment Manufacturer (OEM) efficiency improvement (U7, VQ wire management). • U99 refresh targeting improved user experience (eliminate appliance rocking). • Multiple cost-down and efficiency enhancement projects.	• Next Generation Control Range (Series Z) development. • Adjacent market application development (portable appliances, milk frothers). • New element technology development. • Multiple cost-down and efficiency enhancement projects.	• Next Generation (Series Z 3-pole) volume production. • Technology showcase designs for new appliances in emerging product categories. • Expansion of the VQ value range of controls. • Enhancement projects to reduce environmental impact and save cost.
Premium Filtration Systems (Billi)	• New under-bench module concept development (OmniOne). • Launched online specification tool with 3D simulation.	• First OmniOne under-bench units available in Australia. • Multi-function mixer tap – new range development. • Luxgarde UVC Purification System launched. • GreenTag environmental certification.	• Introduction of OmniOne to export markets. • Global launch of the new Multi-Function Tap. • Expansion of the Luxgarde UVC Purification range. • New contactless interface for the XT dispenser range.
Consumer Goods	• North American version of Aqua Optima Range. • Range of LAICA jugs and filters into UK. • New Improved Evolve+ Multi-Fit Filter. • Enhanced Tap Filter. • Perfect Pour Jug Range. • Aurora Range Expansion (two additional models). • Steriliser-Dryer. • Dual Flo – LAICA. • Eco (glass) Vacuum containers. • New kitchen scales range. • New personal scales range. • Air treatment range.	• Perfect Pour Dispenser. • Evolve+ Advance (High Performance Limescale Filter). • LAICA Digital Water Filter Kettle and LAICA – ISEO Breakfast Set. • Expansion of air treatment range. • Sparkling water maker. • Dual Flo Toaster. • AO kettle range for North America (NAM). • Aurora Coffee for NAM and UK.	• New filtration line (BiFlux) targeting health-conscious consumers. • Coffee Machines Water Filtration Line Expansion. • AO Magnesium Filter. • Premium Vacuum Sealer models. • Handheld Vacuum Sealers with accessories. • Multi-functional Air-Fryer/Grill for APAC. • Renewed antibacterial baby milk dispenser.

LAICA – ISEO breakfast set

An innovative ISEO breakfast set launched under the LAICA brand in 2023. The kettle is the first of its kind to offer consumers the combination of filtered and variable temperature water (Powered by 5 Pole Strix Technology) – allowing users to brew a range of healthy herbal teas at the perfect temperature, with pure, filtered water for the perfect tasting hot drink. Paired with the stylish digital toaster (with two or four slice options) which displays a countdown timer allowing users to see when their toast will be ready, the ISEO breakfast set is a premium pairing for those who seek quality kitchen appliances.

The breakfast set is available across the UK and key European markets, with further distribution in the pipeline for 2024.

Aurora Coffee

Why did we make Aurora Coffee?

With living space getting smaller, consumers are looking for innovative ways to get the functionality out of their kitchen that they need without compromising on space. Compact and dual function design solutions are at the forefront of consumer purchasing. As well as this, filter coffee markets are on the rise across Europe and the US as more consumers look for products to make them a perfect home brew. Today, more than ever, consumers are more eco focused when purchasing new products. Reducing energy consumption and using less water are top of many consumers minds when purchasing kitchen appliances. Delivering products that meet the daily needs of consumers whilst helping them reduce energy consumption is a key philosophy for our new products at Strix.

The product

Introducing Aurora Coffee which puts the user in control of brewing or dispensing without waste. This combination premium filter coffee and hot water dispenser delivers drinks the way the user wants – every time. Whether it is premium tasting coffee for the family in the morning or a quiet cup in the evening, Aurora Coffee is always filtered to ensure the best taste. It provides seven coffee options; from ice brew to a full 1.25L (10 cup) carafe of perfect tasting coffee. It allows purchasers to enjoy a travel cup of hot coffee on the go in the morning or to cool down with an iced coffee in the afternoon.

Aqua Optima's premium multi-function coffee maker which is approved by the Specialty Coffee Association was launched in North America in Q4 2023, with further distribution in the pipeline in 2024 across the US and Europe.

Evolve+ Advance by Aqua Optima

The new Evolve+ Advance filter is specifically engineered to tackle hard water challenges; it significantly reduces limescale build up meaning better tasting water and longer-lasting appliances. Offering consumers 70% more performance in reducing limescale versus our Evolve+ at a slightly higher price point, the Evolve+ Advance exemplifies Aqua Optima's commitment to delivering high-quality water filtration solutions that are both cost-effective and high-performing:

- Advanced limescale reduction of more than 70%.
- Advanced hardwater reduction of more than 70%.
- Extends appliance life.
- Advanced reduction of impurities from tap water.
- Better tasting hot and cold drinks.

Evolve+ Advance will be launched online initially across the UK and Europe, with bricks and mortar distribution secured in the UK in H2 2024.

Responsible Business – Overview

"Achieving our net zero target in 2023 is a milestone for the Group highlighting our ambition to be 'best-in-class' in all that we do and I am particularly pleased in achieving this goal. Sustainability has become a key ethos for the Group and a journey which we will continue to pursue with vigour." Mark Bartlett, CEO

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

Sustainability strategy

As a manufacturing business, a key philosophy from the shop floor to the office is 'continuous improvement'. We look to embed this philosophy throughout the organisation including our sustainability strategy encompassing a range of key performance indicators (KPIs) with ambitious targets requiring multiple actions across the Group. We look to positively interact with all our stakeholder groups through our **Planet – People – Purpose** philosophy, aligned to the UN's Sustainable Development Goals (SDGs).

Our intention is to build a relationship and strategy to support and benefit all our stakeholders: colleagues, customers, communities, regulatory bodies, shareholders and suppliers. The Strix ecosystem depends on the interaction and therefore the wellbeing of all parties and embracing the needs of all our stakeholders is critical to the success of the whole.

Management

The Chief Executive Officer continues to be the lead in our journey towards sustainability, with the support of key executive management, and with Board representation through our ESG Committee led by Richard Sells, Non-Executive Director.

KPIs commentary

During 2023, the key area of focus continued to be on emissions and achieving our target for net zero Scope 1 & 2 emissions. We are pleased to announce that Strix became a net zero business in 2023. Billi only joined the Group at the end of November 2022 but will also be net zero in 2024.

From a clean water and sanitation point of view, both LAICA and Billi have introduced new filters to further enhance the quality of water they deliver. LAICA sold over a million more filters in 2023 – each offering the equivalent of 100 litres of water – which is equivalent to saving an additional 200 million single-use plastic bottles.

The Group has aligned its strategy towards sustainability within the core business activities with the UN SDGs, and we have honed our key sustainability KPIs through mapping of the identified SDGs. Our strategy and progress are measured against the following KPIs, with the related targets and 2023 performance reviews.

Climate action	We are pleased to announce that we became a net zero business in 2023 after achieving our Scope 1 & 2 emissions targets based on the 2023 performance reviews as detailed in our recent ESG report available on our website (https://www.strixplc.com/documents-reports.html).
Resource intensity	Based on details in our 2023 performance reviews, energy and intensity targets remain at a 3% reduction, which improved 1.6% on production volumes despite remaining flat on revenues.
Waste and recycling	Regarding waste, our target remains at a '3% reduction', which improved 6% on production volumes despite remaining flat on revenues.
Clean water and sanitation	Underlying water usage and intensity relative to revenues both improved by 10%. Meanwhile we continue to preserve the target of a 2x growth in water business which continues in a positive trend.
Health and safety	Regarding health and safety, there were adverse variances against targets (of a reduction on a rolling three-year basis) for the first time in five years. All Strix facilities and LAICA are ISO 45001 occupational health and safety accredited and 2024 will see further actions taken to ensure a safe working environment for all.
Gender equality and employees	On gender equality, we maintain, and continue to enforce, our policies regarding diversity throughout the organisation. We have maintained the same levels of diversity at a senior management level and at Group level from the previous year.
Innovation	Innovation remains key to our sustainability strategy, and we target to continuously reduce precious resources, including the increased use of recycled materials, in research and development (R&D) processes. Based on 2023 performance reviews, we have managed to retain high levels of investment in R&D in relation to sales, however, certain new product development projects have been moved to 2025 due to business restructuring in 2024.

Billi has a positive ethos towards sustainability, and already leads the Group in areas such as internal electricity generation.

Billi sustainability

Billi joined Strix at the end of 2022, bringing a new business line with a full range of sustainability-oriented products, delivering high-quality, low environmental impact water to consumers.

Billi has a positive ethos towards sustainability, and already leads the Group in areas such as internal electricity generation, best highlighted by its solar array which generated 165MWh of clean electricity in 2023, equivalent to 75% of its total requirement.

In its first full year post-acquisition, Billi has positively embraced Strix practices. Reporting and targets have been integrated, including the company's first assessment of its Scope 3 emissions, and the business is embracing Strix's ISO accreditation philosophy with ISO 9001 (quality management) accreditation already achieved in the year, with further plans to complete ISO 14001 (environmental management), ISO 45001 (health and safety at work) and ISO 5000 (energy management) in 2024. Of particular interest is their impressive health and safety record with zero accidents reported in the year.

Scope 1 & 2 reporting has been fully integrated with Strix. Billi has realigned its remaining requirements for renewable power which, along with its own generation, will see the business Scope 2 carbon neutral in 2024. Scope 1 inventory is now fully reported and analysis continues in order to address the more difficult to remove emissions.

Scope 3 analysis commenced in the second half of the year with a preliminary high-level interrogation. As with Strix, Billi's products include a heating/cooling system and 'in use' emissions therefore dominate, accounting for over 96% of Billi's Scope 3 footprint. Product development is inevitably focused on improving efficiency from both a sustainability and cost perspective.

In product development, Billi introduced its latest purification system, with the power of its non-chemical UVC LED purification system which penetrates pathogens' DNA, RNA and proteins, disrupting their replication process and ultimately putting an end to replication, ensuring a new level of hygiene, providing water free from microorganisms responsible for coliform, salmonella, legionellae, pseudomonas and even the hepatitis virus.

Responsible Business – Planet

Protecting and enhancing the natural environment. Our goal is to minimise the utilisation of natural resources, both internally, as highlighted by our net zero target achieved in 2023, and in the key usage phase.

Planet encompasses:

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

Emissions

The highlight for the year was achieving Scope 1 & 2 net zero in 2023 in-line with our stated goal. To highlight the performance and permit historic comparisons, data on our emissions is now published using both the GHG Protocol location-based and market-based methodologies. The introduction of solar capacity, which accounted for 8.6% of the Group's, excluding Billi, power requirements in 2023, and the switch to renewable power across all operating facilities has seen our Scope 2 emissions reduced to zero and overall internal emissions cut by over 96%. The remaining Scope 1 emissions were offset by acquiring and cancelling high-quality verified carbon credits.

Billi generated solar power equivalent to 75% of its required power consumption and is fully aligned with Group policy to be net zero in 2024.

In 2023, we submitted to the CDP for the first time. We see our 'C' rating as credible given that it refers to 2022 and expect to progress up the scale due to the Group's reduced emissions in 2023.

2023 was a landmark year for Strix. We are pleased to report that this ambitious target, significantly ahead of the Paris 1.5°C requirement was achieved in the year. This clearly puts Strix in an exclusive 'best-in-class' club.

Scope 3 analysis

The elimination of Scope 2 emissions means that 'in-use' Scope 3 emissions now account for 99.9% of the Group's total (Scope 1, 2 & 3) emissions inventory. In 2023 work continued to improve the understanding of our Scope 3 footprint, including preliminary analysis at Billi.

The dominant factor, 93.7% of the total, comes from Category 11, the 'in-use' emissions generated during the life of the product, reflecting the energy consumptive nature of heating devices. Our new product roadmap is the key driver to addressing this as we look to continually improve the efficiency and performance of our products. Note that this is not the case for LAICA, primarily a specialist in the production of small household appliances for personal health and wellness and water purification equipment, and therefore having far lower in-use emissions. As a consequence, LAICA only accounts for 1% of the Group's Scope 3 emissions.

Customer Scope 3 becoming an opportunity

Strix commercial customers' interest in their own supply chain emissions is increasing as they look to assess their Scope 3 emissions and sustainability credentials. As we do similar, we are engaging with our supply chain to support their needs. Inevitably starting with the premium brands who also tend to operate in the regulated markets where Strix has its strongest market positions, being able to provide the required data in a timely manner and talk the same language on sustainability has produced a range of commercial benefits. This was perhaps best highlighted on a customer site visit as part of the Chinese Canton Fair with customers clearly impressed when they heard the site is net carbon neutral.

Energy

Energy usage, excluding Billi, was at similar levels to 2022. Intensity was flat relative to sales but improved (reduced) by c.2% relative to production volumes, reflecting the continued drive to improve energy consumption ratios. Including Billi, total energy consumption inevitably increased although intensity reduced significantly, reflecting the nature of Billi's model as an assembler of larger value units rather than a more energy intensive manufacturer of components.

In terms of own energy generated, the Chinese facility decreased slightly despite additional capacity due to the vagaries of the weather. Billi more than made up the gap giving total in-house generation of 1,291MWh accounting for 9.6% of the Group's electricity consumption, up from 9.3%. Feasibility plans continue as to the ability to install solar panels at the LAICA facility in Italy.

Water

Underlying water consumption, excluding Billi, reduced by 10% with associated intensity also improving by 10%. Note that including Billi, water usage still declined with intensity reducing further, despite the water intensive R&D requirements of Billi.

Sustainability plays a key part in our strategy and new product roadmap. Both LAICA and Billi have introduced new filters to further enhance the quality of water they deliver. LAICA sold over a million more filters in 2023. This is equivalent to saving an additional 200 million single-use plastic bottles.

Waste

Underlying waste generation declined by c.1% despite higher volumes in the year. Equally encouraging was the strong performance in recycling rates up to 96.2% from 94.1%. We continue to focus on waste, not only looking to reduce the absolute figures through improved processes but also moving up the waste hierarchy to reuse or recycle where possible.

The level of waste to landfill increased in the year to 3%. Our medium-term target is for zero waste to landfill as part of our strategy to continue to move the Group up the waste hierarchy. This was primarily due to reorganisation identifying obsolete stock which could not be fully recycled. This will be a focus for 2024 as we look for all sites to eliminate waste to landfill.

Net zero target achieved in 2023!

Key has been the installation of solar panels, a major investment but enabling the Group to generate 9.6% of its own power requirements in 2023, and contracting for renewable electricity for all primary manufacturing facilities.

Responsible Business – Planet continued

Governance

Board oversight
Climate issues are assessed by the full Board reflecting the importance the Directors place on the risks and opportunities along with the relative size of the Board and scale of the Group. Richard Sells, Non-Executive Director, provides additional oversight on sustainability matters, leveraging his career at Electrolux and its long held focus on sustainability. Along with the CEO, they provide the key conduit from the operations to the Board. Board meetings are held a minimum of six times a year with sustainability, including climate-related issues, both opportunities and risk, a consistent agenda item. Climate risks are consolidated into the annual Operational Board Risk Committee review for the Group. The Board provides the final sign-off on the Group's sustainability and hence climate targets and the associated investment. The Board is also responsible for overall strategy and ensuring that investment, including acquisitions, is aligned to the sustainability objectives of the Group.

The Remuneration Committee, comprising of three independent Board Directors, is responsible for the executive team's remuneration including Long-Term Incentive Plans (LTIPs). The executive LTIPs include targets associated with the Group's sustainability agenda, including emissions-related elements and future targets aligned with Group strategy.

Management's role
The Executive Board provides the key executive management forum for climate change and sustainability. It is chaired by the CEO, Mark Bartlett and includes personnel responsible for engineering, commercial, technology, health & safety, human resources and finance. In terms of climate risk matters, Matt Thomas, Divisional Operations Director and Strix Consumer Goods Engineering Director, has a key role in respect to climate change, responsible for assimilating climate-related data. He also has key responsibility for ISO programmes which drive a broad range of sustainability programmes. He is supported by both internal and external resources.

Climate opportunities for new products are again prioritised through the Divisional Management. The Group continually looks to enhance its new product development programme along sustainability driven corridors enhanced by through lifecycle analysis, carbon accounting, circular economy, consumer safety and potential legislative changes.

Strategy

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

Risks

	Category	Risk	Potential impact	Likelihood	Time horizon	Mitigation
Physical risk	Acute	Storm and flood disruption and rising sea levels	Strix manufacturing facilities and/or supply chain. Note that Zengcheng, Guangzhou (where the Group's main factory is located) rarely sees typhoon conditions due to its inland location although extreme wind conditions were recorded in 2015, therefore such a risk has been included. None of the Group's plants are in flood plains or below five metres above sea level.	Low	Medium	A detailed recovery plan has been documented as part of the Group's Business Continuity Plan which is overseen by the Recovery Management team. Procedures relate to communications and information exchange, recovery process phase, clean-up process, pollution prevention and restoration (including insurance claims and compensations). Restoration procedures include plan maintenance, back-ups, testing and emergency sources of power generation. The new Chinese facility has been strategically positioned whilst the improved construction provides safer and more flexible infrastructure. The plants carry an element of buffer stock against a range of supply-related risks. All facilities have contingency business plans in place.

	Category	Risk	Potential impact	Likelihood	Time horizon	Mitigation
	Chronic	Drought	Strix facility/supply chain.	Medium	Medium	Primary use of water is in the R&D/test facilities. Whilst businesses are prioritised at times of water shortages in the Isle of Man, the Company can defer certain programmes if conditions required without likelihood of long-term impact.
	Acute & Chronic	Heat stress	Primarily facility exposed to acute temperatures in China.	Low	Medium	The site is fully air conditioned and, like the factory, less than two years old. Additional A/C has recently been added to the melt-shop, the hottest department in the plant.
Transition risk	Policy & legal	Carbon price – own operations	Scope 1 & 2 emissions (market based) equated to 600 tCO_2e in 2023. As part of our net zero strategy these are offset through the purchase of certified carbon credits. At the lower end of expectations ($25/tonne) a cost of $15k rising to $90k at the upper end where credits are predicted to cost $150/tonne. This excludes any Scope 3 offsets which may become more standard in areas such as business travel. Our target is to keep business travel pre-pandemic levels which was 1,014 tCO_2e, and in 2023 emissions came in at 574 tCO_2e despite the increased geographical scope for the Group following the Billi acquisition.	Medium	Medium	Scope 1 & 2 emissions have been reduced by over 95%. A range of further initiatives including additional electric vehicles, more efficient boilers and improved energy management through ISO 5001 adoption will further assist. The worst case scenario of 600 credits @$150/tonne would be unhelpful rather than significant. Note that the anticipated savings through new sustainability-linked debt facilities are expected to outweigh the upper end of the carbon credit potential impact.
	Policy & legal	Carbon price – up/downstream	This could add to costs as suppliers look to abate their own emissions, particularly in sectors which are hard to tackle such as transportation (especially shipping and aviation) or primary materials such as metals and plastics for components.	Medium	Medium	Through engagement with our suppliers to better understand our Scope 3 emissions, they are becoming more cognisant of the emissions landscape, leading them to address their emissions profile. Completely decarbonising the end-to-end supply chain (from mining to processing to manufacturing) is highly complex and may take many years. Key is to ensure that we are ahead of our competition to ensure this is not a competitive disadvantage.
	Market	Robustness of local power grid	Increased electrification could lead to power outages at individual sites.	Low	Medium	The primary manufacturing site in China is connected through modern upgraded infrastructure. The Company's own solar power and contingency plans including the use of generators are in place.
	Market	Cost of renewable electricity	Cost of renewable electricity could rise depending on the additional capacity installed as demand increases with companies looking to meet their carbon reduction targets.	Medium	Medium/Long	We currently generate around 10% of electricity requirement from our own solar installations. Our contracts for renewables tend to be medium term (3–5 years) which provides a degree of certainty in the short term. Key will be the China manufacturing plant which has a long-term supply agreement in place.

Responsible Business – Planet continued

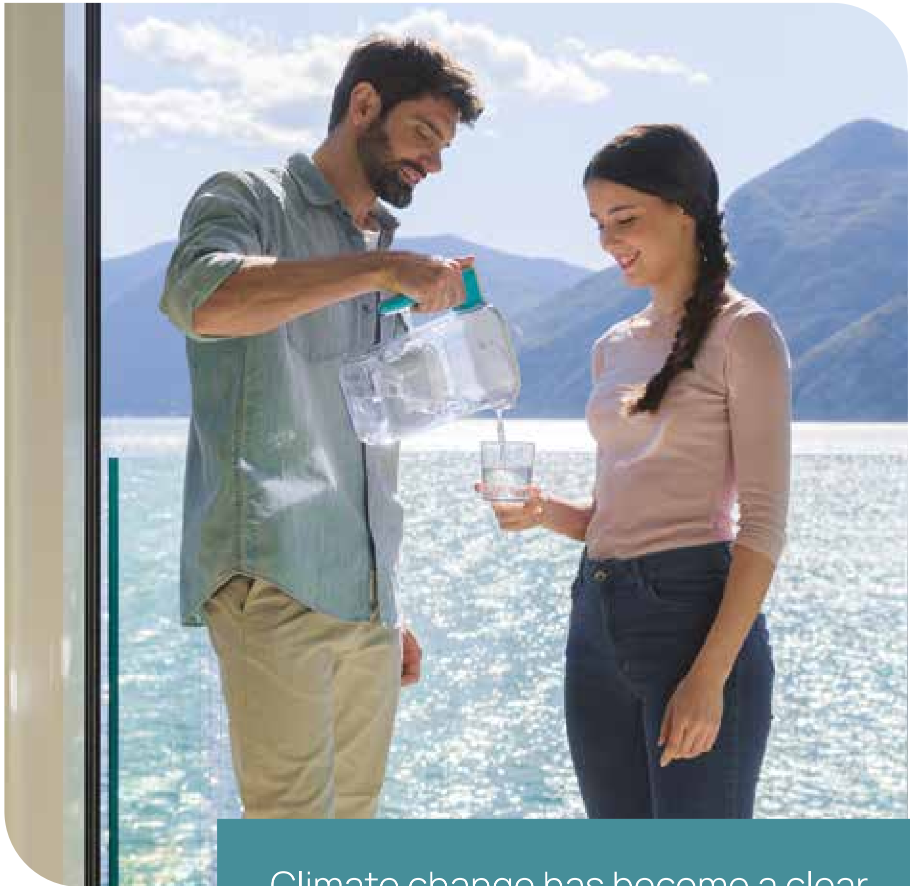
Risks continued

Category	Risk	Potential impact	Likelihood	Time horizon	Mitigation
Policy & legal	Failure to meet/ maintain expected environmental, social and governance (ESG) credentials	This could have a direct financial cost once sustainability-related finance has been put into place. It could also impact shareholder perspective/interest, especially amongst sustainability-related funds.	Medium	Short/Medium	Strive for 'best-in-class' as highlighted by our net zero Scope 1 & 2 commitment. Strong reporting/management structure with key KPIs to ensure compliance. We continue our drive in the use of automation. This requires greater energy usage but has other significant benefits in improving quality, reducing scrap, etc. Combined with the use of renewable power, management see such a shift as a double win in terms of sustainability. In addition, the new factory has been successfully audited and certified to ISO 9001, ISO 14001, ISO 45001 with ISO 50001 added to the certification portfolio in 2023.
Market	Increased investor scrutiny	There is increased focus on climate change by our equity investors and other stakeholders. This is evidenced by the rise in ESG funds and the drive to provide consolidated emissions transparency for individual funds.	Medium	Short/Medium	Our sustainability agenda has accelerated in recent years, including establishing future roadmaps and targets. From an emissions perspective we achieved our target to be Scope 1 & 2 net zero in 2023 and started developing our Scope 3 supply chain emissions inventory in 2022 which opens an additional avenue for making a difference. With the 'in use' category dominating our Scope 3 emissions our new product direction includes improved efficiency to reduce energy usage and hence emissions. Our Sustainability report provides full transparency to all stakeholders.

Opportunities

	Category	Risk	Potential impact	Likelihood	Time horizon	Mitigation
Transition opportunity	Products & services	Internal power generation	Solar production for internal use.	High	Short	Chinese investment has been made and Billi also has significant installed capacity. Hence the Group generates over 10% of Group's internal power requirements. Further opportunities, including LAICA are under consideration.
	Market	Electrification	Cooking moves away from carbon-based fuels such as gas to electricity offering the potential to change habits, i.e. stove top kettles to electric kettles.	Medium	Long	Clear benefit for the use of kettles.
	Products & services	Adoption of energy saving products	A kettle is an efficient way of boiling water and is therefore likely to be a beneficiary. Consumers will increasingly look to the most efficient way of heating/boiling water, particularly when energy prices are high and incomes squeezed.	Medium	Medium	Introduction of new features and products. In kettles this includes accurate temperature measurement and switch off. In other product ranges this includes 'one cup' boiling products. For Billi 'water on demand' developing efficiency systems such as heat recycling in the chiller/heating cycles.
	Market	Higher cost of electricity	Renewables tend to carry a cost premium, increasing the cost of using a kettle.	Medium	Medium	Develop energy saving products such as One Cup and Billi taps.
	Market	Population/urbanisation	Population increases by 1bn (RCP2.5) with increase up to 3bn (RCP8.5) albeit the high level will see reduced level of urbanisation/grid connectivity. Against the current population of 8bn in 2022 (according to the UN) and 7.2bn with access to electricity, this suggests potential growth of 24–32% although over a long time period at less than 1% a year.	High	Long term	Clearly a benefit to Strix end markets. Development of new strategy unlikely to be required.
	Products & services	Increasing importance of Scope 3 emissions	Customers, particularly the branded western clients, are increasingly looking to measure and report their Scope 3 emissions. This could become a more significant legislation as carbon import taxes using the Carbon Border Adjustment Mechanism are rolled out.	High	Short/Medium	Work with suppliers to further refine Strix's emissions and to assist customers in developing their own Scope 3 reporting. Continue to reduce our internal and supply chain emissions to be the preferred carbon partner.

Responsible Business – Planet continued



Climate change has become a clear reality and is now seen in Strix as 'business as usual'.

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

In terms of risk, Strix has developed a range of business contingency plans, including detailed recovery strategies for all manufacturing operations. This includes understanding both lengthy internal supply lines and understanding and mitigating risks within the supply chain. Our kettle switches are key to the most efficient method of boiling water which should provide benefit from rising energy prices and the shift from alternative fuels, e.g. gas to electricity. New developments such as Aurora and Dual Flo are designed to produce single servings to provide greater efficiency and reduce waste. In relation to this, our water category and associated filters increase the quality of drinking water whilst reducing the use of single-use plastic containers and associated waste. In relation to this, the acquisition of Billi complements the kettle switch business as hot taps become more widely adopted, particularly in high usage environments such as offices and commercial properties. These trends are driving the direction of our new product development with R&D expected to grow alongside the business at 3–4% of sales.

Resilience of the organisation's strategy

Our current assessment has been based on the Paris Agreement 1.5°C scenario. Management sees little likelihood of negative impact on Group assets but are working on its resilience, in particular suppliers and supply chains which are relatively lengthy. From an operational risk perspective Strix has developed a range of business contingency plans, including detailed recovery strategies for all manufacturing operations. A key risk to our net zero strategy is access to renewable energy (electricity) supply to our key manufacturing plants, particularly China. To counter such risks Strix has invested close to £1m in a solar system in China which, along with the solar installations at Billi in Australia, will provide around 10% of the electricity supply required, and signed long-term contracts for renewable energy.

Risk management

Identifying and assessing climate-related risks

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

Managing climate-related risks and opportunities

Risks are managed relative to the likelihood and potential severity to the Group. Hence, the global shift to reduce emissions is highly likely (or happening) and hence our accelerated actions in this area.

Weather-related impact has been assessed and a more measured approach of a contingency plan and insurance applied to reflect the level of risk and mitigate potential impact. These actions form part of the Group's overall risk policy with key risks identified logged within the Group's risk registry. Opportunities follow a similar pattern based on the scale of the opportunity and a set of metrics of internal measures to assess our ability to compete/benefit from such avenues.

Climate-related risk integration

Climate change has become a clear reality and now seen in Strix as 'business as usual' and part of the ongoing environment in which the Company operates. In addition, whilst complex, we are a small business with a flat structure and short lines of communication. The focus on climate change risks has clearly risen up our agenda in recent years, as have our actions, and is now an integral part of the overall business planning and management.

Metrics and targets

Key metrics used

Significant work was undertaken in 2022/2023 to expand our carbon footprint analysis through the development of Scope 3 supply chain emissions including Billi, which was acquired in late 2022. This is in addition to internal orientated Scope 1 & 2 emissions historically reported. These have been calculated using the GHG Protocol, the internationally recognised standard for corporate carbon reporting. Absolute and intensity (per £m)are used for both emissions and energy consumption to provide more prescient analysis as the Group expands and ensures that our focus remains on energy usage as well as emissions. Historically, the Group has used location-based analysis but has added a market-based approach in 2023 as this provides a far clearer representation of the actions having been undertaken. The addition of a full, independent audit is seen as unwarranted given the steps in place to achieve net zero Scope 1 & 2 emissions from 2023, although the Board will review the verification of 2024 figures to provide greater scrutiny on the actions being taken as this is increasing being requested or required by external parties both operationally (customers) and from financial markets (shareholders and financiers).

Disclosures

The following table provides Strix emissions using both location and market based methodologies.

		2020	2021	2022	2023
Location based					
Scope 1	**tCO_2e**	107	265	415	**518**
Scope 2	**tCO_2e**	5,269	7,430	5,883	**6,293**
Scope 1 & 2	**tCO_2e**	5,376	7,695	6,298	**6,811**
Scope 1 & 2 intensity	**tCO_2e/£m**	56.4	64.4	60.5	**47.1**
Market based					
Scope 1	**tCO_2e**				**518**
Scope 2	**tCO_2e**				**82**
Scope 1 & 2	**tCO_2e**				**600**
Scope 1 & 2 intensity	**tCO_2e/£m**				**4.2**
Scope 3	**tCO_2e**		573,895	410,096	**471,065**
Energy usage	**MWh**	10,569	15,666	15,135	**16,262**
Energy usage intensity	**MWh/£m**	110.9	131.2	145.5	**112.5**

Targets

Strix's target set in 2021 was to achieve net zero Scope 1 & 2 by 2023 which the Group has achieved (excluding Billi which was acquired in November 2022 but is on track to achieve the target in 2024) with nearly 95% of fossil fuel usage removed from the energy mix. This is being achieved through internally generated solar power and the purchase of renewable energy which is now in place for all Strix facilities. In addition, management is targeting 5% improvement in energy intensity (energy use to sales) to further reduce risk.

Our Scope 3 work in 2022 gave us a good initial understanding of our footprint with similar work undertaken at Billi in 2023. The key element is the 'in use' phase at c.94%, reflecting the kettle as an energy consumptive heating device. The laws of physics therefore limit the impact which Strix can have on the Scope 3 inventory. We are therefore focusing on other areas which may have less impact but where Strix can actively make an impact, in particular areas such as the supply chain as well as working with customers who are increasingly looking to assess and reduce their own Scope 3 emissions. However, given the dominance of the 'in-use' element we have not set targets for the Group.

Full disclosure of our sustainability KPIs performance is shown on pages 19 and 20.

Responsible Business – People

Our people focus includes internal colleagues and the wider society

Internally, 'people' are our employees who are our key asset, critical to our DNA and success. As a Group, Strix prides itself on the quality and safety of our products, and whilst we continue to introduce automation, fundamentally the delivery of this is down to the dedication and commitment of our well-trained people. To this end, people focus at Strix is not just about the work of the dedicated and professional team that we have. It is about the quality of the numerous human interactions that occur every single day in the business. Our Human Resources function's key focus is on hiring the very best people, and then helping them to become even better. Our people are given the freedom and mechanisms to share their ideas about how to keep improving the business. We also reward excellence, commitment and innovation, and celebrate the rich diversity that we have in our multi-national workforce.

Externally, 'people' are the society and the communities in which we both operate and look to enhance. Key emphasis is on working in the best interests of these communities. Management of the Group's impact on society, the communities and the environment are key factors in the Group's strategy for success, and in the practice of good corporate governance and social responsibility.

Internal

Health and safety in the workplace

The safety of all our employees continues to be our top priority. It constitutes a key KPI and is reviewed at all Divisional Management meetings. All Strix facilities (excluding Billi) have been certified with ISO 45001, a paramount health and safety standard. Billi plans to become ISO 45001 accredited in 2024 in-line with Group policy.

2023 saw an increase in accidents, primarily in our Chinese facility. The number of reported accidents increased from 9 to 14. Whilst none of these accidents were serious and the long-term trend remains in the right direction, we continue to work towards the ultimate goal of zero accidents. Hence management plan a drive to improve the performance in 2024, noting that Billi's performance was exceptional with zero incidents in the year.

Our key focus areas under our 'people' sustainability strategy are:

Internal
1. Health and safety in the workplace.
2. Staff turnover.
3. People progression, training and development.
4. Employee engagement and wellbeing.
5. Inclusivity and diversity.

External
6. Social contribution.
7. Community interaction and support.
8. Young people development.

Staff turnover

Group employee turnover decreased, primarily in China despite a slight increase elsewhere due to a divisional restructuring. High turnover in China reflects the transient nature of the lower-skilled workforce, with the average tenure exceeding six years for more technical roles and longer-term employees. To retain staff in China, Strix offers attractive benefits including quality accommodation, transport, dining, training and advancement opportunities.

People progression, training and development

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

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

Underpinning this mission is a strategy that is focused on value-added people development which includes: intensive new starter orientation programmes where new joiners are introduced to the Strix culture, policies and procedures, and product information.

There is also continuous training at all employee levels to ensure a consistent message and understanding of important ethical and compliance principles, as well as providing a wealth of soft skills and personal development tutorials. More training is given and tailored for line leaders to ensure they have the right skills to coach, mentor and supervise new and existing staff. Online e-learning training is hosted by our online-based learning platform called Kallidus. Through Kallidus, employees have access to a wide range of mandatory and other best practice and self-development learning and training courses. These enhance their skills and awareness to ensure they deliver quality service in their various roles and are kept up to date on developments in their relevant fields.

Mandated training on Kallidus ensures that employees are familiar with our equal opportunities policy and ethos, as well as our environmental considerations. Similarly, people are taught about our stringent business ethics, including anti-bribery and anti-competition legislation, and how to report any issues through our whistleblowing mechanism. Face-to-face training is also provided particularly in China, and has included developing a team of 15 trainers in the Chinese facility to provide training from the shop floor upwards.

People progression and development is managed through the Group's performance management process (PMP). The PMP is designed to give people a clear line of sight as to how they can progress their careers within Strix and it facilitates quality discussions between employees and their managers as to how to achieve their ambitions, whilst also ensuring that they have stretching objectives that are clearly aligned to the Group's strategy.

Employee engagement and wellbeing

The Group operates a culture of open communication through a range of channels including: a global intranet platform; newsletters; Town Hall meetings; and 'Pulse of the Business' lunches with the CEO.

We have a clear set of core values:

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

E – **Extraordinary**
We are beyond ordinary, we are **extra**ordinary

C – **Challenge**
We own it, challenge it and then win it

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

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

Nominations are invited from across the business for people who have demonstrated these values.

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

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

Responsible Business – People continued

Gender diversity

Women on the Board

2023	20%
2022	20%
2021	20%
2020	20%
2019	20%

Women in senior management roles

2023	27.0%
2022	27.3%
2021	27.3%
2020	23.0%
2019	19.5%

Women in the organisation

2023	52%
2022	49%
2021	60%
2020	60%
2019	60%

Female Board members

20%

Female management

27%

Overall female workforce

52%

Figures exclude Billi.

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

Inclusivity and diversity

"Whilst this diversity is rich and celebrated, underpinning it all is a set of shared values that are seen being upheld across all areas of the business every day."

Emma Cox
Group HR Director

Strix recognises that to achieve a diverse workforce, a working environment that empowers all of our employees to thrive and achieve their potential is essential.

The employee population benefits from bringing to bear a wealth of cultures, languages and experiences. Whilst this diversity is rich and celebrated, underpinning it all is a set of shared values that are seen being upheld across all areas of the business every day.

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

As a global employer, spanning across multiple continents, we pride ourselves on the gender make up of our workforce where over 50% of employees are female, and women have a 27% management representation.

Our diversity continues to grow with our strategic acquisitions, and the purchase of Billi in November 2022 exemplifies this. We now have teams of Field Service Technicians in Australia, New Zealand and the UK, as well as dedicated customer support executives and niche sales specialists. The Strix Human Resources function provides day-to-day support and payroll administration to Billi operations in the UK, and strategic input for the wider Billi sub-group.

External

Social contribution

2023 witnessed the further development of the Group's social programme in China, all in an effort to raise awareness of sustainability within Strix and contribute to promoting the environment. We organised a major team building and social event, which involved a guided tour of a local site of historical interest (Lotus Mountain at Shawan), lunch at a favourite restaurant and a raffle.

In the Isle of Man, Strix's position as a leading business on the island increases our responsibility to positively impact the UNESCO world biosphere designated island and its community. Strix supports a multitude of local charities through both fund raising events and charity work. Employees are entitled to two extra days leave a year to support local good causes.

Community interaction and support

During 2023, the Group also engaged in other various community activities:

- Through our Strix China HR team, we organised a parent-child ESG activity to Nansha Guangzhou to clean the beach.
- Campaign to raise awareness during World Down Syndrome Day and recognition of a human rights based approach to disability by disassociating it with people 'always needing charity, pity and support from others', but rather having a right to be treated fairly and being given the same opportunities as everyone else.
- In connection with LAICA's 'Love your planet' programme, a tree plantation programme was launched in partnership with Silko & Co, a Hungarian enterprise.
- The Isle of Man office took part in charity fundraising for the 'World's Biggest Coffee Morning' initiative in aid of Macmillan Cancer Support.
- The Isle of Man team also raised money in aid of Breast Cancer Awareness Month.
- Strix is represented on the STEM (Science, Technology, Engineering and Mathematics) Committee which supports the island's Chamber of Commerce members and the sustainability of science, technology, engineering and manufacturing businesses in the Isle of Man by providing the voice of industry into Government and associated bodies.

> As a global employer, spanning across multiple continents, we pride ourselves on the gender make up of our workforce where over 52% of employees are female, and women have a 27% management representation.

Responsible Business – People continued

Young people development

Strix is heavily involved in a number of organisations and events in the Isle of Man aimed at educating children and young people in areas such as science and engineering, whilst offering guidance and opportunities for future career development. Some of the initiatives we are involved in include:

- Paid internships and apprenticeship programmes focused on creating opportunities for school leavers and university graduates interested in careers in engineering.
- Attendance at a number of STEM events on the island aimed towards attracting and informing school pupils as to the opportunities in science and engineering.
- Visits by Strix employees in the engineering teams to local schools, as well as hosting pupils and university students from various schools and institutions to the Strix premises, to showcase 'interesting inventions' and provide some hands-on experience of the potential roles available within both an engineering and a business environment.
- Involvement with Junior Achievement, which is a charity aimed at helping the island's young people gain the essential skills they need for employment or entrepreneurship. Strix assisted teams in product development and design through prototype manufacturing and mentoring teams on how to nurture their ideas into a cohesive business.
- Membership of ACE – Awareness of Careers in Engineering – which involved Strix offering work experience for young adults thinking about career options.
- Attendance at the Island's Graduate Fair where we spoke to prospective recruits about opportunities available within Strix. Emma Cox, the Group HR Director, formed part of a panel interview to talk more about careers in the manufacturing and engineering sector.
- Running of a summer internship programme including at our overseas site in Hong Kong.

Strix is heavily involved in a number of organisations and events in the Isle of Man aimed at educating children and young people.

Talent retention and acquisition is key for an organisation growing and innovating at the pace Strix is.

The long-term people strategy

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

Responsible Business – Purpose

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

1. Avoided emissions and plastic waste.
2. New product development.
3. Water – healthy living and reduced plastic consumption.
4. Corporate governance.
5. Certifications.

Avoided emissions

Kettle – the most energy efficient method for boiling water

Our work on the risks and opportunities of climate change within our Task Force on Climate-related Financial Disclosures (TCFD) submission has highlighted a number of areas where the use of kettles is likely to increase and where the benefits of kettle usage over alternative water heating devices will further avoid emissions from alternative heating options.

- **Grid decarbonisation** – Governments around the world have made commitments to decarbonise their electricity grid, for example the UK by 2035. As the power grid decarbonises not only will a kettle use less energy than fossil fuel powered alternatives such as gas, it will move towards zero emissions.
- **Urbanisation** – The population is expected to continue to move into the cities, particularly in the lower income regions. This move to the cities, particularly in lower income countries, reduces the use of fossil fuels, including sold fuels such as coal or wood as city dwellers are generally linked into the grid for their primary power consumption. This will promote the use of more efficient lower-emission kettles.
- **Global warming** – As temperatures increase so will the requirement for fluid intake. Hot drinks are likely to remain a critical constituent of fluid intake, particularly given the health benefits that are increasingly ascribed. Hence the potential for increased requirement for boiled water, further promoting the benefits of kettle use.

New product development

Sustainability provides a core strand to Strix's new product roadmap, in particular, the energy consumption in our heating devices and improvement in the quality of filtration in our water delivery systems. Sustainability is embedded into our new product roadmap as it is becoming ever more important to customers and their preferences. The absolute level of spend decreased, reflecting the reorganisation and deferral of some projects whilst others moved towards customers trials, engineering set-up for production, etc.

However, despite the decrease in development spend, the Group continues to invest in products such as the below, keeping sustainability at the forefront of design:

- **Project Z** next generation control series – Due to launch in 2024, the new switch is protected with nine control patents and four appliance patents. The key sustainability benefit comes in size, being around 30% lighter than the current generation thereby providing savings to direct material requirements.
- **Spout baffling system** – Spout baffling consists of an internal mesh that restricts steam loss out of the kettle during boil. This product is designed with the goal of ensuring that no additional energy is used or wasted.
- **Pre-boil cut off** – By knowing the volume of water and the exact water temperature, so the power input can be switched off early leaving the latent heat in the system to further raise the temperature to boiling point, thereby reducing energy consumption.
- **Double walled kettles** – the inclusion of a double wall reduces the initial energy requirements and more importantly assists in retaining the heat in the system, reducing the additional energy required to re-boil.

Water – healthy living and reduced plastic consumption

Advanced filtration

LAICA and Billi have increased Strix's exposure to quality of water alongside the traditional boiling of water. Increased health-conscious living is driving consumer demands for filtered tap water.

HYDROSMART + METAL STOP filter installable on a home tap retains the mineral salts naturally present in the mains water and effectively reduces heavy metals, such as lead and cadmium, microplastics, sand, rust or suspended particles, chlorine and associated organic solvents.

Luxgarde™ is Billi's new system using a non-chemical UVC LED purification system which penetrates pathogens' DNA, RNA and proteins, disrupting their replication process and ultimately rupturing their cell walls, putting an end to replication, ensuring a new level of hygiene, providing water free from microorganisms responsible for coliform, salmonella, legionellae, pseudomonas and even the hepatitis virus.

Corporate governance

The Board is committed to effective corporate governance and adhering to the highest standards. 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. We are currently working towards adoption of the new IFRS sustainability standards S1/S2 to ensure full compliance, without any transition relief. At Strix we set expectations of the highest standards which we expect to be carried out throughout the organisation. Our policies include (amongst others):

- Anti-Bribery and Corruption.
- Anti-Harassment and Bullying.
- Anti-Slavery and Human Trafficking.
- Whistleblowing.

Annual General Meeting

The voting in favour of the remuneration report increased from 91.3% in 2022 to 97.9% in 2023 reflecting dialogue with shareholders, with sustainability being a key element within Executive Director remuneration packages, in line with the TCFD requirement. 15% of the Long-Term Incentive Plan (LTIP) award is based on a reduction in Group energy intensity over the three-year period of at least 5% per annum, ahead of the Group's stated targets.

ISO accreditations

We see accreditations as assisting in developing and delivering intended results rather than a plaque to simply hang on the wall. Hence our drive for all sites to achieve accreditation in the key quality, environmental management and health & safety standards. In 2023 LAICA achieved ISO 45001, Ramsey became ISO 50001 accredited and Billi completed ISO 9001 and is planning on attaining ISO 14001 and ISO 45001 in 2024. The potential benefits from ISO 50001 Energy management were evidenced through the reduction in energy consumption of over 20% in the year. This was achieved through a range of initiatives and assisted by the installation of a new more efficient boiler.

ISO	9001 Quality systems	14001 Environmental management	45001 Occupational H&S	50001 Energy management	13485 Medical devices	17025 Test and calibration
Ronaldsway (IOM)	✓	✓	✓			✓
Ramsey (IOM)	✓	✓	✓	✓		
China	✓	✓	✓	✓		
LAICA	✓	✓	✓		✓	
Billi	✓					

"Part of the mantra of any manufacturing business is for 'continued improvement' and we look to encompass this within our sustainability agenda. Focus will continue on delivering on our ambitious targets, retaining our status as an exclusive 'best-in-class' responsible business".

Richard Sells
Non-Executive Director

Stakeholder Engagement

Engaging our stakeholders

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

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

The Group considers six key stakeholders that drive our strategy:

Risk	Our shareholders	Our employees
Why do we engage?	As ultimate owners of the business, we engage with our investors for transparency on our business model, strategies and performance, whilst obtaining an understanding of their needs and priorities in order to deliver value for their investment in our business.	With over 1,000 employees across 12 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 Environmental, Social and Governance (ESG) strategy.	• Health, safety and wellbeing. • Training and development. • Reward and recognition. • Career progression. • Culture, diversity and community.
How do we engage?	• Annual General Meetings. • Capital Markets Days. • Investor roadshows and presentations. • Direct meetings with institutional investors via various media, including video conference calls. • Written communications, including Annual Reports and results releases. • Independent investor feedback reviews. • Individual shareholders are encouraged to contact Directors on all matters relating to governance and strategy via the Company Secretary or Representative.	• 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.

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

Case Study: LAICA Group

The acquisition of LAICA took place in 2020, significantly bolstering Strix's presence in the consumer goods sector and furnishing a global platform for future organic and inorganic expansion. Despite the onset of the COVID-19 pandemic shortly after the acquisition, its integration has progressed as planned.

£23.4m
FY 2023 LAICA net sales

£4.7m
FY 2023 LAICA adjusted EBITDA

+24.8%
LAICA adjusted EBITDA growth from 2022

Note: Numbers above include intercompany trading with other Strix entities.

Designated as the European hub for new product development in the water and sourced appliance categories, LAICA has been instrumental in enhancing Strix's water treatment offerings since its incorporation into the Group in October 2020. By driving efficiencies and enriching the Group's appliance category, LAICA has contributed to a comprehensive product portfolio on a broad scale.

LAICA's impressive performance this year is attributed to its seamless integration with the broader Strix Group, coupled with a steadfast commitment to cost control and process enhancement at the local level.

Effective management with an experienced team

Under the adept leadership of a strong team, LAICA contributes extensive expertise in the water filtration and small domestic appliances sectors. Collaborating closely with the broader Strix Group, LAICA facilitates seamless commercial and operational enhancements. Riccardo Dolcetta continues to demonstrate exceptional performance as the General Manager, supported by Nicolò Zanuso as Finance Director, alongside a steadfast and reliable workforce.

Complementary product range

LAICA's prominent position in point-of-use water filtration, kitchenware, personal scales and healthcare products significantly fortifies Strix's presence in these vital sectors. This enhancement enriches the Strix product line with a versatile array of 'At Home' and 'On the Go' water filtration solutions, tailored to meet the diverse needs of consumers across demographics. From tap filters and water filter carafes to rapid flow filtration bottles, LAICA extends a comprehensive range of offerings.

Additionally, LAICA's portfolio includes personal and kitchen scales, kitchen appliances and a selection of small appliances designed for healthcare and beauty applications.

Worldwide footprint and established distribution networks

LAICA has a strong heritage in household products and has been one of the most favoured and recognised brands in Italy for over 50 years. Taking advantage of this, LAICA

"LAICA has world wide distribution of a range of established and highly regarded products by customers and consumers alike. The acquisition by Strix has empowered LAICA to craft a cutting-edge product roadmap, seamlessly integrating the company into Strix and facilitating the expansion of the Aqua Optima brand range into new markets where LAICA operates. The financial performance during this period has continued to be strong with adjusted EBITDA reaching 20.2% of net sales, marking one of LAICA's most exceptional outcomes yet. This achievement is attributed to the operational excellence diligently cultivated over recent years."

Mark Bartlett
CEO

provides new potential routes to market for all Strix's products through long standing distribution channels in many geographical areas, with a particular strength in the Middle East, Asia, the Balkans and Southern Europe.

The Strix Group now manufactures all filters in two locations including the LAICA factory, freeing us from third-party risk, whilst allowing a new level of flexibility and customisation to offer our customers for both branded and private labelled solutions.

Advanced manufacturing and engineering prowess

The LAICA facility situated in Northern Italy equips Strix with cutting-edge, automated manufacturing capabilities, comprehensive warehousing solutions, and a dedicated sales and marketing office within the European Union, facilitating enhanced access to the post-Brexit market landscape. Boasting a state-of-the-art infrastructure, the manufacturing plant houses a Research and Development centre, a Quality and Design facility, a CAD Engineering office, and production lines specifically tailored for the fabrication of water filtration products including filters, jugs and cartridges. Renowned for their meticulous attention to detail, creative designs and utilisation of top-quality raw materials and production processes, LAICA products epitomise excellence.

Continual innovation and advancement define LAICA's ethos, underscored by relentless research and development efforts aimed at delivering cutting-edge solutions. The company actively collaborates with technical-scientific bodies and engages in community and national projects, further fuelling its research and development endeavours.

LAICA's unwavering commitment to quality is attested by a multitude of certifications from renowned international organisations and independent research laboratories. Notably, the management of its quality systems adheres to ISO 9001:2015 regulatory standards, ensuring robust business processes. Furthermore, aligned with Strix's overarching Environmental, Social and Governance (ESG) programme, LAICA has attained ISO 45001:2018 certification for occupational health and safety management systems, as well as ISO 14001:2015 certification for environmental impact management. Additionally, the company has successfully implemented a compliance model in accordance with the highest standards of corporate governance, in compliance with Italian Legislative Decree No. 231 dated 8 June 2001.

Over the past year, the local management has effectively executed a diverse array of operational enhancements, notably including the implementation of a new forecasting and demand planning system. These initiatives have proven instrumental in substantially elevating LAICA's local net working capital. Specifically, the company has succeeded in reducing the cash conversion cycle to 88 days compared to previous benchmarks.

LAICA has been instrumental in enhancing Strix's water treatment offerings since its incorporation into the Group in October 2020.

Risk Management Approach

Risk management is built into our day-to-day activities as it continues to be essential for delivery on our strategic objectives. Its effective management therefore forms an integral part of how we operate as a Group.

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 re-appraisal of the residual risk and the effectiveness of mitigating actions taken to date.

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

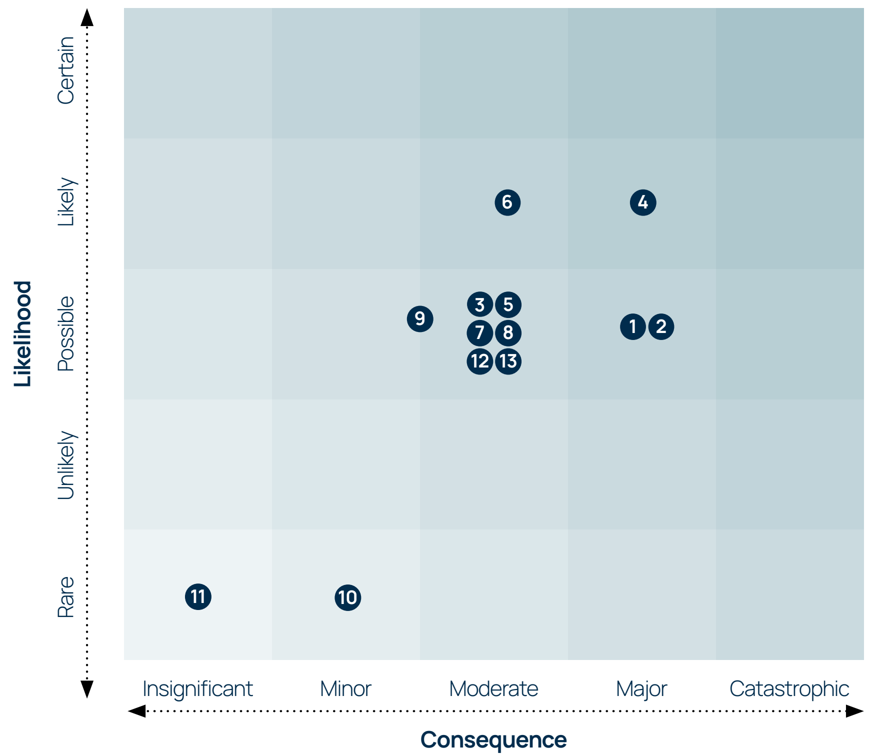
Risk appetite

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

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

Principal risks are highlighted by a **bold typeface**, whilst less critical risks are highlighted in an *italicised typeface*.

Risk heat map



Identify risk

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

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

Principal Risks

Movement key: Increase | Decrease | No change

Risk	Impact	Mitigation	Status
Strategic risks			
Reliance on key customers	The Group has a number of key customer relationships, being some of the largest OEMs in the global market. The top ten customers in Strix Controls segment contributed c.29% of the Group's revenues in the financial year ended 31 December 2023 (FY 2022: c.42%), with the largest customer making up c.11% (FY 2022: c.14%) of the Group's revenues. Excluding the impact of Billi, which had full year results included for the first time in the current year, the top 10 customers in Strix Controls segment contributed c.41% of the Group's revenues in the financial year ended 31 December 2023, with the largest customer making up c.15%. The loss of any of these key customer relationships could have a material adverse effect on the Group's business, financial position and results of operations.	• Strix undertakes regular dialogue with its key customers, building strong commercial and engineering relationships. • Strix is fully integrated in the entire value chain for our key products and provides a number of value added services to our customers to protect these key customer relationships. • Strix regularly reviews and manages key customer credit exposures. • With the acquisition of Billi, Strix has extensively diversified its portfolio and customer bases, allowing for an increased number of multiple sources of income to mitigate further the risk of reliance on a limited number of key customer relationships.	Movement: No change Likelihood: **Possible** Consequence: **Major**
Reliance on key suppliers	The Group relies upon certain key suppliers, although dual source arrangements are in place across the supplier base. As a result, if alternative supply sources could not fulfil the required demand, the Group would be exposed to a number of risks, including the risk of supply disruption, the risk of key suppliers increasing prices and the risk of a key supplier suffering a quality issue which impacts upon the quality of the Group's products. All of these risks, which apply across the marketplace, could have a negative impact on the Group's business and, if required, the engagement of alternative suppliers may increase the Group's cost base.	• Dual sourcing where appropriate to reduce dependence on single suppliers. • Monitoring of the financial and operational viability of key suppliers. • Ongoing monitoring of inventory levels to ensure availability in times of production volatility. • Insourcing of production from our new manufacturing plant to reduce reliance on external suppliers, also thereby reducing overhead costs.	Movement: No change Likelihood: **Possible** Consequence: **Major**
Competitors and market pressures	The Group operates in competitive and price sensitive markets, and a number of low-cost competitors exist that may attempt to increase their market share by undercutting Strix on pricing or launching new brands, amongst other tactics. If a significant shift in market pricing occurs and the Group is not able to mitigate this by reducing costs accordingly, the Group's revenues and profitability may be negatively affected. The markets in which the Group operate in may become more price sensitive.	• We constantly monitor our competitors and market trends to understand the dynamic forces which shape our competitive landscape. • We have undertaken a number of automation projects to mitigate the risk of labour cost inflation and reduce the costs of production wherever possible, particularly in China where the majority of our manufacturing employees are located. • We are active in a wide variety of markets across the world which provides some protection from targeted competitive activity in specific markets. • Careful management of our variable and fixed cost bases with an added advantage of the continued adoption of lean and automated manufacturing processes with insourcing of commodities from increased production capacity at the China manufacturing plant. • Targeted investment in engineering, and a commitment to lean manufacturing, quality and customer relationships.	Movement: No change Likelihood: **Possible** Consequence: **Moderate**

Principal Risks continued

Risk	Impact	Mitigation	Status
Financial risks			
Raw material and commodity prices and general cost inflation	We are also exposed to fluctuations in the prices of some raw materials, in particular copper and silver, as recently seen in major global supply chains in all industries due to remnant impacts of recovery from the COVID-19 pandemic, as well as the cost of living crisis resulting from the ongoing conflicts in Ukraine and the Middle East. 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 the Group's profitability. Such cost increases could be incurred from increments in supplier costs (including, amongst other things, raw materials and energy costs, particularly electricity costs), employment costs or wage inflation, or increases in costs to be incurred due to regulatory change. Although such costs are accounted for, where these can be estimated, in future budgets for the Group, not all cost increases are capable of being estimated adequately in advance.	• We have undertaken a number of automation projects to mitigate the risk of labour cost inflation and reduce the costs of production wherever possible, particularly in China where the majority of our manufacturing employees are located. • Careful management of our variable and fixed cost bases, with an added advantage of the continued adoption of lean and automated manufacturing processes with insourcing of commodities from increased production capacity at the China manufacturing plant. • As market leader we have the ability to undertake a price increase if the inflation of costs is prolonged and significant. • Forward procurement of commodities to secure future profits, and raw material purchasing policy of buying up to 12 months in advance for silver and copper.	Movement: Likelihood: **Likely** Consequence: **Major**
External factors	We continue to monitor the ever-changing political landscape with particular focus on the ongoing conflicts in Ukraine and the Middle East, the US/China trade tensions and any spill-over effects of Brexit still being felt. Given the Group's primary customers are kettle OEMs located in China, the disruption from these external factors is expected to be relatively muted. Due to the large degree of uncertainty and volatility in macroeconomic and geopolitical landscapes, the Group is actively monitoring these situations and continues to review the Group's risks.	• The geographical spread of our business across the world limits our exposure to this risk, in particular with the recent added advantages and economies of scales emanating from the Billi acquisition. • Where required, we have maintained stock levels to mitigate the risk of increased raw material and customer shipment lead times. • The Group is actively monitoring these situations and continues to review the Group's risks and taking targeted actions where necessary.	Movement: Likelihood: **Possible** Consequence: **Moderate**

Movement key:
Increase Decrease No change

Risk	Impact	Mitigation	Status
Financial risks continued			
Foreign exchange risk	The Group has a natural hedge in place as our sales and costs are generally balanced across the various currencies in which the Group operates. However, the Group's exposure to currency fluctuations inherently exists due to trading in foreign currency across multiple jurisdictions, and also due to the consolidation of foreign subsidiaries into the Group. The Group's payments and receipts are predominantly in Pound Sterling (GBP), US Dollar (USD), Chinese Yuan (CNY), Euro (EUR), Australian Dollar (AUD), New Zealand Dollar (NZD) and Taiwan Dollar (TWD). Changes in the rates of foreign exchange against the GBP, the Group's presentation currency, could adversely impact margins earned. In addition, under the current regulations on foreign exchange control in China, foreign investment enterprises are allowed to distribute their profits or dividends in foreign currencies to foreign investors through designated foreign exchange banks without the prior approval of the State Administration for Foreign Exchange of China. However, the exchange of CNY into foreign currencies for capital items such as direct investment, loans and security investment, is subject to strict controls and requires the approval of the State Administration for Foreign Exchange of China. The distribution of the Group's profits and dividends may be adversely affected if the Chinese Government imposes greater restriction on the ability of the CNY to be exchanged into foreign currencies. If there are any changes to the current regulations, there can be no assurance that the Group will be able to obtain sufficient foreign exchange to pay dividends or satisfy other foreign exchange requirements in the future.	• Our natural hedge by virtue of generating income and incurring costs in broadly balanced currencies is monitored by the Finance function to detect any changes in this balance and make appropriate adjustments if required. • If risks are outside of tolerance, forward foreign currency exchange contracts can be entered into in order to mitigate the risk to an acceptable level. • The amount of the Group's cash in China is minimised in order to reduce the risk of any future inability to distribute profits or dividends. • Hiring a new Treasury Manager.	Movement: No change Likelihood: **Likely** Consequence: **Moderate**

Principal Risks continued

Risk	Impact	Mitigation	Status
Operational risks			
Loss of key personnel	The Group is currently undergoing a major business restructuring programme particularly of our operating segments and divisions in order to realign our business and focus on our core competencies of technology, innovation, manufacturing excellence, quality and safety, so as to steer our valuable resources more towards profitable growth opportunities. As a result of this restructure, there may be changes in staff and management, which might pose risks relating to uncertainty amongst our current workforce. This might, in turn, risk the departure of some key staff and personnel at the detriment of the Group achieving our restructuring objectives.	• Refinement of operational model tailored to each division down to department level with clearly defined roles and responsibilities. • Enhanced employee engagement, including 'open-door' access by, and regular two-way communications between, all employees and the senior management team (particularly the CEO and our Human Resources function) in order to solidify reassurances on the potential benefits of the Group's restructuring programmes. • Extensive reviews of remuneration structures, including matching remuneration levels with industry standards, reviews of reward payment structures (including bonuses and Long-Term Incentive Plans (LTIPs)). • Transparency of career development paths. • Recruitment processes strengthened as the Group continues with its commitment to sourcing key talent both to strengthen resources and replace any recent losses in key personnel.	Movement: ^ Likelihood: **Possible** Consequence: **Moderate**
Disruption to supply chain	The impact of recovery from the COVID-19 pandemic has caused major global supply chain disruptions which have directly affected the Group in the previous year, experienced in the form of possible disruptions to normal operations, and increased carriage, freight, shipping and transportation costs. The Group's operations facilitate the transfer and movement of commodities and goods across multiple jurisdictions, internally amongst the Group's various production and distribution sites, and externally to and from customers and suppliers. Therefore, an inherent risk to the Group supply chain still exists in the form of disruptions to operations from shortages of supplies, delays in deliveries and increased costs of carriage and freight, all of which directly impacted the Group's underlying margins, profitability and performance. However, the negative impact of these disruptions have largely subsided in the current year as we entered into the 'new normal' post-COVID era.	• The Group has continued to monitor global supply chain trends in order to reasonably anticipate any potential future hurdles, and thereby plan ahead to ensure minimal disruptions to normal operations should these resurface, including seeking optimal shipping and transportation arrangements if necessary. • The Group successfully implemented price increases on some of its legacy products in both Strix controls and water categories as well as across the wider range in the prior year to minimise the impact of any cost inflations, and we constantly continue to monitor margins and profitability into the current year and budgetary future years. • Freight costs budgetary planning and analysis continues to be done on a monthly basis to assess the global supply chain trends and any potential impacts on the Group's operations and finances. • Forward procurement of commodities to secure future profits and a raw material purchasing policy of buying up to 12 months in advance for silver and copper to ensure availability of stock for minimal disruptions to operations. • Holding of finished stock in different districts in order to minimise any disruptions. • Adoption of lean and automated manufacturing processes with insourcing of commodities from increased production capacity at the China manufacturing plant. • Dual sourcing where appropriate to reduce dependence on single suppliers or supply chain routes.	Movement: v Likelihood: **Possible** Consequence: **Moderate**

Movement key: Increase | Decrease | No change

Risk	Impact	Mitigation	Status
Operational risks continued			
Impact of COVID-19	The Group currently manufactures the majority of its products at the manufacturing facility in Zengcheng, China, and also in Italy and more recently Australia (following the acquisition of Billi). COVID-19 lockdowns persisted into the second half of the previous 2022 financial year mainly in China with more stability prevalent in other territories. In the current 2023 financial year, there were no widescale lockdowns in any of the Group's manufacturing facilities, however from an operational standpoint, if COVID-19 is contracted by individual employees within our factories, this could lead to disruption within the manufacturing cycle and ultimately lead to capacity constraints in meeting customer demands. Any major disruption will put global supply chains at risk and could impact our ability to meet customer demand due to shortages/downtime further down our supply chain and interrupt outbound logistics options.	• The Group is continuously monitoring the impact of COVID-19 from both an operational and financial standpoint, albeit on a smaller scale. • The Group still has 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 to ensure manufacturing operations are not disrupted significantly through loss of staff due to illness/isolation. • The Group has emergency response teams on standby and released guidance to all employees stipulating best practices and mitigating the spread of misinformation. • The Group has aligned IT systems to support evolving working requirements.	Movement: Decrease Likelihood: **Possible** Consequence: **Minor/Moderate**
New and existing manufacturing facilities	In addition to facilities in the Isle of Man, Italy, and more recently Australia (with the acquisition of Billi), the Group's China facility currently manufactures the majority of its products. If for any reason, including product mix changes, a capacity constraint is created, or should the operations at this and the other sites become disrupted for whatever reason (or reasons), and/or the Group is unable to find suitable alternative manufacturing sites, the Group's ability to meet the demands of its customers could be affected. Any of the above could negatively impact the Group's relationships with its customers.	• The China factory features automated functionality and increased manufacturing capacity and it was constructed in a modular way in order to reduce the risk posed by any potential disruptions. • Strix put in place preventative measures at all operational sites including fire suppression and prevention systems, periodic health and safety training for staff and implementation of alternative energy sources to ensure continuity in the event of any disruption to normal power supplies. • A detailed recovery plan has been documented as part of the Group's Business Continuity Plan which is overseen by the Recovery Management Team. Procedures relate to communications and information exchange, recovery process phase, clean-up process, pollution prevention and restoration (including insurance claims and compensations). Restoration procedures include plan maintenance, back-ups, testing and emergency sources of power generation.	Movement: No change Likelihood: **Rare** Consequence: **Minor**

Principal Risks continued

Movement key:
Increase Decrease No change

Risk	Impact	Mitigation	Status
Reputational risks			
Reputational risks	The Group's reputation for and delivery of high-quality products with high standards of safety is key to a number of direct and indirect customers in choosing Strix products. Should Strix suffer product quality or safety issues, leading to a negative impact on its reputation with customers, future performance could be significantly impaired.	• Robust engineering design and validation processes from initial design and development through production and into service. • High levels of quality assurance are embedded in robust manufacturing systems. • Engagement with external certification bodies in order to ensure our products have already passed certification with key standard setting bodies.	Movement: No change Likelihood: **Rare** Consequence: **Insignificant**
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 defends our key intellectual property in order to derive the maximum economic benefit from our portfolio of intellectual property assets. • The Group actively monitors new products introduced in markets where intellectual property protection is in place to ensure our designs and trademarks are not being infringed and where they are, restitution is sought.	Movement: No change Likelihood: **Possible** Consequence: **Moderate**
Cybersecurity	Cybersecurity risks include risks from malware and ransomware attacks by third parties in an attempt to gain unauthorised access to our IT systems. The Group's operations are heavily reliant on IT infrastructure. Therefore, any unauthorised access could result in disruptions to operations, loss of data, breach of privacy, and loss of assets and funds.	• Deploying security tools to limit the impact and spread of ransomware, including the use of endpoint security systems to monitor and secure entry and end-points to our full IT infrastructure. • Ensuring firewalls and anti-virus software are robust and up-to-date to block any potential attacks. • Employees across the whole Group continue to receive extensive training about IT security and potential risks. This is supported by a continuous awareness programme to further explain what measures need to be taken to ensure consequences are minimised. • Should a cyber incident occur, the Group has a detailed recovery plan that has been documented as part of the Group's Business Continuity Plan which is overseen by the Recovery Management Team. Procedures relate to communications and information exchange, recovery process phase and restoration (including insurance claims and compensations). Restoration procedures include plan maintenance, back-ups and testing. • Further strengthening of Disaster Recovery plans to ensure that different geographical locations may continue if breach occurred elsewhere.	Movement: No change Likelihood: **Possible** Consequence: **Moderate**

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.

Operational efficiencies continue to improve, maximising on the full potential of the manufacturing factory in China.

There will be reduced capital expenditure and working capital and no further investment in new builds in the medium term as the Board's capital allocation priorities continue to focus on debt reduction and increasing cash flow generation.

Progressive dividend policy

Since IPO, the Group has demonstrated a progressive dividend policy. Given the increase in net debt due to the strategic acquisition of Billi, and with the high interest rates environment, the Board continues to take precautions to balance the capital allocation priorities and as a result in FY 2023 declared a dividend of 0.9p per share.

This represents a decrease in the dividend growth rate of 85.0% in comparison to the total dividends per share declared in FY 2022.

No further dividend declarations are proposed on FY 2023 distributable reserves as priorities of debt reduction and cash flow generation has taken precedence.

Value accretive acquisitions

The Group successfully completed the acquisition of premium brand Billi in FY 2022. Billi revenue grew by 10%, on a constant currency basis, from FY 2022 (inclusive of pre-acquisition period) and continues to show attractive margins and its potential as a highly cash generative business.

The acquisition materially changed the earnings profile of the Group, ushering Strix into the premium water filtration sector and accelerating the growth plans for the Group categories while supporting medium-term ambitions of further improving margins through diversification.

The management team has prioritised the integration of Billi into the Group in FY 2023 in order to unlock anticipated revenue and cost synergies and thus maximise the Group's highly cash generative operational model.

There will be no further acquisitions in the medium term.

Conservative balance sheet

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

At year end, the Group's net debt reduced to £83.7m (FY 2022: £87.4m). Scheduled debt repayments totalling £15.1m were made in FY 2023, in line with capital allocation priorities of reducing debt. This represents a net debt/adjusted EBITDA ratio (calculated on a trailing 12-month basis) of 2.19x (FY 2022: 2.2x).

Strix has applied its Capital Allocation Framework during 2023 as follows:

- For the year ended 31 December 2023, the Board proposed an interim dividend of 0.9p per share with no further anticipated dividend declarations on FY 2023 distributable reserves as the Group now focuses on debt reduction and cash flow generation.
- Final earn-out payments totalling £7.5m paid in cash in FY 2023 in relation to the acquisition of LAICA, which has now been fully integrated in line with the Group's plan to achieve the identified benefits and synergies at the time of acquisition, with strong trading performance in its third full year post-acquisition.
- Funded capital expenditure worth £8.0m mainly in capitalised development costs and payment of long-term capital creditors that had still been outstanding from the construction of the Chinese factory and held on guarantee. Operational efficiencies continue to improve, maximising on the full potential of the factory.
- Funded financing costs (mainly in the form of interest) and tax payments as these significantly increased due to the increased interest rate macroeconomic environment and the full year tax effects of Billi in its first full year of operations after acquisition.

Chief Financial Officer's Report

"The Board remains focused on maximising cash generation to support debt reduction."

Mark Kirkland
Interim Chief Financial Officer

Financial summary

	Adjusted results[1]			Reported results		
	FY 2023 £m	FY 2022 £m	Change (2023/2022)	FY 2023 £m	FY 2022 £m	Change (2023/2022)
Revenue	**144.6**	106.9	+35.2%	**144.6**	106.9	+35.2%
Gross profit	**57.2**	41.5	+37.7%	**57.1**	40.7	+40.4%
Gross margin	**39.6%**	38.8%	+80 bps	**39.5%**	38.0%	+150 bps
EBITDA margin	**27.3%**	30.0%	-270 bps	**25.3%**	24.5%	+80 bps
Operating profit	**32.1**	25.9	+24.3%	**27.9**	19.9	+40.2%
Operating margin	**22.2%**	24.2%	-200 bps	**19.3%**	18.6%	+70 bps
Profit before tax	**21.9**	22.2	-1.1%	**17.7**	16.1	+10.3%
Profit after tax	**20.1**	23.0	-12.7%	**16.2**	16.9	-4.1%
Net debt[2]	**83.7**	87.4	-4.3%	**83.7**	87.4	-4.3%
Operating cash conversion[3]	**–**	–	–	**106%**	94%	+1,200 bps
Basic earnings per share (pence)	**9.2**	10.9	-15.7%	**7.4**	8.0	-7.4%
Diluted earnings per share (pence)	**9.1**	10.8	-16.2%	**7.3**	7.9	-7.7%
Total dividend per share (pence)	**–**	–	–	**0.9**	6.0	-85.0%

1 Adjusted results exclude adjusting items (see note 6 to the Group financial statements).
2 Net debt excludes accrued interest, right-of-use lease liabilities and is net of loan arrangement fees, as defined in our banking facility agreement.
3 Cash generated from operations as a percentage of EBITDA.

Revenue

The Group has experienced robust growth with revenues increasing by 35.2% year-on-year to £144.6m (FY 2022: £106.9m). This increase was primarily attributed to the inclusion of Billi revenues for the full year, amounting to £41.3m (FY 2022: 1 month revenue of £2.7m). In our organic business, we have seen a small net reduction in sales driven by decreases in the Strix Consumer Goods division.

Billi (which forms the major part of our Premium Filtration Systems (PFS) segment) has performed ahead of expectations, securing over 10% growth against pre-acquisition trading levels at constant currency as the business continues to expand. In the UK market, sales have grown by c.13% year-on-year, reflecting a key part of our post-acquisition growth strategy for the business.

Following an extremely challenging 2022, we are pleased to report that revenues in our Strix Controls segment have increased by 2.7% to £70.1m (FY 2022: £68.2m), driven mainly by an 18% growth in the less regulated kettle markets. The pace of recovery in the larger regulated kettle market continues to be slower than originally anticipated due to the ongoing effects of the cost of living crisis and the Russia/Ukraine conflict. Recent incoming order rates are now tracking in a positive direction, evident from higher sales in the last quarter of 2023 and a continued slow recovery into Q1 of 2024.

Consumer Goods revenue decreased by 8.7% to £32.4m (FY 2022: £35.5m) with challenging market conditions in the APAC region being the key driver for this decline. Despite this, over the course of the year, we have continued to successfully expand our online presence with Amazon and have secured a number of new private label customers that are set to drive growth into 2024. Aqua Optima, our lower price point water filtration brand, has also seen strong growth in the year, providing the Group with an alternative access route into this key market.

Trading profit

Adjusted gross margin in FY 2023 was 80bps higher at 39.6% (FY 2022: 38.8%). The main driver of this is from our Premium Filtration Systems (Billi) segment, following the full year inclusion of Billi. With gross margins having increased significantly over the period to 45.8% (FY 2022: 35.4%), Premium Filtration Systems (Billi) now represents the highest gross margin segment in the Group.

Partly offsetting this, product mix changes in Strix Controls have led to a divisional gross margin reduction of 190 bps to 39.0% (FY 2022: 40.9%) due to faster recovery during 2023 in the lower margin less regulated and China domestic markets. Consumer Goods margin, dilution of 250 bps to 32.6% (FY 2022: 35.1%) is largely attributable to reduced manufacturing volumes in 2023 impacting overhead recovery and the relative increase in lower margin online and Aqua Optima trading levels.

The Group's adjusted EBITDA margin remains strong at 27.3% (FY 2022: 30.0%) reflecting the robust underlying profitability of the Group despite the macro challenges.

Adjusted operating profit margins have reduced by 200bps to 22.2% (FY 2022: 24.2%) as higher overhead costs offset the gross margin uplift noted above. This reduction is predominantly related to the increased overhead base resulting from the full year inclusion of Billi. As a business, Premium Filtration Systems carries a higher overhead base than the rest of the Group at c.25% of revenue (Group: c.15%). At an operating profit level, Premium Filtration Systems generated £9.0m adjusted operating profit for the Group at an adjusted operating margin of 21.8% (Group: 22.2%) slightly ahead of our pre-acquisition expectations.

Excluding the impact of Billi, distribution costs in the organic business decreased by £1.0m, largely due to a reduction in carriage costs associated with the decrease in sales in Consumer Goods. Whilst organic administration costs increased by c.8.0%, this was mainly due to higher staff costs reflecting salary increases and some limited headcount investment seen across the Group to support future growth.

Net finance costs

Net finance costs have increased significantly year-on-year to £10.2m (FY 2022: £3.9m), due to an increase in the average gross debt to fund the Billi acquisition and a higher interest rate environment.

Profit before and after tax

Despite the significant increase in net finance costs, the Group's adjusted profit before tax shows only a slight year-on-year decrease of £0.3m to £21.9m (FY 2022: £22.2m). As the contribution to adjusted operating profit before tax from Billi has offset both finance cost increases and the small decrease in organic trading. Reported profit before tax was £17.7m (FY 2022: £16.1m).

Adjusted profit after tax was £20.1m (FY 2022: £23.0m), a decrease of £2.9m (12.7% decrease). The tax expense significantly increased in the current year mainly due to tax expense from Billi of £1.3m and Italy of £0.6m, as opposed to tax incentive credits granted in Italy and the release of tax provisions in FY 2022 totalling (£0.8m). Reported profit after tax was £16.2m (FY 2022: £16.9m).

Adjusting items

Adjusting items decreased by 36.4% to £3.9m (FY 2022: £6.1m), due to the absence of COVID-19-related costs and a reduction in restructuring and acquisition expenses (see note 6 to the Group financial statements for full details). Share-based payments continue to be treated as an adjusting item and from 2023 we have also included amortisation charges (£1.3m) on intangible assets recognised on acquisition.

Cash flow

In line with previous years, the Group has maintained consistently high operating cash generation, with an operating cash conversion ratio of 106% in the year (FY 2022: 94%).

This has been helped by strong working capital management, leading to further decreases in net working capital of £2.3m compared to cash outflows of £2.6m in the prior year. Reflecting our success in this area, working capital as a percentage of sales has reduced significantly to 16.7% (FY 2022: 25.3%).

Cash outflows from investing activities significantly decreased in the current year to £14.3m (FY 2022: £47.8m) and include the final earn-out payments in relation to the LAICA acquisition of £7.5m and a broadly lower maintenance level of capital expenditure (including product-led capital development) of £8.0m. In 2022, cash outflows were higher as a result of the acquisition of Billi.

Excluding dividends, cash outflows from financing activities significantly increased in the year to £24.4m, largely reflecting higher interest costs and substantial repayments in line with the acquisition term loan of £3.5m per quarter. Quarterly payments of this loan will continue until the facility ends in October 2025.

Net debt and capital allocation

The Group's net debt position (excluding accrued interest, right-of-use lease liabilities and net of loan arrangement fees, as defined in our banking facility agreement), decreased to £83.7m (FY 2022: £87.4m). As discussed above, this decrease is mainly attributable to strong operating cash generation and working capital management delivering cash inflows of £38.9m, partially offset by maintenance level capital investments, the final earn-out payment in relation to LAICA and higher finance costs.

Total committed debt facilities at 31 December 2023 amounted to £103.7m (FY 2022: £117.8m) and the Group held £20.1m in cash, providing accessible liquidity. Net debt equated to 2.19 times trailing 12 months' adjusted EBITDA, in compliance with our debt covenant threshold of 2.25 times.

The Group has been proactively working with its banking syndicate to enhance flexibility and security of funds within the existing agreement. As a result of this process, and illustrating the banks ongoing confidence and support, a normalisation of the net debt leverage covenant to 2.75x EBITDA was agreed on 22 March 2024 for the duration of the remaining facility.

Given the increase in net debt due to the strategic acquisition of Billi, and with the high interest rates environment, the Group has reviewed its Capital Allocation Framework to prioritise cash retention and net debt leverage reduction in the short term.

As a result of this process, a target of initially reducing net debt leverage to 1.5x EBITDA has been put in place. After which, leverage appetite will remain between 1.0x to 2.0x for the medium term.

Dividend

The Board remains focused on maximising cash generation to support debt reduction, which will result in a temporary pause in the final and interim dividend payments in calendar year 2024, with a planned return to a sustainable dividend pay-out ratio of 30% of adjusted profit after tax in 2025.

The total dividend declared for 2023 is therefore 0.9p per share (FY 2022: 6.00p per share), representing the interim dividend paid to shareholders in December 2023.

Mark Kirkland
Interim Chief Financial Officer

Board of Directors

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

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

Gary is a qualified accountant (CIMA) who has gained extensive business experience over the past 35 years in public, private equity and founder/manager owned businesses.

It was deemed appropriate for Gary to take the Chair of the Audit Committee on a temporary basis, given his extensive financial experience, following the appointment of Mark Kirkland as Interim CFO.

Mark Bartlett
Chief Executive Officer
Appointed: 2006
Nationality: British

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.

Clare Foster
Chief Financial Officer
Appointed: April 2024
Nationality: British

Clare joined Strix on 1 February 2024 and subsequent to the announcement of the Group's 31 December 2023 results, was appointed to the Board on 2 April 2024.

Clare has over 25 years' experience working in, and advising, international businesses. Prior to joining Strix, Clare was Group CFO at Trifast Plc and was instrumental in developing the Group's financial strategy.

Clare qualified as a Chartered Accountant with KPMG where she worked for 16 years.

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

Mark's initial career was in corporate finance, predominantly spent at UBS Limited. He has been CFO of numerous public companies and latterly was CEO of Delin Property

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

Mark is currently a Director of Kelso Group Holdings Plc and a Non-Executive Director of AEW UK REIT Plc and TheWorks.co.uk Plc.

Mark held the role of interim CFO at Strix Group Plc from 27 October 2023 to 2 April 2024.

Richard Sells
Non-Executive Director
Appointed: March 2020
Nationality: British
Committees: (A) (N) (R)
Chairman: (R) (E)

Richard previously served as Chairman of AMDEA, the Association of Manufacturers of Domestic Appliances, and was on the board of London listed Alba Plc.

Additionally, he has worked with a number of entrepreneur-led private companies and served as a deal advisor for a large private equity firm.

Richard 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.

Raudres Wong was a member of the Board of Directors in her role as Chief Financial Officer before retiring on 31 October 2023.

Note:
(A) Audit Committee (N) Nomination Committee (R) Remuneration Committee (E) Environmental, Social and Governance Committee

Senior Management Team

Emma Cox
Group Human Resources Director
Joined 2020

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

Riccardo Dolcetta
Managing Director of LAICA & Strix Consumer Goods
Joined 2021

Riccardo manages the Strix Consumer Goods division and the LAICA group of companies with overall leadership over the organisation's operations and strategic direction. He has responsibility for the commercial, research and development, manufacturing and engineering operations.

Frank Gao
Chief Operating Officer
Joined 2012

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

Neil Geoghegan
Director of Group Finance
Joined 2021

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

Nick Gibbs
Group Engineering & Western Operations Director
Joined 1992

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

Rachel Pallett
Chief Commercial Officer Strix Controls & Premium Filtration Systems (Billi) Division
Joined 2023

Rachel joined Strix in 2023 to manage the new Strix Controls and Premium Filtration Systems (Billi) division, with a global team spread across the Isle of Man, UK, Australia and China. She oversees the commercial business operations within the division and provides strategic leadership, whilst implementing product development and building enduring customer relationships.

Matt Thomas
Divisional Operations Director and Strix Consumer Goods Engineering Director
Joined 2003

Matt originally joined Strix in 2003. Based in Guangzhou, he leads the Global Manufacturing Engineering teams looking for innovative methods of manufacture, including Automation and Customer Quality teams.

David Trustrum
Western Supply Chain & Commercial Operation Director
Joined 1991

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

Nicolò Zanuso
Strix Consumer Goods Finance Director
Joined 2021

Nicolò was instrumental in the successful transition of LAICA into the Strix Group. He ensures appropriate financial asset controls are in place, along with information and business processes, whilst ensuring compliance with relevant accounting standards and legislation for the Strix Consumer Goods division.

Harry Kyriacou was part of the senior management team in his role as Chief Commercial Officer & Managing Director Consumer Goods until 12 January 2024.

Board Activities

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

Audit Committee

Chaired by Gary Lamb

The Audit Committee report which lays out the duties and responsibilities of the Audit Committee can be read on page 71.

Nomination Committee

Chaired by Mark Kirkland

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

The Nomination Committee report can be found on page 70.

Remuneration Committee

Chaired by Richard Sells

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 72 to 79.

ESG Committee

Chaired by Richard Sells

Ensures the Board exercises sustainable governance by staying focused and proactive in supporting sustainability initiatives across the Group.

Refer to pages 32 to 49.

CEO and Executive Committee

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

Board roles

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

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

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

Our Chairman

- Chairing Board meetings, Audit Committee meetings and the Annual General Meeting, 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

- Chairing Remuneration and Nomination Committee meetings;
- 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; and
- Representing the Group to external stakeholders.

Our CFO

- Providing strategic financial leadership of the Group and day-to-day management of the Finance function;
- Responsible for the day-to-day financial operations and results of the Group; and
- Shaping portfolio strategies, undertaking major investment and financing decisions, and communicating with key stakeholders.

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 91 to 132, 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 resilient trading performance of the Group, which continues to show profitable returns;
- Budgets and cash flow forecasts for the period to December 2025;
- The current financial position of the Group, including its cash and cash equivalents balances of £20.1m at year end;
- The availability of further funding by way of access to the AIM market afforded by the Company's admission to AIM;
- The low liquidity risk the Group is exposed to;
- The fact that the Group operates within diverse sectors that are experiencing gradually increasing demand for its products as the world returns back to a 'new normal' in the aftermath of the COVID-19 pandemic, despite some offsetting impacts of the conflicts in Ukraine and the Middle East; and
- That there has been minimal 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 (AGM) – voluntary disclosure

The business to be conducted at the AGM 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 AGM 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 AGM there is an update on the progress of the business over the last year and also on current trading conditions.

> "For Strix Group 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 Executive 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 2023. This was completed by the use of questionnaires completed by all Directors. The results of this exercise were reviewed and feedback discussed in full by the Board. Feedback was given by the independent Non-Executive Directors in respect of the Chairman, and by the Chairman in respect of assessments of each of the other Directors and the Board as a whole. The outcome of the appraisal is that the Board has been effective in discharging its duties during 2023, with appropriate changes, deemed necessary, made.

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.

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 63 of the Annual report provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

The Board is aiming to achieve a mix of institutional, retail and management shareholders which is appropriate for Strix. As at 9 April 2024, the Board considers that the Company's shareholders can be categorised in the following manner:

Shareholders: continued

Historic trends	Shares	% IC
Domestic Institutions	143,492,814	65.6
Foreign Institutions	50,377,843	23.0
Domestic Brokers	7,071,292	3.2
Private Stakeholders/Investors	6,400,421	2.9
Foreign Brokers	6,132,115	2.8
Employees etc.	3,222,929	1.5
Hedge Funds	1,694,500	0.8
Corporate Stakeholders	34,791	0.0
Unknown	849,378	0.4
Shareholdings below Threshold	(561,734)	(0.3)
TOTAL	218,714,349	100.0

Substantial shareholding

As at 9 April 2024, the Company has been advised, in accordance with the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority, of the following notifiable interests in 3% or more of its voting rights:

	Number
Number of securities in issue:	218,714,349
AIM securities not in public hands:	1.5%

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

Shareholder	Shares	% IC
Octopus Investments	22,259,718	10.18
Van Lanschot Kempen Investment Mgt	12,244,000	5.60
Jupiter Asset Mgt	10,259,313	4.69
Hargreaves Lansdown Asset Mgt	8,544,496	3.91
Farringdon Capital Mgt	7,086,345	3.24
Rowan Dartington & Co	6,985,345	3.19
Interactive Investor	6,828,985	3.12

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 2023

For 2023, 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 Long-Term Incentive Plan (LTIP).

In respect of the annual bonus scheme, targets are based on adjusted profit after tax. Adjusted profit after tax 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 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 2024 are set out on page 79.

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 Committee's effectiveness; and
- The Committee's terms of reference.

Nomination Committee membership

The members of the Nomination Committee, all of whom have held office and at the date of this report, are:

- Mark Kirkland (Chairman)
- Gary Lamb
- Richard Sells

The Committee met once during the year to reappoint Richard Sells to the Remuneration Committee for a further three-year term, discuss the business restructure impact, consider rotation in the various Committee Chairs, and to discuss the retirement of Raudres Wong as Chief Financial Officer. Other subjects were discussed to ensure the Board and Committees continue to operate effectively.

Mark Kirkland
Chairman of the Nomination Committee

Audit Committee Report

The Committee confirms that for the year ended 31 December 2023, 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

Gary Lamb, Richard Sells and Mark Kirkland served as members of the Committee through the year ended 31 December 2023. Mark Kirkland stepped down as Chair of the Audit Committee, but remained as a member of the Committee on his appointment to Interim CFO on 27 October 2023. He served as Interim CFO until 2 April 2024, where he then resumed his role as Non-Executive Director and member of the Audit Committee.

The Committee met formally twice throughout the year with all members attending scheduled meetings. In addition to the formal meetings, Committee members also attended additional ad hoc meetings as required, including virtually, and through discussions via multiple emails.

All Committee members are independent Non-Executive Directors (noting the period Mark Kirkland served as Interim CFO as aforementioned) and the Board is satisfied that all members have significant, recent and relevant financial experience. Furthermore, all 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 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 processes or, if such a function does not exist, evaluate the need to establish one;
- Make recommendations to the Board, for it to put to the shareholders for their approval in general meeting, in relation to the appointment, reappointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor;
- Review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK and Isle of Man professional and regulatory requirements;
- Develop and implement policies on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm; and
- To report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken.

Significant issues considered in relation to the financial statements

At the request of the Board, the Audit Committee considered whether the 2023 Annual report and accounts were fair, balanced and understandable and whether they provided the necessary information for shareholders to assess the Group's performance, business model and strategy. The Committee was satisfied that this is the case.

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

- Consideration of the acquisition of Billi and the impact thereof to the Group's operations and financial reporting process 12 months after acquisition, including reassessment of the fair values of assets and liabilities acquired at acquisition date;
- Integration of the Billi entities in the financial operations and financial reporting processes of the Group;
- Revenue recognition of the various revenue streams within the Group particularly of the newly acquired Billi entities;
- Appropriateness of the use of the going concern assumption;
- Management's impairment assessment of goodwill and other intangible assets with an indefinite useful life; and
- Review of the preliminary financial statements and disclosures thereof.

Gary Lamb
Chairman of the Audit Committee

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

Directors' Remuneration Report 2023

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 2023 and explains how we intend to implement the policy for 2024."
>
> **Richard Sells**
> Remuneration Committee Chair

The Remuneration Committee

The members of the Remuneration Committee are Richard Sells, Gary Lamb and Mark Kirkland. All three are independent Non-Executive Directors. Richard Sells replaced Gary Lamb as Chairman of the Committee on 14 December 2023, with Gary continuing as a member of the Committee. Mark Kirkland remained as a member of the Committee on his appointment to Interim CFO on 27 October 2023. He served as Interim CFO until 2 April 2024.

The Committee held four meetings during 2023. All members of the Committee attended all meetings.

Duties

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

- Determining the remuneration policy for the Board 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 Company;
- 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 2023

During the year under review, the remuneration policy was implemented in line with the plans set out in last year's Directors' remuneration report. The Executive Directors and other key employees participated in the annual cash bonus scheme. Unfortunately, in light of the challenges faced by the business during the year, the performance conditions were not met and the Remuneration Committee agreed that no bonuses should be paid.

The award granted to the Directors under the Long-Term Incentive Plan ('LTIP') in 2021 lapsed following the assessment of EPS performance over the three-year period ended 31 December 2023. The minimum level of performance required for threshold vesting was not achieved.

A new forward-looking LTIP grant was made in April 2023 on the terms summarised in last year's report. The award was considered critical to provide a suitable incentive for the Company's leaders during a period of significant change for the business and some significant external headwinds. The award was made at the normal level of 100% of basic salary, with performance conditions based on a mix of EPS targets (for 85% of the award) and energy intensity targets (for the remaining 15%). The full targets are disclosed on page 77.

Change of CFO

Raudres Wong stepped down as CFO during the year and left the Board on 1 November 2023. During her period of notice she continued to receive her fixed remuneration but was not eligible to participate in the annual bonus scheme for 2024 or receive any new LTIP awards. As noted above, her LTIP award granted in 2021 has lapsed in full. Her awards granted in 2022 and 2023 may vest on a pro-rated basis on the normal vesting date, subject to the satisfaction of the relevant performance conditions. As part of Raudres' termination arrangements the Board also agreed to make a payment for loss of office equivalent to six months' salary. The termination agreement includes appropriate restrictive covenants to protect the interests of the Company.

Following Raudres' departure, Mark Kirkland was appointed as part-time interim CFO on a temporary basis to cover the period prior to the appointment of a permanent successor. Mark was paid on a daily rate for this interim role. He did not receive any benefits and did not participate in either the annual cash bonus scheme or the LTIP.

Clare Foster was appointed as CFO and as a Director on 2 April 2024, having joined Strix on 1 February 2024. Under the terms of her recruitment, it was agreed that Clare's salary would be set at a level equivalent to £328,000 plus whatever percentage increase was agreed for the Executive Directors with effect from April 2024. She receives a standard benefits package and a pension at 10% of salary. She has a maximum annual bonus opportunity of 100% of salary. Her 2024 LTIP award has been set at 100% of basic salary, in line with the standard approach for Executive Directors. This award will vest subject to the satisfaction of the performance targets as set out in the section below. The Committee has also agreed that Clare will receive an additional long-term award of shares worth 50% of salary. This additional award was considered necessary to secure the appointment of a CFO candidate of her calibre and in recognition of her commitment to relocate to the Isle of Man. The award will vest after three years and is subject to Clare's continuing employment and the standard malus and clawback provisions. Clare will build a minimum shareholding in Strix shares over time equivalent to 150% of her basic salary.

Proposed application of the remuneration policy in 2024

Decisions on salary increases for the Executive Directors take into account a number of factors, including the average salary increase across the wider workforce. For 2024, this average Company-wide increase is 4%, although there is some variation between the various jurisdictions in which Strix operates. The Committee has agreed an increase for the Executive Directors of 4%, which aligns with this workforce rate.

The maximum annual cash bonus opportunity for the Executive Directors remains at 100% of basic salary for 2024. Any bonus payment will be based on challenging financial targets linked to profit, cash and the achievement of specific ESG targets. The exact targets are currently considered commercially confidential but will be disclosed in next year's Directors' remuneration report.

The LTIP award made in 2024 will again be based on the achievement of performance conditions linked to EPS growth (for 85% of the award) and reductions in energy intensity (for 15% of the award) over the following three-year period. For the energy intensity element, there will be a requirement for a reduction in energy intensity of at least 5% per annum over the performance period. The Committee believes that satisfaction of these stretching targets would represent an excellent level of achievement over the performance period.

Wider workforce remuneration

Although the Remuneration Committee does not set the remuneration for all employees, it considers wider pay issues across the business when making decisions in respect of the Executive Directors. Strix is an international company with employees based in a number of different regions across the globe. Pay levels and structures reflect local practice in each market and for the relevant job grade. Performance-related pay is in place for certain roles, including participation in bonus arrangements and (for more senior staff) grants of awards under the LTIP. The performance measures for the LTIP awards are normally aligned with those chosen for the Executive Directors although different conditions apply in certain cases (and grant sizes are lower).

As disclosed last year, Strix made additional cash payments as a hardship allowance to certain staff to help address the challenges posed by historically high levels of inflation. These payments were deliberately targeted at lower-paid employees as these colleagues were most impacted by increases to the cost of living. The Company decided to integrate these payments into employees' salaries at the beginning of 2024, thus effectively making these payments permanent.

New QCA Corporate Governance Code

The Remuneration Committee is aware of the changes to the QCA Corporate Governance Code, published in late 2023. The Code includes a new principle on remuneration, and this will be considered in more detail by the Committee over the course of the coming year.

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.

Richard Sells
Chairman of the Remuneration Committee

Directors' Remuneration Report 2023 continued

Directors' remuneration policy

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

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

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

In addition to the elements of remuneration set out in the table to the right, Executive Directors are required to work towards meeting share ownership guidelines. Further details are provided on page 78.

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 Company 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 occasion 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 Company typically provides: • Car allowance • Medical insurance • Health insurance • Cost-of-living allowance • Other ancillary benefits, including relocation expenses (as required) Executive Directors are also entitled to 25 days' leave per annum.	Benefits provision is set at a level considered appropriate taking into account a variety of factors, including market practice elsewhere.
Pension	To provide market-competitive benefits and to assist post retirement financial planning.	A Company contribution to a defined contribution pension scheme or provision of cash allowance in lieu of pension.	Up to 10% of basic salary.
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 Company'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 Company's accounts and also for other defined reasons.	Maximum annual opportunity of 100% of basic salary.

Element	Purpose and link to strategy	Operation	Maximum opportunity
Long-Term Incentive Plan ('LTIP')	To encourage and reward delivery of the Company'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 Company's accounts and also for other defined reasons.	There is no formal individual limit within the LTIP rules. However, the Remuneration Committee normally applies a limit of 100% of basic salary to grants made under the LTIP to Executive Directors. 25% of the award is payable for threshold performance. In line with the LTIP rules, the Committee may decide to allow participants to receive dividend-equivalent payments.
Non-Executive Director fees	To attract and retain a high-calibre Chairman and Non-Executive Directors	Fee levels are set as appropriate for the role and responsibility for each Non-Executive Director position and with reference to market levels in comparably sized public companies. Fees are paid in cash. The Chairman is paid a single fee for all his responsibilities. Other Non-Executive Directors are also paid a single fee.	There is no prescribed maximum annual increase. Any increases to fee levels are guided by movements in market rates and the general salary increase for the broader employee population. On occasion, however, fee increases may need to recognise, for example, change in responsibility and/or time commitments.

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.

The service agreements for Mark Bartlett and Clare Foster are terminable on 12 months' notice and six months' notice respectively. 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 Report 2023 continued

Annual report on remuneration
Directors' remuneration for 2023

		Salary and fees £k	Benefits[2] £k	Pension £k	Annual bonus £k	Long-term incentives £k	Other £k	Total £k
Executive Directors								
Mark Bartlett	**2023**	**375**	**70**	**38**	**–**	**–**	**–**	**483**
	2022	365	70	37	–	–	–	472
Raudres Wong[1]	**2023**	**280**	**21**	**27**	**–**	**–**	**–**	**328**
	2022	314	24	33	–	–	–	371
Non-Executive Directors								
Gary Lamb	**2023**	**82**	**–**	**–**	**–**	**–**	**–**	**82**
	2022	80	–	–	–	–	–	80
Mark Kirkland[3]	**2023**	**49**	**–**	**–**	**–**	**–**	**35**	**84**
	2022	48	–	–	–	–	–	48
Richard Sells	**2023**	**49**	**–**	**–**	**–**	**–**	**–**	**49**
	2022	48	–	–	–	–	–	48

1 Raudres Wong stepped down as a Director on 1 November 2023. The payments in the table represent her pay up to this date.
2 Mark Bartlett's benefits include participation in the Company's private medical insurance scheme and a car allowance. Raudres Wong's benefits included participation in the Company's medical insurance and permanent health insurance schemes.
3 Fees under 'Other' for Mark Kirkland represent the amounts received for his role as interim CFO with effect from 27 October 2023.

Annual bonus scheme outcome for 2023

Executive Directors had the opportunity to earn a maximum annual cash bonus for 2023 of 100% of basic salary, subject to the achievement of challenging financial and non-financial targets linked to profit (45%), cash (40%) and the achievement of specific ESG targets (15%). Payment of the bonus required minimum PAT for 2023 of £26.5m.

Given a PAT outturn for the year of £20.1m, the Committee determined that no bonuses should be paid.

Performance under the LTIP award granted in 2021

Executive Directors and other members of senior management were granted an award of shares under the LTIP in April 2021. Vesting of the awards was based on EPS performance measured over the three-year period ended 31 December 2023. The specific EPS targets, and the performance achieved, are set out below.

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

The Committee assessed the level of performance achieved and determined that the targets had not been met, taking into account the EPS of 9.2p reported for the year ended 31 December 2023. Given negative EPS growth over the three-year performance period, the Committee determined that the Directors' LTIP awards should lapse in full.

LTIP award granted in 2023

Executive Directors and other senior employees were granted an award of shares under the LTIP in April 2023. For the Executive Directors, the award was granted at a level of 100% of basic salary. Vesting of 85% of the award is subject to the achievement of performance conditions based on the Company's EPS performance over the three financial years ending 31 December 2025. The specific targets were disclosed in last year's report and are also set out below.

Annual EPS growth to be achieved in the period ending 31 December 2025	Level of vesting
Below 3%	0%
3%	25%
Between 3% and 7%	Vesting on a straight-line basis between 25% and 100%
7% or above	100%

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

The awards are subject to malus and clawback provisions, as set out in the remuneration policy on page 72.

Directors' Remuneration Report 2023 continued

Directors' participation in the LTIP

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

Executive	Scheme	Grant date	Exercise price	Number of LTIP shares at 31 December 2022	Granted during year	Vested during year	Lapsed during year	Number of shares at 31 December 2023	End of performance period	Vesting date[1]
Mark Bartlett	LTIP	6 Apr 2020	nil	197,138	–	–	197,138	–	31 Dec 2022	1 Apr 2023[2]
	LTIP	21 Apr 2021	nil	123,995	–	–	–	123,995	31 Dec 2023	1 Apr 2024[3]
	LTIP	21 Apr 2022	nil	148,760	–	–	–	148,760	31 Dec 2024	1 Apr 2025
	LTIP	17 Apr 2023	nil	–	359,295	–	–	359,295	31 Dec 2025	1 Apr 2026
Raudres Wong[4]	LTIP	6 Apr 2020	nil	196,060	–	–	196,060	–	31 Dec 2022	1 Apr 2023[2]
	LTIP	21 Apr 2021	nil	107,593	–	–	–	107,593	31 Dec 2023	1 Apr 2024[3]
	LTIP	21 Apr 2022	nil	131,262	–	–	–	131,262	31 Dec 2024	1 Apr 2025
	LTIP	17 Apr 2023	nil	–	311,615	–	–	311,615	31 Dec 2025	1 Apr 2026

1 These LTIP options cannot be exercised until the Remuneration Committee determines the performance conditions have been met.
2 As explained in the 2022 Directors' remuneration report, the performance conditions for this award were formally tested after the 2022 year end and it was deemed that the award had lapsed in full.
3 As explained in the relevant section above, the performance conditions for this award were formally tested after the 2023 year end and it was deemed that the award had lapsed in full.
4 Raudres Wong stepped down from the Board on 1 November 2023. As explained on page 73, she retains an interest in her outstanding LTIP awards. These will vest on a pro-rata basis subject to the achievement of the relevant performance conditions.

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 to the right.

Director	Beneficially owned at 31 December 2023	Shareholding guideline achieved at 31 December 2023 as % of 2023 basic salary[1]
Mark Bartlett	2,676,762	>200%
Raudres Wong[2]	1,977,374	>150%
Gary Lamb[3]	468,313	n/a
Mark Kirkland	63,613	n/a
Richard Sells	14,241	n/a

1 Based on the year-end share price of 74.6p.
2 Shareholding stated as at 1 November 2023, the date Raudres Wong stepped down from the Board. Shares held in the name of her husband, Wing Yip Fong.
3 Shares registered in the name of GEL Holdings Limited, a company controlled by Gary Lamb.

Application of the remuneration policy for 2024

Fixed remuneration

The salary for Mark Bartlett has been increased by 4% with effect from 1 April 2024, to £393,345. This is in line with the average salary increase for the wider workforce. As noted on page 73, it was agreed at the time of Clare Foster's appointment that her salary would be £328,000 plus whatever percentage increase was determined for the Executive Directors for 2024. Accordingly, her salary with effect from her appointment to the Board on 2 April 2024 is £341,120.

The level of pension provision for both of the Executive Directors is 10% of basic salary.

Annual bonus scheme

The annual bonus scheme will continue to incentivise the delivery of performance over the short term. The scheme will primarily be based on the achievement of challenging financial targets linked to profit, cash and the achievement of specific ESG targets.

We intend to disclose the specific bonus targets in the 2024 Directors' remuneration report, alongside details of performance against the targets.

The maximum annual bonus opportunity for the Directors for 2024 will be 100% of basic salary, payable in cash.

LTIP

The 2024 LTIP award will be based on similar performance conditions to the award granted in 2023. A total of 85% of the award will be subject to the achievement of performance conditions based on the Company's EPS performance over the three financial years ending 31 December 2026. The performance targets to be used are set out below.

Annual EPS growth to be achieved in the period ending 31 December 2026	Level of vesting
Below 3%	0%
3%	25%
Between 3% and 7%	Vesting on a straight-line basis between 25% and 100%
7% or above	100%

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

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

A payment equivalent to the value of the dividend paid over the vesting period will also be payable at the time of vesting. The awards will be subject to malus and clawback provisions, as set out in the remuneration policy on page 72.

The LTIP awards for the Executive Directors will be granted at the normal levels of 100% of basic salary. For the new CFO, as explained on page 73, an additional award of 50% of salary will be granted which will vest subject to continued employment over the following three years. This was agreed by the Remuneration Committee as necessary to secure the appointment of a CFO candidate of her calibre and in recognition of her commitment to relocate to the Isle of Man.

Chairman and Non-Executive Directors

The fees payable to the Board Chairman and the other Non-Executive Directors have been increased by 4% for 2024, in line with the salary increase for the Executive Directors and the average salary increase across the wider workforce. Accordingly, the new fees are £85,696 for Gary Lamb and £51,418 each for Mark Kirkland and Richard Sells.

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

Richard Sells
Chairman of the Remuneration Committee

QCA Principles and Strix

Governance principle	Strix response	Further reading
Establish a strategy and business model which promote long-term value for shareholders	Strix has developed a clear strategy to act as a guiding principle and to articulate how long-term value will be generated for shareholders. The Board regularly updates and refines this strategy to ensure it remains fit for purpose given the changes in the environment in which the Group operates. Strix has an established risk management framework which assists the Board in achieving an appropriate balance between risk and reward. In turn, this allows the Board to take actions to mitigate unnecessary or undesirable risk and to safeguard the long-term viability of the Group. Strix also has significant resources available to create medium to long-term value. These include: • A market-leading share of the global kettle controls market. • Significant, long-standing customer relationships. • A large portfolio of intellectual property. • A strong pipeline of new products.	Disclosure of the Group's strategic business objectives is included on page 14. This includes a description of each part of the strategy. Strix's value chain is explained on page 7 and the way in which we deliver value for our stakeholders is set out on pages 50 and 51. Strix's risk management framework is set out on pages 54 to 60. This sets out our understanding and assessment of the risks which the Group faces in executing its chosen strategy.

Governance principle	Strix response	Further reading
Seek to understand and meet shareholder needs and expectations	The Executive Directors engage regularly with investors and analysts at meetings and investor roadshows in order to articulate the Group's strategy, business model and performance, and ensure they are clearly understood. This also provides the Executive Directors with an opportunity to understand what shareholders' expectations and needs are. This two-way dialogue is key to driving the Group forward and informs the decision-making process that the Board undertakes on key matters. The Board also seeks to engage with shareholders throughout the year, in particular via our regular reporting of performance and key news announcements via RNS. All members of the Board attend the Annual General Meeting and the Board encourages shareholders to attend this meeting and ask questions (where possible). In the event of a substantial vote (more than 20%) against any particular resolution, the Board will engage with shareholders in order to determine the appropriate course of action. The Board also engages with both institutional and private shareholders to understand the needs and expectations of both of these groups.	Our RNS notifications and annual reports are available on the Group's website as well as the results of the AGM voting outcomes, showing the percentage of votes for, against and withheld for each resolution.

Governance principle	Strix response	Further reading
Seek to understand and meet shareholder needs and expectations continued	Strix does not have a dedicated investor relations department given its size but has engaged an external investor relations adviser to act as another point of contact for shareholders, details of which are on the Company's website. Questions from individual shareholders are typically referred to the Chair or CEO for written answers.	
Take into account wider stakeholder and social responsibilities and their implications for long term success	Strix's long history has enabled it to develop a good understanding of its key stakeholders. This understanding helps the Board and the management team make well-informed business decisions and to deliver on our strategic objectives. Strix's key stakeholder groups are: • Shareholders (both institutional and private). • Employees. • Customers. • Suppliers. • Communities. • Environment. As part of our HR strategy, management are committed to making positive changes in the Group which will increase our engagement index score. Strix also holds regular discussions with its customers and suppliers, many of whom have worked with Strix for decades, which helps us to understand the importance of these relationships in order to continue to succeed.	Please refer to pages 42 to 47 and 50 to 51 for further information on why and how we engage with these stakeholders.

Governance principle	Strix response	Further reading
Take into account wider stakeholder and social responsibilities and their implications for long term success continued	Strix's intention is to build a relationship and strategy to support and benefit all our stakeholders: colleagues, customers, communities, regulatory bodies, shareholders and suppliers. The Strix eco-system depends on the interaction and therefore the wellbeing of all parties. Similarly, embracing the needs of all our stakeholders is critical to the success of the whole.	
Embed effective risk management, considering both opportunities and threats, throughout the organisation	Strix has in place a risk management framework which assists the Board in identifying, assessing, and mitigating the risks faced by the Group to an acceptable level. This is reviewed on an ongoing basis and actions are taken as needed to reduce the risks to an acceptable level, if required.	The risk management framework is set out on pages 54 to 60.
Maintain the Board as a well-functioning, balanced team led by the Chair	The Board includes three Non-Executive Directors and two Executive Directors. The Non-Executive Directors being Gary Lamb, Mark Kirkland and Richard Sells. In the Board's judgement, Gary Lamb, Mark Kirkland and Richard Sells are independent although it is noted in this regard that Gary Lamb also chairs the Board, having been appointed on a permanent basis on 6 March 2018. Mark Kirkland temporarily sat in as the Interim CFO from 27 October 2023 to 2 April 2024, and resumed non-executive duties thereafter.	See page 66 which covers Directors' independence, time commitment and its key Committees.

QCA Principles and Strix continued

Governance principle	Strix response	Further reading
Maintain the Board as a well-functioning, balanced team led by the Chair continued	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. All Board members have clearly defined roles and responsibilities and we have clearly documented these roles and responsibilities in matters reserved for the Board as well as having clear and transparent terms of reference for all the Board Committees.	Further information on Directors' interests is included in the Directors' report on pages 85 and 86.
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 64 and 65.

Governance principle	Strix response	Further reading
Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities continued	The Company Secretary has the responsibility to make the Board aware of legal changes and will advise on the Company's approach. The Board has access to external advice, including the Company's solicitors where required. The Board receives ongoing training as part of its annual board meeting cycle.	
Promote a corporate culture that is based on ethical values and behaviours	Strix has a responsibility towards its employees and partners. The Group is proud to provide opportunities for the next generation and is passionate about supporting social causes, both on the Isle of Man and beyond. The Group has a defined policy in place for anti-slavery and anti-human trafficking, which is reviewed at least annually. Strix respects the dignity, rights and aspirations of all people, and is committed to supporting and promoting international and local laws which prohibit modern-day slavery and human trafficking. Strix has zero tolerance of violations of this policy, which applies equally to all of our Directors, officers, employees, apprentices, volunteers, agents, consultants and other representatives. Strix also has in place policies for anticorruption and anti-bribery, in order to detect and prevent any instances of corruption or fraud. This includes a whistleblowing facility to report any suspected instances of corruption or bribery to one of the Directors.	Further details on corporate social responsibility, including ethical conduct and sustainable investing, is provided on pages 32 to 49.

Governance principle	Strix response	Further reading
Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement	During the year, the Board has undertaken an assessment of its own performance, and the performance of each Director, in order to conclude that it has an appropriate balance of skills and that the composition of the Board remains appropriate. The key assessments made in relation to the effectiveness of the Directors are: • Their contributions are relevant and effective. • Their skills remain current and relevant for their role on the Board. • They are committed and able to devote a suitable amount of time to undertaking their duties as a Director. • If their role is as an independent Director, that they remain independent. All senior nominations, including nominations to the Board of Directors, require approval by the Nominations Committee. The Company's Articles of Association require that at least one-third of the Directors must stand for re-election by shareholders annually in rotation and that any new Director appointed during the year must stand for election at the AGM immediately following their appointment. At the 2023 AGM, all five members of the Board of Directors retired by rotation and were all duly re-elected. Going forward, at each AGM, all Directors will retire by rotation and immediately stand for re-election.	Further details on corporate governance are provided on page 67.

Governance principle	Strix response	Further reading
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 10 times a year, supplemented by additional meetings as and when required. The Board discusses strategy, performance and internal controls based on a formal agenda, which is circulated in advance of each meeting. The Board is also responsible for the approval of RNS announcements and the annual and interim results. The following matters are reserved for consideration and approval by the Board: • Strategy and management. • Structure and capital. • Financial performance, financial position, financial reporting and controls. • Internal controls. • Contracts. • Communication. • Board membership and other appointments. • Remuneration. • Delegation of authority. • Corporate governance matters. • Policies. Any Director is free to challenge any proposals put to a Board meeting, and decisions are made democratically after discussion. Senior members of staff attend certain Board meetings by invitation to discuss matters in relation to their specific areas of expertise.	Further details on the Group's corporate governance including details of the Audit, Nomination and Remuneration Committees are provided on pages 66 to 87.

QCA Principles and Strix continued

Governance principle	Strix response	Further reading
Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board continued	The Chairman is responsible for running the business of the Board and for ensuring appropriate strategic focus and direction. The CEO is responsible for proposing the strategic direction to the Board, implementing it once approved, and managing the performance of the Group through the management team. The Board is supported by the Audit, Nomination, Remuneration and Environmental, Social and Governance (ESG) Committees in discharging its responsibilities. The Board also has access to Executive Assistants to help the Directors fulfil their duties. Each of the Committees has access to such resources, information and advice as it deems necessary, at the cost of the Group, to enable the Committee to discharge its duties. The Board believe this structure is appropriate for the current size of the Group and the nature of its business, but this is assessed at least annually as part of the review of the Board's performance. The size and composition of the Board, plus the governance structures and processes which support it, may change in response to a change in the nature and/or composition of the Group.	

Governance principle	Strix response	Further reading
Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	Strix communicates principally with its shareholders and other stakeholders through: • the Annual report and accounts. • half-year announcements. • the London Stock Exchange's Regulatory News Service (RNS). • the Annual General Meeting (AGM). • one-to-one meetings with large existing or potential new shareholders. • Internal staff meetings or through written/email communication. The Board receives regular updates on the views of shareholders through briefings and reports from the CEO, CFO and the Group's joint brokers. The Group communicates with institutional investors frequently through briefings with management. In addition, analysts' notes and brokers' briefings are reviewed to achieve a wide understanding of investors' views. Site visits are hosted with key analysts in order to demonstrate the work being undertaken by the Group to execute its strategy. The Group completes an employee engagement survey on a biennial basis and has created an 'Employee Engagement Forum', staffed by a diverse mix of staff within the business, to act as the focal point between the management team and the employees. This open dialogue continues to result in positive changes being introduced. The outcome of the Employee Engagement Survey is a KPI on which all of the management team's performance is assessed for over the two-year period.	Details of how the company engages with its various stakeholders can be found on pages 50 to 51 of this report. The Company's reports and presentations and notices of Annual General Meetings are made available on the website, as are the results of voting at shareholder meetings.

Directors' Report
for the year ended 31 December 2023

The Directors present their report together with the audited consolidated financial statements of Strix Group Plc (the Company) for the year ended 31 December 2023.

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

Results and dividends
The Group recorded revenue in the year of £144.6m (FY 2022: £106.9m) and a reported profit after tax of £16.2m (FY 2022: £16.9m).

Given the increase in net debt following the strategic acquisition of Billi in 2022, and with the high interest rate environment, the Board of Directors continue to take precautions to balance the capital allocation priorities, with debt reduction and cash flow generation taking precedence. To be prudent, the Board has decided to prioritise the reduction of debt for the rest of the current year, with no further dividend declarations proposed out of 2023 distributable reserves.

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

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

- Mark Bartlett
- Mark Kirkland
- Gary Lamb
- Raudres Wong (retired in October 2023)
- Richard Sells

All members of the Board of Directors will retire by rotation in accordance with the Company's Memorandum and Articles of Association and all will be proposed for re-election at the AGM on 20 June 2024. The Directors who held office during the year and as at 31 December 2023 had the following interests in the number of ordinary shares of the Company:

Name of Director	2023	2022
Mark Bartlett	**2,676,762**	2,625,030
Mark Kirkland	**63,613**	63,613
Gary Lamb	**468,313**	468,313
Raudres Wong (retired in October 2023)	**1,977,374**	1,977,374
Richard Sells	**14,241**	14,421

In addition to the interests in ordinary shares shown above, the Group operates a performance share plan (the LTIP) for senior executives, under which certain Directors have been granted conditional share awards. Subject to achieving performance targets, the maximum number of ordinary shares which could be issued to Directors in the future under such awards at 31 December 2023 is shown below:

	2023	2022
Mark Bartlett	**632,050**	272,755
Raudres Wong (retired in October 2023)	**550,470**	238,855

The market price of the Company's shares at the end of the financial year was 74.6p (FY 2022: 82.0p) and the range of market prices in the year was between 52.8p and 112.6p (FY 2022: between 74.70p and 306.0p).

No changes took place in the interests of Directors between 31 December 2023 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.

Directors' Report continued
for the year ended 31 December 2023

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

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

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

On behalf of the Board

Mark Kirkland
Director
26 March 2024

Statement of Directors' Responsibilities in Respect of the Financial Statements

for the year ended 31 December 2023

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

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

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

Mark Kirkland
Director
26 March 2024

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 2023 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as adopted by the European Union.

What we have audited
Strix Group Plc's consolidated financial statements (the 'financial statements') comprise:

- the consolidated statement of financial position as at 31 December 2023;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

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

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

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

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

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

Key audit matters	How our audit addressed the key audit matters
Fraud risk in revenue recognition Refer to notes 2 and 7 to the financial statements. 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 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 over certain streams to trace revenue transactions to cash receipts; and to identify transactions which did not follow the standard flows, which were verified to originating documentation to confirm that the entries were valid; • Considering the stated accounting policy in respect of revenue recognition and whether it is compliant with International Financial Reporting Standard ('IFRS') 15 'Revenue from contracts with customers'; • Testing significant controls in relation to the sales process, including the automated generation of invoices and packing lists, and approval of changes to standing data; • Testing revenue cut-off around the year-end by selecting a sample of transactions from either side of the year-end to supporting documentation, as well as reviewing post year-end credit notes issued for indications of revenue manipulation; • Testing a sample of revenue transactions back to the purchase order, the invoice and proof of receipt from the client to confirm occurrence and accuracy of the transaction; • Testing a sample of licensing income recognised in the year to underlying contracts; • Issuing instructions to and directing the work of the component auditors in Italy and Australia in relation to the audit of revenue; and, • Holding regular meetings with and reviewing the working papers of the component auditors to ensure that sufficient appropriate audit evidence was obtained over the risk of fraud in revenue recognition. Based on our work we did not identify any evidence of inappropriate management override in respect of the amount of revenue recorded through inappropriate journal entries.

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 IFRS Accounting Standards as adopted by the European Union and Isle of Man law, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Independent Auditor's Report continued
to the members of Strix Group Plc

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, actions taken to eliminate threats or safeguards applied.

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 19 January 2024 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Nicholas Halsall
for and on behalf of PricewaterhouseCoopers LLC
Chartered Accountants
Douglas, Isle of Man
26 March 2024

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2023

	Note	2023 £000s	2022 £000s
Revenue	7	**144,586**	106,920
Cost of sales – before adjusting items		**(87,398)**	(65,395)
Cost of sales – adjusting items	6	**(99)**	(847)
Cost of sales		**(87,497)**	(66,242)
Gross profit		**57,089**	40,678
Distribution costs		**(10,896)**	(10,824)
Administrative expenses – before adjusting items		**(14,679)**	(5,570)
Administrative expenses – adjusting items	6	**(4,127)**	(5,101)
Administrative expenses		**(18,806)**	(10,671)
Share of profits/(losses) from joint ventures		**85**	(18)
Other operating income		**442**	751
Operating profit		**27,914**	19,916
Analysed as:			
Adjusted EBITDA[1]		**39,585**	32,128
Amortisation	11	**(3,365)**	(2,063)
Depreciation	12	**(5,341)**	(4,201)
Adjusting items	6	**(2,965)**	(5,948)
Operating profit		**27,914**	19,916
Finance costs	8	**(10,386)**	(3,925)
Finance income		**175**	59
Profit before taxation		**17,703**	16,050
Income tax (expense)/credit	9	**(1,543)**	805
Profit for the year		**16,160**	16,855
Other comprehensive (expense)/income			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		**(1,612)**	1,495
Total comprehensive income for the year		**14,548**	18,350
Profit for the year attributable to:			
Equity holders of the Company		**16,203**	16,790
Non-controlling interests		**(43)**	65
		16,160	16,855
Total comprehensive income for the year attributable to:			
Equity holders of the Company		**14,602**	18,324
Non-controlling interests		**(54)**	26
		14,548	18,350
Earnings per share (pence)			
Basic	10	**7.4**	8.0
Diluted	10	**7.3**	7.9

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

The notes on pages 95 to 132 form part of these consolidated financial statements.

Consolidated Statement of Financial Position

as at 31 December 2023

	Note	2023 £000s	2022 £000s
ASSETS			
Non-current assets			
Intangible assets	11	**73,409**	73,374
Property, plant and equipment	12	**46,215**	47,364
Deferred tax asset	9	**957**	–
Investments in joint ventures		**1**	19
Net investments in finance leases		**11**	16
Total non-current assets		**120,593**	120,773
Current assets			
Inventories	15	**25,440**	27,702
Trade and other receivables	16	**27,713**	29,791
Current income tax receivable	16	**220**	497
Cash and cash equivalents	17	**20,114**	30,443
Total current assets		**73,487**	88,433
Total assets		**194,080**	209,206
EQUITY AND LIABILITIES			
Equity			
Share capital and share premium	24	**23,642**	23,861
Share-based payment reserve	23	**572**	202
Retained earnings		**18,167**	12,479
Non-controlling interests		**653**	707
Total equity		**43,034**	37,249
Current liabilities			
Trade and other payables	18	**27,165**	29,963
Borrowings	19	**16,062**	14,734
Lease liabilities	26	**1,218**	1,069
Contingent consideration	14	**–**	7,532
Current income tax liabilities	18	**2,074**	444
Total current liabilities		**46,519**	53,742
Non-current liabilities			
Lease liabilities	26	**3,592**	2,819
Deferred tax liability	9	**10,304**	11,387
Borrowings	19	**89,743**	103,092
Post-employment benefits	5(c)	**888**	917
Total non-current liabilities		**104,527**	118,215
Total liabilities		**151,046**	171,957
Total equity and liabilities		**194,080**	209,206

The consolidated financial statements on pages 91 to 132 were approved and authorised for issue by the Board of Directors on 26 March 2024 and were signed on its behalf by:

Mark Bartlett
Director

Mark Kirkland
Director

Consolidated Statement of Changes in Equity

for the year ended 31 December 2023

	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 2022	13,139	2,039	10,146	25,324	681	26,005
Profit for the year	–	–	16,790	16,790	65	16,855
Other comprehensive income/(expenses)	–	–	1,534	1,534	(39)	1,495
Total comprehensive income for the year	–	–	18,324	18,324	26	18,350
Dividends paid (note 25)	–	–	(17,300)	(17,300)	–	(17,300)
Share-based payment transactions (note 23)	–	(491)	–	(491)	–	(491)
Transfers between reserves (note 23)	7	(1,210)	1,203	–	–	–
Issue of shares (note 24)	13,000	–	–	13,000	–	13,000
Transaction costs (note 24)	(2,285)	–	–	(2,285)	–	(2,285)
Total transactions with equity holders recognised directly in equity	10,722	(1,701)	(16,097)	(7,076)	–	(7,076)
Other transactions recognised directly in equity (note 23)	–	(136)	106	(30)	–	(30)
Balance at 1 January 2023	**23,861**	**202**	**12,479**	**36,542**	**707**	**37,249**
Profit for the year	**–**	**–**	**16,203**	**16,203**	**(43)**	**16,160**
Other comprehensive income/(expenses)	**–**	**–**	**(1,601)**	**(1,601)**	**(11)**	**(1,612)**
Total comprehensive income for the year	**–**	**–**	**14,602**	**14,602**	**(54)**	**14,548**
Dividends paid (note 25)	**–**	**–**	**(9,070)**	**(9,070)**	**–**	**(9,070)**
Share-based payment transactions (note 23)	**–**	**380**	**–**	**380**	**–**	**380**
Transfers between reserves (note 23)	**–**	**(10)**	**10**	**–**	**–**	**–**
Transaction costs (note 24)	**(219)**	**–**	**–**	**(219)**	**–**	**(219)**
Total transactions with equity holders recognised directly in equity	**(219)**	**370**	**(9,060)**	**(8,909)**	**–**	**(8,909)**
Other transactions recognised directly in equity	**–**	**–**	**146**	**146**	**–**	**146**
Balance at 31 December 2023	**23,642**	**572**	**18,167**	**42,381**	**653**	**43,034**

The notes on pages 95 to 132 form part of these consolidated financial statements.

Consolidated Statement of Cash Flows
for the year ended 31 December 2023

	Note	2023 £000s	2022 £000s
Cash flows from operating activities			
Cash generated from operations	27	**38,902**	24,567
Tax paid		**(1,297)**	(1,204)
Net cash generated from operating activities		**37,605**	23,363
Cash flows from investing activities			
Purchase of property, plant and equipment		**(3,296)**	(4,749)
Cash outflows from capitalised development costs	11	**(3,560)**	(3,326)
Purchase of LAICA S.p.A. (deferred consideration)		**(7,502)**	(1,671)
Consideration refund/(purchase of Billi, net of cash acquired)	14	**1,046**	(37,658)
Purchase of other intangibles	11	**(1,169)**	(484)
Finance income		**180**	59
Net cash used in investing activities		**(14,301)**	(47,829)
Cash flows from financing activities			
Drawdowns under credit facility	19	**–**	46,487
Repayment of borrowings	19	**(15,114)**	–
Finance costs paid	19	**(7,611)**	(3,263)
Principal elements of lease payments	26	**(1,426)**	(833)
(Transaction costs)/net proceeds from issue of new shares	24	**(219)**	10,715
Dividends paid	25	**(9,070)**	(17,300)
Net cash (used in)/generated from financing activities		**(33,440)**	35,806
Net (decrease)/increase in cash and cash equivalents		**(10,136)**	11,340
Cash and cash equivalents at the beginning of the year		**30,443**	19,670
Effects of foreign exchange on cash and cash equivalents		**(193)**	(567)
Cash and cash equivalents at the end of the year		**20,114**	30,443

The notes on pages 95 to 132 form part of these consolidated financial statements.

Notes to the Consolidated Financial Statements
for the year ended 31 December 2023

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

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

2. Material accounting policies
The Group's material 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 IFRS Accounting Standards (IFRS) and International Financial Reporting Standards Interpretation Committee (IFRS IC) interpretations as adopted by the European Union. The financial statements have been prepared on the going concern basis.

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

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

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

The Directors have made enquiries to assess the appropriateness of continuing to adopt the going concern basis. In making this assessment the Directors have considered the following:
- The resilient historic trading performance of the Group;
- Budgets and cash flow forecasts for the period to December 2025;
- The current financial position of the Group, including its cash and cash equivalents balances of £20.1m;
- The availability of further funding by way of access to the AIM market afforded by the Company's admission to AIM;
- The low liquidity risk the Group is exposed to;
- The fact that the Group operates within diverse sectors that are experiencing gradually increasing demand for its products as the world returns back to a 'new normal' in the aftermath of the COVID-19 pandemic, despite some offsetting impacts of the conflicts in Ukraine and the Middle East; and
- That there has been minimal disruption to the Group's manufacturing or supply chain.

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

Standards, amendments and interpretations adopted
The Group has applied the following standards and amendments for the first time for its annual reporting period commencing 1 January 2023:

- **IFRS 17 Insurance Contracts**

This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts with discretionary participation features.

This standard does not have an impact on the Group as the Group has no contracts in scope for this standard. The Group has warranties provisions in relation to inventory, however, the warranties relating to manufacturing entities are excluded from the scope of IFRS 17 as they are covered by IFRS 15.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2023

2. Material accounting policies (continued)

Standards, amendments and interpretations adopted (continued)

- **Definition of Accounting Estimates – amendments to IAS 8**

The amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, whereas changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.

- **Deferred Tax related to Assets and Liabilities arising from a Single Transaction – amendments to IAS 12**

The amendments to IAS 12 Income Taxes require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences, and will require the recognition of additional deferred tax assets and liabilities.

The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with:

- Right-of-use assets and lease liabilities; and
- Decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets.

The cumulative effect of recognising these adjustments is recognised in the opening balance of retained earnings, or another component of equity, as appropriate.

- **Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2**

The International Accounting Standards Board (IASB) amended IAS 1 Presentation of Financial Statements to require entities to disclose their material rather than their significant accounting policies.

The amendments define what is 'material accounting policy information' (being information that, when considered together with other information included in an entity's financial statements, can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements) and explain how to identify when accounting policy information is material.

They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.

To support this amendment, the IASB also amended IFRS Practice Statement 2 Making Materiality Judgements to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

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 2023 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Basis of consolidation

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

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 to direct the activities of the entity.

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

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

Joint ventures

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

2. Material accounting policies (continued)

Basis of consolidation (continued)

Equity method of accounting

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

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

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

Transactions eliminated on consolidation

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

Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date with the assets and liabilities of subsidiaries being measured at their fair values. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase. The Group measures goodwill at the acquisition date as:

- The fair value of the consideration transferred; plus
- The recognised amount of any non-controlling interests in the acquiree; plus
- If the business combination is achieved in stages, the fair value of the pre-existing interest in the acquiree; less
- The fair value of the identifiable assets acquired and liabilities assumed.

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

If the initial accounting for a business combination is preliminary by the end of the reporting period in which the business combination occurs, provisional amounts are reported. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities recognised retrospectively where material to reflect the new information obtained about facts and circumstances that existed as at the acquisition date, and if known, would have affected the measurement of assets and liabilities recognised at that date. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value, with changes in fair value recognised in profit or loss.

Foreign currency translation

Functional and presentational currency

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

Transactions and balances

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

Group companies

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

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

Notes to the Consolidated Financial Statements continued
for the year ended 31 December 2023

2. Material accounting policies (continued)

Property, plant and equipment

Initial recognition and measurement

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

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

Subsequent measurement

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

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	3–25 years
• Fixtures, fittings and equipment	2–10 years
• Motor vehicles	3–5 years
• Production tools	1–10 years
• Right-of-use assets	2–8 years
• Land and buildings	50 years
• Point-of-use dispensers	4–10 years

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

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

Fixtures, fittings and other equipment includes computer hardware.

Derecognition

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

Impairment

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

Intangible assets

Initial recognition and measurement

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

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

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

2. Material accounting policies (continued)

Intangible assets (continued)

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

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

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

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

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

Subsequent measurement

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

- Capitalised development costs — 2–10 years
- Intellectual property — Lower of useful or legal life
- Technology and software — 2–10 years
- Customer relationships — 10–15 years
- Brands — Indefinite useful life
- Goodwill — Indefinite useful life

The useful lives for customer relationships have been updated to include those relating to Billi post finalisation of the fair values on acquisition. Customer relationships in the prior year were amortised over 10–13 years.

Brands have an indefinite useful life because there is no foreseeable limit on the period during which the Group expects to consume the future economic benefits embodied in the asset.

The LAICA brand has been trading since inception and has been a well recognisable brand amongst the Group's trading partners, and the Group does not foresee a time limit by when these partnerships will cease.

The Billi brand is a well-established and competitive brand, being one of the top two brands in the Australian and New Zealand markets, and well recognised in the UK among residential and commercial clientele. The Group does not foresee a time limit by when this market presence will cease.

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

Derecognition

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

Impairment

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

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

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

Notes to the Consolidated Financial Statements continued
for the year ended 31 December 2023

2. Material accounting policies (continued)
Intangible assets (continued)
Intangible assets with indefinite useful lives impairment assessments
Intangible assets with indefinite useful lives arising on business combinations are allocated to the relevant CGU and are treated as the foreign operation's assets.

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

Leases
The leasing activities of the Group and how these are accounted for
The Group leases office space, workshops, warehouses, motor vehicles 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.

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

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

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

2. Material accounting policies (continued)

Financial assets

Classification

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

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

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

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

Impairment of financial assets

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

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

Financial liabilities

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

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

Borrowing costs

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

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

Cash and cash equivalents

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

Employee benefits

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

Short-term benefits

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

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2023

2. Material accounting policies (continued)

Employee benefits (continued)

Pensions

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

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

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

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

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

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

Share-based payments

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

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

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

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

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

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

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

Further details on the awards is included in note 23.

2. Material accounting policies (continued)

Inventories

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

Supplier rebates

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

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

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

Revenue

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

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

Strix Controls

The performance obligation is the delivery of the goods to customers, and revenue is recognised on dispatch, otherwise it is recognised when the products have been shipped to a specific location, or when the risks of obsolescence and loss have been transferred to the Original Equipment Manufacturer (OEM) or wholesaler. All of the amounts recognised as revenue are based on contracts with customers. No element of financing is deemed present because the sales are made under normal credit terms, which is consistent with market price.

Payment terms for the majority of customers in this category are to pay cash in advance of the goods being delivered. The Group recognises the advance payments within trade and other payables on the consolidated statement of financial position as 'Payments in advance from customers'. At the point the revenue is recognised, these balances are transferred from 'Payments in advance from customers' to revenue. For the majority of other customers payment is normally due within 30 to 45 days from the date of sale.

Premium Filtration Systems

The Group recognises revenue from the following major sources under premium water filtration system categories:

· Sale of point-of-use water and coffee machines

Revenue from the sale of point-of-use water and coffee machines is recognised once control of the goods has been transferred to the customer.

· Rental of point-of-use dispensers and coffee machines

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

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

Notes to the Consolidated Financial Statements continued
for the year ended 31 December 2023

2. Material accounting policies (continued)

Revenue (continued)

Rental agreements run for a minimum period of 12 months and typically for three to five years. Some rental agreements have no fixed end date and may be cancelled by either party subject to a minimum notice period or early termination penalty. The average useful economic life for a point-of-use water device is approximately four to ten years whilst refurbishment can extend the life of some devices to 11 years or more. For this reason, existing rental agreements are not judged to transfer substantially all of the risks and rewards of ownership to the lessee.

· Servicing of point-of-use units

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

· Sale of consumables

Revenue from the sale of consumables is recognised once control of the goods has been transferred to the customer.

Combined rental and service contracts

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

Consumer Goods

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

Deferred revenue

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

Licensing income

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

From time to time, the Group enters into term-based and exclusive licensing arrangements with some of its customers in respect of its intellectual property.

The licensing income is recognised at a point in time or over time based on the following assessment. Where the licensing arrangement is a distinct performance obligation, management assess whether the licensing contract gives the customer either:

- The right to access the Group's intellectual property as it exists throughout the licence period; or
- The right to use the Group's intellectual property as it exists at the point in time at which the licence is granted.

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

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

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

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

2. Material accounting policies (continued)

Cost of sales

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

Research and development

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

Finance income

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

Finance costs

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

Income tax

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

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

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill.

Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

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

Share capital and share premium

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

Dividends

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

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2023

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

Provisions

General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Warranty provisions

The Group provides warranties for general repairs of defects that existed at the time of sale, as required by law. Provisions related to these warranties are recognised when the product is sold, or the service is provided to the customer. Initial recognition is based on historical experience which may vary due to the use of new materials, changes in manufacturing processes or other developments that affect product quality. The estimate of warranty-related costs is revised annually.

EBITDA and adjusted EBITDA – non-GAAP alternative performance measures

In the reporting of financial information, the Directors have adopted earnings before interest, taxation, depreciation and amortisation (EBITDA) and adjusted EBITDA when assessing the operating performance of the Group. Adjusting items are excluded from EBITDA to calculate adjusted EBITDA. The Directors primarily use the adjusted EBITDA measure when making decisions about the Group's activities.

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

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

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

3. Critical accounting judgements and estimates

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

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

Critical judgements in applying the entity's accounting policies

Functional currency

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

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

Capitalisation of development costs

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

Alternative performance measures – Adjusting items

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

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

Critical estimates in applying the entity's accounting policies

There are no estimates in the financial statements where a reasonably possible change in the next year could be expected to result in a material change to amounts recognised. However, an area of estimation performed by management in the year which is relevant to the financial statements is disclosed below.

Impairment of indefinite lived intangible assets and goodwill

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

4. Segmental reporting

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

The Group's activities consist of the design, manufacture and sale of thermostatic controls, cordless interfaces, and other products such as water dispensers, jugs, filters, water heating and temperature control, steam management, water filtration and small household appliances for personal health and wellness, primarily to OEMs, commercial and residential customers based in China, Italy, Australia, New Zealand and the UK.

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4. Segmental reporting (continued)

During the current year, the Board of Directors established a new divisional reporting structure to capitalise on attractive growth opportunities in its end markets. The Board of Directors has identified three reportable segments from a product perspective, namely: Strix Controls, Premium Filtration Systems (primarily Billi products), and Consumer Goods (made up of water products and appliances). The Board of Directors primarily uses a measure of gross profit to assess the performance of the operating segments, broken down into revenue and cost of sales for each respective segment which is reported to them on a monthly basis. Information about segment revenue is disclosed below, as well as in note 7.

	Reported gross profit 2023 (£000s)			
	Strix Controls	Premium Filtration Systems	Consumer Goods	Total
Revenue	**70,102**	**42,106**	**32,378**	**144,586**
Cost of sales	**(42,787)**	**(22,859)**	**(21,851)**	**(87,497)**
Gross profit	**27,315**	**19,247**	**10,527**	**57,089**

	Reported gross profit 2022 (£000s)			
	Strix Controls	Premium Filtration Systems	Consumer Goods	Total
Revenue	68,243	3,224	35,453	106,920
Cost of sales	(41,108)	(2,263)	(22,871)	(66,242)
Gross profit	27,135	961	12,582	40,678

	Adjusted gross profit* 2023 (£000s)			
	Strix Controls	Premium Filtration Systems	Consumer Goods	Total
Revenue	**70,102**	**42,106**	**32,378**	**144,586**
Cost of sales	**(42,746)**	**(22,825)**	**(21,827)**	**(87,398)**
Gross profit	**27,356**	**19,281**	**10,551**	**57,188**

	Adjusted gross profit* 2022 (£000s)			
	Strix Controls	Premium Filtration Systems	Consumer Goods	Total
Revenue	68,243	3,224	35,453	106,920
Cost of sales	(40,306)	(2,083)	(23,006)	(65,395)
Gross profit	27,937	1,141	12,447	41,525

* Adjusted gross profit excludes adjusting items as detailed in note 6(b). Adjusted results are non-GAAP metrics used by management and are not an IFRS disclosure.

Below is the geographical analysis of revenue from external customers.

Country	2023 £000s	2022 £000s
Australia	**26,985**	1,814
China	**67,989**	70,142
Italy	**14,478**	14,749
UK	**16,376**	6,173
Others	**18,758**	14,042
Total	**144,586**	106,920

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.

4. Segmental reporting (continued)

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

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

	2023 £000s	2022 £000s
Country of domicile		
Intangible assets	**13,084**	11,354
Property, plant and equipment	**2,599**	3,151
Total country of domicile non-current assets	**15,683**	14,505
Foreign countries		
Intangible assets	**60,325**	62,020
Property, plant and equipment	**43,616**	44,213
Total foreign non-current assets	**103,941**	106,233
Total non-current assets	**119,624**	120,738

Major customers

In 2023, there was one major customer that accounted for at least 10% of total revenues (FY 2022: one customer). The revenue relating to this customer in 2023 was £16,938,000 (FY 2022: £13,587,000).

5. Employees and Directors

(a) Employee benefit expenses

	2023 £000s	2022 £000s
Wages and salaries	**36,976**	27,500
Defined contribution pension cost (note 5(c)(i))	**1,352**	782
Employee benefit expenses	**38,328**	28,282
Share-based payment transactions (note 23)	**380**	(491)
Total employee benefit expenses	**38,708**	27,791

(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 Divisional Management, representing members of the senior management team from all key departments of the Group.

	2023 £000s	2022 £000s
Salaries and other short-term employee benefits	**2,179**	2,069
Post-employment benefits	**175**	181
Termination benefits	**146**	74
Share-based payment transactions	**57**	(348)
	2,557	1,976

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 £1,352,000 (FY 2022: £782,000).

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

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

The calculation of the liability is based on both the length of service and on the remuneration received by the employee during that period of service. Article 2120 states that severance pay is due to the employee by the companies in any case of termination of the employment contract. For each year of service, severance pay accruals are based on total annual compensation divided by 13.05. Although the benefit is paid in full by the employer, part (0.5% of pay) of the annual accrual is paid to INPS by the employer, and is subtracted from the severance pay accruals for the contribution reference period. As of 31 December of every year, the severance pay accrued as of 31 December of the preceding year is revalued by an index stipulated by law as follows: 1.5% plus 75% of the increase over the last 12 months in the consumer price index, as determined by the Italian Statistical Institute.

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5. Employees and Directors (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 re-proportioned based on the ratio between the years of service accrued at the reference date of the assessment and the overall seniority reached at the time scheduled for the payment of the benefit. Furthermore, this method provides to consider future salary increases, due to any cause (inflation, career, contract renewals, etc.), up to the time of termination of the employment relationship.

The below table summarises the defined benefit pension liability of LAICA S.p.A. at 31 December 2023:

	2023 £000s	2022 £000s
Liability as at 1 January	**832**	897
Current service cost for the period	**(16)**	(113)
Exchange differences on translation of foreign operations	**(14)**	48
Liability as at 31 December	**802**	832

The key actuarial assumptions used in arriving at these figures include:
- Annual discount rate of 3.17% (FY 2022: 3.77%).
- Annual price inflation of 2.0% (FY 2022: 2.3%).
- Annual TFR increase of 3.0% (FY 2022: 3.2%).
- Demographic assumptions based on INPS published data.

The remainder of the post-employment benefit liability of £86,000 (FY 2022: £85,000) as at 31 December 2023 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

	2023 £000s	2022 £000s
Employee benefit expense (note 5(a))	**38,328**	28,282
Depreciation charges	**5,341**	4,201
Amortisation and impairment charges	**2,104**	2,063
Adjusting items (see below)	**4,226**	5,948
Foreign exchange losses	**530**	188

Research and development expenditure totalled £4,485,000 (FY 2022: £4,888,000), and £3,870,000 (FY 2022: £3,326,000) of development costs have been capitalised during the year.

(b) Adjusting items
Adjusting items are excluded from our adjusted results by virtue of their nature, cause and predictability of occurrence, frequency, and scale of impact on underlying performance in order to better reflect management's view of the underlying trends and operating performance of the Group that is more comparable over time. Total adjusting items charged against reported profit after tax in the current year are £3,897,000 (FY 2022: £6,128,000).

The main categories of adjusting items in the current year relate to major adjusting events or projects impacting the Group's underlying operations, namely strategic projects relating to mergers and acquisitions with particular reference to the acquisition of Billi in 2022 and its continued integration into the Group in the current year. Other adjusting items relate to reorganisation and restructuring projects, the Group's share incentive initiatives for conditional share options and awards issued to certain employees of the Group (refer to note 23 for further details), amortisation charges on intangibles assets recognised in accordance with IFRS 3 Business Combinations on any acquisitions as defined therein, and the related deferred tax implications on these aforementioned intangible assets which were charged or recognised in reported profit after tax.

6. Expenses (continued)

Adjusting items have been broken down as follows:

	2023 £000s	2022 £000s
Adjusting items in cost of sales:		
COVID-19 related costs	**–**	485
Reorganisation and restructuring costs	**99**	362
	99	847
Adjusting items in administrative expenses:		
Share-based payments	**380**	(491)
Mergers and acquisitions related costs	**2,073**	3,992
COVID-19 related costs	**14**	673
Disaster recovery	**–**	377
Reorganisation and restructuring costs	**399**	550
Amortisation charges on acquired intangible assets	**1,261**	–
	4,127	5,101
Total adjusting items before depreciation, finance cost and taxes	**2,965**	5,948
Amortisation charges on acquired intangible assets	**1,261**	–
Total adjusting items (before finance costs and taxation charges/(credits))	**4,226**	5,948
Adjusting items in finance costs:		
Unwinding discount on LAICA contingent consideration (performance earn-out)	**–**	180
	–	180
Adjusting items in taxation charges/(credits):		
Deferred taxation credits relating to acquired intangible assets	**(329)**	–
	(329)	–
Total adjusting items	**3,897**	6,128

Included within adjusting items in administrative expenses are amortisation charges on intangible assets recognised on acquisitions as defined in IFRS 3 Business Combinations. These amount to £1,261,000 in the current year (FY 2022: £nil). These amortisation charges have been included in note 11 relating to intangibles assets. In the current year, management reassessed the impact of amortisation charges on acquired intangible assets and concluded that these relate to historical inorganic business combinations and do not reflect the Group's ongoing underlying trading performance. Therefore, these will be prospectively excluded when assessing the underlying performance of the Group, and will be included as adjusting items. The 2022 amounts of £210,000 have not been restated.

Also included within adjusting items in taxation charges/(credits) are deferred tax movements on temporary differences relating to acquired intangible assets as defined in IFRS 3 Business Combinations. These amount to credits of £329,000 in the current year (FY 2022: £nil). These deferred tax credits have been included in note 9 relating to taxation. In the current year, management reassessed the impact of deferred tax credits on acquired intangible assets and concluded that these relate to historical inorganic business combinations and do not reflect the Group's ongoing underlying trading performance. Therefore, these will be prospectively excluded when assessing the underlying performance of the Group, and will be included as adjusting items. 2022 amounts have not been restated.

Also included as an adjusting item are finance costs of £nil in the current year (FY 2022: £180,000). Costs incurred in the prior year related to the discount unwinding of the present values of contingent liabilities recognised on acquisition of LAICA S.p.A. in 2020. The contingent liabilities were fully matured at the beginning of the current year and were paid in the first quarter of 2023. No finance charges were incurred in the current year. These costs have been included in the prior year within finance costs in note 8.

Mergers and acquisitions adjusting items relate mainly to legal and consultancy fees, and other acquisition-related costs incurred on transition from previous shareholders and integration of the Billi entities into the Group.

COVID-19 related adjusting items are those items that are incremental and directly attributable to COVID-19. These are costs that would not have been incurred if the COVID-19 pandemic had not occurred (and the consequent minor preventative measures and projects after the effects have largely receded). In the current year, these mainly consisted of immaterial consumables relating to additional cleaning and sanitation costs incurred as part of infection control or prevention.

Notes to the Consolidated Financial Statements continued

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6. Expenses (continued)

Reorganisation and restructuring adjusting items in the current year mainly related to the Group internal divisional restructuring programmes particularly of our operating segments and divisions in order to realign our business and focus on our core competencies of technology, innovation, manufacturing excellence, quality and safety, so as to steer our valuable resources more towards profitable growth opportunities.

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

(c) Auditor's remuneration

During the year the Group (including its subsidiaries) obtained the following services from the Company's auditor, PricewaterhouseCoopers (PwC) LLC and other firms in the PwC network, as detailed below:

	2023 £000s	2022 £000s
Fees payable to Company's auditor and its associates for the audit of the consolidated financial statements	**283**	245
Fees payable to Company's auditor and its associates for other services:		
– the audit of Company's subsidiaries	**13**	8
– other assurance services	**4**	3
– tax compliance and other	**191**	5
	491	261

Included within 'other services' are fees of £184,000 paid to PricewaterhouseCoopers LLP, UK in relation to integration costs of the Billi UK acquisition.

Audit fees of £70,000 (FY 2022: £68,000) were paid to non-PwC firms in connection with the audit of the Company's subsidiaries.

7. Revenue

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

	2023 £000s	2022 £000s
Strix Controls	**70,102**	68,243
Premium Filtration Systems	**42,106**	3,224
Consumer Goods	**32,378**	35,453
Total revenue	**144,586**	106,920

Included within revenue from Strix Controls is licensing fee income relating to intellectual property amounting to £852,000 (FY 2022: £nil). Included within revenue from Consumer Goods is licensing fee income relating to intellectual property amounting to £318,000 (FY 2022: £1,442,000).

8. Finance costs

	2023 £000s	2022 £000s
Letter of credit charges	**176**	94
Right-of-use lease interest	**198**	92
Discount unwinding of present value of contingent consideration	**–**	180
Borrowing costs	**10,012**	3,559
Total finance costs	**10,386**	3,925

The discount unwinding of present value of contingent consideration in the prior year related to the contingent consideration on a performance earn-out recognised on acquisition of LAICA S.p.A. The amount has been included in finance costs as an adjusting item (refer to note 6).

9. Taxation

Analysis of charge/(credit) in year	2023 £000s	2022 £000s
Current tax (overseas) and deferred tax		
Current tax on overseas profits for the year	**2,521**	491
Adjustments to prior years' overseas tax provisions	**–**	(1,323)
Movement in deferred tax assets and liabilities	**(978)**	27
Total tax charge/(credit)	**1,543**	(805)

Included in the movement of deferred tax liabilities are the deferred tax impact of temporary differences relating to intangible assets recognised on acquisitions as defined in IFRS 3 Business Combinations. These amount to credits of £329,000 in the current year (FY 2022: £nil). These deferred tax credits have been included in note 6(b) relating to adjusting items.

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

In relation to the prior year's tax provision adjustments, these related to tax provision releases in the Group's Chinese subsidiary based on independent recommendations taken to convert from a contract processing model to an import processing model in 2019, which is a more acceptable tax model by Chinese tax authorities and largely in use by the majority of the OEMs in China. All potential tax provisions that had been made from 2015 to 2019 were deemed overly conservative, and were therefore released in the prior year as they were no longer needed after a tax certificate from the in-charge tax bureau in China was obtained which confirmed that all tax matters in the subsidiary had been settled. In addition, tax provision releases were also made in the prior year of withholdings taxes accrued for anticipated dividends payable by the Chinese subsidiary to its immediate holding company in the Isle of Man, after the Group's management decided in the prior year to invest more towards the Chinese manufacturing facility in terms of capital expenditure, thereby keeping profits within the Chinese subsidiaries.

There were no tax provision releases in the current year.

Movement in the deferred tax assets and liabilities mainly related to the impact of taxable and deductible temporary differences with the Italian, Australian and New Zealand subsidiaries.

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

Deferred tax liabilities:

	2023 £000s	2022 £000s
Deferred tax liability on 1 January	**11,387**	2,303
Deferred tax liabilities recognised on acquisition of Billi (note 14)	**–**	9,011
Prior year adjustments	**(180)**	–
Reversal of deferred tax on utilisation of temporary differences	**(903)**	73
Deferred tax liability as at 31 December	**10,304**	11,387

The balance comprises temporary differences attributable to intangible assets recognised on acquisition of LAICA in 2020 and Billi in 2022.

Deferred tax assets:

	2023 £000s	2022 £000s
Deferred tax assets on 1 January	**313**	258
Deferred tax assets recognised on acquisition of Billi	**–**	8
Reclassifications	**153**	–
Prior year adjustments	**416**	–
Deferred tax asset on utilisation of deductible temporary differences	**75**	47
Deferred tax asset as at 31 December	**957**	313

The balance comprises temporary differences mainly attributable to provisions.

In the prior year, the deferred tax asset of £313,000 was included in trade and other receivables.

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9. Taxation (continued)
As the most significant subsidiary in the Group is based in the Isle of Man, this is considered to represent the most relevant standard rate for the Group. The tax assessed for the year is different to the standard rate of income tax in the Isle of Man of 0% (FY 2022: 0%). The differences are explained below:

	2023 £000s	2022 £000s
Profit on ordinary activities before tax	**17,703**	16,050
Profit on ordinary activities multiplied by the rate of income tax in the Isle of Man of 0% (FY 2022: 0%)	**–**	–
Impact of higher overseas tax rate	**1,543**	518
Adjustments in relation to prior years' overseas tax provisions	**–**	(1,323)
Total taxation charge/(credit)	**1,543**	(805)

The Group is subject to Isle of Man income tax on profits at the rate of 0% (FY 2022: 0%), UK corporation tax on profits at a rate of 25% (FY 2022: 19%), Chinese corporate income tax on profits at the rate of 25% (FY 2022: 25%), Italian corporate income tax on profits at a rate of 27.9% (FY 2022: 27.9%), Australian income tax on profits at the rate of 30% (FY 2022: 30%) and New Zealand corporate income tax on profits at the rate of 28% (FY 2022: 28%).

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

	2023	2022
Earnings (£000s)		
Earnings for the purposes of basic and diluted earnings per share	**16,203**	16,790
Number of shares (000s)		
Weighted average number of shares for the purposes of basic earnings per share	**218,713**	209,911
Weighted average dilutive effect of share awards	**3,422**	2,585
Weighted average number of shares for the purposes of diluted earnings per share	**222,135**	212,496
Earnings per ordinary share (pence)		
Basic earnings per ordinary share	**7.4**	8.0
Diluted earnings per ordinary share	**7.3**	7.9
Adjusted earnings per ordinary share (pence) [(1)]		
Basic adjusted earnings per ordinary share[(1)]	**9.2**	10.9
Diluted adjusted earnings per ordinary share[(1)]	**9.0**	10.8

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

	2023 £000s	2022 £000s
Profit for the year	**16,203**	16,790
Add back adjusting items included in (note 6(b)):		
Cost of sales	**99**	847
Administrative expenses	**4,127**	5,101
Finance costs	**–**	180
Taxation credits	**(329)**	–
Adjusted earnings[(1)]	**20,100**	22,918

1 Adjusted earnings and adjusted earnings per share exclude adjusting items as explained in note 6. Adjusted results are non-GAAP metrics used by management and are not an IFRS disclosure.

The denominators used to calculate both basic and adjusted earnings per share are the same as those shown above for both basic and diluted earnings per share.

11. Intangible assets

	2023							
	Development costs £000s	Software £000s	Intellectual property £000s	Customer relationships £000s	Brands £000s	Goodwill £000s	Intangible assets under construction £000s	Total £000s
At 1 January								
Cost	19,428	4,452	1,482	18,549	19,785	20,067	103	83,866
Accumulated amortisation and impairment	(7,716)	(1,817)	(256)	(703)	–	–	–	(10,492)
Net book value	11,712	2,635	1,226	17,846	19,785	20,067	103	73,374
Period ended 31 December								
Additions	3,870	448	464	–	–	–	242	5,024
Transfers	–	9	42	(116)	28	69	(32)	–
Purchase consideration refund	–	–	–	–	–	(1,046)	–	(1,046)
Fair value adjustments (note 14)	–	–	–	(84)	–	654	–	570
Disposals (cost)	(494)	(50)	–	–	–	–	–	(544)
Disposals (accumulated amortisation)	184	46	–	–	–	–	–	230
Amortisation charge	(1,304)	(641)	(159)	(1,261)	–	–	–	(3,365)
Exchange differences	(292)	(5)	(31)	(9)	(139)	(374)	16	(834)
Closing net book value	13,676	2,442	1,542	16,376	19,674	19,370	329	73,409
At 31 December								
Cost	22,742	4,848	1,950	18,222	19,674	19,370	329	87,135
Accumulated amortisation and impairment	(9,066)	(2,406)	(408)	(1,846)	–	–	–	(13,726)
Net book value	13,676	2,442	1,542	16,376	19,674	19,370	329	73,409

Amortisation charges have been treated as an expense, and are allocated to cost of sales (£1,709,000), distribution costs (£nil) and administrative expenses (£1,656,000) in the consolidated statement of comprehensive income.

The Group's goodwill, customer relationships and brands predominantly relate to those arising on the acquisition of LAICA which was completed in 2020, and also on the acquisition of the Billi entities, which were acquired in 2022 (note 14).

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11. Intangible assets (continued)

LAICA S.p.A. and subsidiaries intangible assets impairment review

The carrying values of goodwill and brands of £8.6m (FY 2022: £8.8m) and £6.4m (FY 2022: £6.5m) respectively have been subject to an annual impairment test, and the recoverable amounts assessed at each CGU level determined on the basis of value-in-use calculations over a five-year forecast period for goodwill and a 20-year period for brands. The key assumptions applied in the value-in-use calculations for LAICA are a discount rate of 11.8%, (FY 2022: 12%) variable trading margins, variable revenue growth rates as well as the terminal growth rate of 2% (FY 2022: 2%). Based on these calculations, there is sufficient headroom over the carrying values of goodwill and brands hence no impairment has been recognised in the current year and there were no reversals of prior year impairments during the year (FY 2022: same).

The results of the Group impairment tests are dependent upon estimates and judgements, particularly in relation to the key assumptions described above. Sensitivity analysis to a reasonable and possible change in the most sensitive assumptions, being the discount and growth rates, was undertaken. An increase of 1% in the discount rate or a decrease of 1% in the growth rate would decrease the headroom of £20.2m by c.£2.4m for goodwill and would extinguish the headroom of £0.4m for brands.

Billi entities intangible assets impairment review

For impairment testing, the goodwill and brands acquired in the acquisition of Billi are allocated to three CGUs.

Carrying amount of goodwill and brands allocated to each of the CGUs:

CGU	Goodwill 2023 £000s	Goodwill 2022 £000s	Brands 2023 £000s	Brands 2022 £000s	Total 2023 £000s	Total 2022 £000s
Billi Australia	**7,944**	8,241	**9,555**	9,555	**17,499**	17,796
Billi New Zealand	**260**	270	**1,165**	1,165	**1,425**	1,435
Billi UK	**2,289**	2,374	**2,548**	2,548	**4,837**	4,922
Total	**10,493**	10,885	**13,268**	13,268	**23,761**	24,153

Billi Australia CGU

The carrying values of existing goodwill and brands of £7.9m (FY 2022: £8.2m) and £9.5m (FY 2022: £9.5m) for the Billi Australia CGU were subject to an annual impairment test for the first time, and the recoverable amounts determined on the basis of value-in-use calculations over a five-year and ten-year forecast period respectively. The key assumptions applied in the value-in-use calculations are a discount rate of 14.91%, variable trading margins and variable revenue growth rates. Based on these calculations, there is sufficient headroom over the carrying values of goodwill and brands hence no impairment has been recognised in the current year.

The results of the Group impairment tests are dependent upon estimates and judgements, particularly in relation to the key assumptions described above. Sensitivity analysis to a reasonable and possible change in the most sensitive assumption, being the discount rate, was undertaken. An increase of 1% would decrease the headroom of £46.6m by c.£1.8m for goodwill and would decrease the headroom of £0.6m by c.£0.4m for brands.

Billi New Zealand CGU

The carrying values of existing goodwill and brands of £0.26m (FY 2022: £0.27m) and £1.1m (FY 2022: £1.1m) for the Billi New Zealand CGU were subject to an annual impairment test for the first time, and the recoverable amounts determined on the basis of value-in-use calculations over a five-year and ten-year forecast period respectively. The key assumptions applied in the value-in-use calculations are a discount rate of 16.24%, variable trading margins and variable revenue growth rates. Based on these calculations, there is sufficient headroom over the carrying values of goodwill and brands hence no impairment has been recognised in the current year.

The results of the Group impairment tests are dependent upon estimates and judgements, particularly in relation to the key assumptions described above. Sensitivity analysis to a reasonable and possible change in the most sensitive assumption, being the discount rate, was undertaken. An increase of 1% would decrease the headroom of £5.5m by c.£0.3m for goodwill and would decrease the headroom of £0.07m by c.£0.05m for brands.

Billi UK CGU

The carrying values of existing goodwill and brands of £2.2m (FY 2022: £2.3m) and £2.5m (FY 2022: £2.5m) for the Billi UK CGU were subject to an annual impairment test for the first time, and the recoverable amounts determined on the basis of value-in-use calculations over a five-year and ten-year forecast period respectively. The key assumptions applied in the value-in-use calculations are a discount rate of 15.36%, variable trading margins and variable revenue growth rates. Based on these calculations, there is sufficient headroom over the carrying values of goodwill and brands hence no impairment has been recognised in the current year.

The results of the Group impairment tests are dependent upon estimates and judgements, particularly in relation to the key assumptions described above. Sensitivity analysis to a reasonable and possible change in the most sensitive assumption, being the discount rate, was undertaken. An increase of 1% would decrease the headroom of £12.9m by c.£1.0m for goodwill and would decrease the headroom of £0.15m by c.£0.11m for brands.

11. Intangible assets (continued)

	2022							
	Development costs £000s	Software £000s	Intellectual property £000s	Customer relationships £000s	Brands £000s	Goodwill £000s	Intangible assets under construction £000s	Total £000s
At 1 January								
Cost	15,971	4,186	1,128	2,232	6,174	8,736	66	38,493
Accumulated amortisation and impairment	(6,565)	(1,153)	(111)	(196)	–	–	–	(8,025)
Net book value	9,406	3,033	1,017	2,036	6,174	8,736	66	30,468
Period ended 31 December								
Additions	3,326	178	272	–	–	–	34	3,810
Acquisitions of subsidiaries (note 14)	3	4	–	15,912	13,283	10,885	–	40,087
Disposals (cost)	(20)	–	–	–	–	–	–	(20)
Disposals (accumulated amortisation)	1	–	–	–	–	–	–	1
Amortisation charge	(1,103)	(605)	(145)	(210)	–	–	–	(2,063)
Exchange differences	99	25	82	108	328	446	3	1,091
Closing net book value	11,712	2,635	1,226	17,846	19,785	20,067	103	73,374
At 31 December								
Cost	19,428	4,452	1,482	18,549	19,785	20,067	103	83,866
Accumulated amortisation and impairment	(7,716)	(1,817)	(256)	(703)	–	–	–	(10,492)
Net book value	11,712	2,635	1,226	17,846	19,785	20,067	103	73,374

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

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12. Property, plant and equipment

	2023								
	Plant & machinery £000s	Fixtures, fittings & equipment £000s	Motor vehicles £000s	Production tools £000s	Land & buildings £000s	Right-of-use assets (note 26) £000s	Point-of-use dispensers £000s	Assets under construction £000s	Total £000s
At 1 January									
Cost	29,988	8,124	375	13,693	20,690	8,678	1,430	2,247	85,225
Accumulated depreciation	(15,775)	(4,604)	(331)	(11,049)	(978)	(5,053)	(71)	–	(37,861)
Net book value	14,213	3,520	44	2,644	19,712	3,625	1,359	2,247	47,364
Period ended 31 December									
Additions	79	705	67	101	332	2,321	297	807	4,709
Transfers	742	–	–	492	–	–	–	(1,234)	–
Fair value adjustments (note 14)	–	–	–	–	–	–	(136)	–	(136)
Disposals (cost)	(183)	(378)	(67)	(11)	–	(1,143)	(36)	(18)	(1,836)
Disposals (accumulated depreciation)	164	240	65	6	–	1,127	30	–	1,632
Depreciation charge	(1,553)	(1,010)	(24)	(601)	(452)	(1,321)	(380)	–	(5,341)
Exchange differences	(38)	(27)	(1)	1	(2)	(99)	–	(11)	(177)
Closing net book value	13,424	3,050	84	2,632	19,590	4,510	1,134	1,791	46,215
At 31 December									
Cost	30,530	8,315	289	14,272	21,012	9,573	1,553	1,791	87,335
Accumulated depreciation	(17,106)	(5,265)	(205)	(11,640)	(1,422)	(5,063)	(419)	–	(41,120)
Net book value	13,424	3,050	84	2,632	19,590	4,510	1,134	1,791	46,215

Depreciation charges are allocated to cost of sales (£4,021,000), distribution costs (£190,000) and administrative expenses (£1,130,000) in the consolidated statement of comprehensive income.

12. Property, plant and equipment (continued)

	2022								
	Plant & machinery £000s	Fixtures, fittings & equipment £000s	Motor vehicles £000s	Production tools £000s	Land & buildings £000s	Right-of-use assets (note 26) £000s	Point-of-use dispensers £000s	Assets under construction £000s	Total £000s
At 1 January									
Cost	26,093	5,833	218	12,829	20,541	6,450	–	2,176	74,140
Accumulated depreciation	(13,812)	(3,084)	(185)	(10,564)	(529)	(3,203)	–	–	(31,377)
Net book value	12,281	2,749	33	2,265	20,012	3,247	–	2,176	42,763
Period ended 31 December									
Additions	2,904	1,503	23	864	125	505	–	(78)	5,846
Acquisition of Billi (note 14)	419	211	17	–	–	1,237	1,386	144	3,414
Disposals (cost)	(90)	(237)	(1)	–	–	(698)	–	–	(1,026)
Disposals (accumulated depreciation)	53	157	1	–	–	125	–	–	336
Depreciation charge	(1,402)	(883)	(23)	(484)	(426)	(920)	(63)	–	(4,201)
Exchange differences	48	20	(6)	(1)	1	129	36	5	232
Closing net book value	14,213	3,520	44	2,644	19,712	3,625	1,359	2,247	47,364
At 31 December									
Cost	29,988	8,124	375	13,693	20,690	8,678	1,430	2,247	85,225
Accumulated depreciation	(15,775)	(4,604)	(331)	(11,049)	(978)	(5,053)	(71)	–	(37,861)
Net book value	14,213	3,520	44	2,644	19,712	3,625	1,359	2,247	47,364

Depreciation charges in the prior year were allocated to cost of sales (£3,149,000), distribution costs (£184,000), and administrative expenses (£868,000) in the consolidated statement of comprehensive income.

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

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13. Subsidiary undertakings and joint arrangements of the Group
A list of all subsidiary undertakings controlled by the Group, and existing joint arrangements the Group is currently part of, which are all included in the consolidated financial statements, is set out below:

Name of entity	Nature of business	Country of incorporation	% of ordinary shares held by the Group	Nature of shareholding
Sula Limited	Holding company	Isle of Man	100	Subsidiary
Strix Limited	Manufacture and sale of products	Isle of Man	100	Subsidiary
Strix Guangzhou Limited	Dormant company	China	100	Subsidiary
Strix (U.K.) Limited	Holding company and the Group's sale and distribution centre	United Kingdom	100	Subsidiary
Strix Hong Kong Limited	Sale and distribution of products	Hong Kong	100	Subsidiary
Strix (China) Limited	Manufacture and sale of products	China	100	Subsidiary
HaloSource Water Purification Technology (Shanghai) Co. Limited	Manufacture and sales of products	China	100	Subsidiary
Strix (USA), Inc.	Research and development, sales, and distribution of products	USA	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
LAICA Brand House Limited	Holding and licensing of trademarks	Hong Kong	45	Joint venture
Strix Australia Pty Limited	Holding company	Australia	100	Subsidiary
Billi UK Limited	Manufacture and sale of products	United Kingdom	100	Subsidiary
Billi Australia Pty Limited	Manufacture and sale of products	Australia	100	Subsidiary
Billi New Zealand Limited	Manufacture and sale of products	New Zealand	100	Subsidiary
Billi R&D Limited	Research and development	Australia	100	Subsidiary
Billi Financial Services Limited	Financial Services	Australia	100	Subsidiary

On 31 December 2023, LAICA S.p.A. entered in a share transfer agreement to sell the shares of Foshan Yilai Life Electric Co. Ltd, a Chinese joint venture of which LAICA S.p.A. held 45% of the shares. The agreement provides LAICA S.p.A. to sell its shares for a total price of CYN900,000 to the company Guangdong Xinbao Electric Co., LTD. (transferee). This transaction was in the interest of LAICA S.p.A. as the company Foshan Yilai Life Electric Co. Ltd was loss-making. The Group recognised a gain of £85,000 in its consolidated statement of comprehensive income with respect to this disposal.

Group restrictions
Cash and cash equivalents held in China are subject to local exchange control regulations. These regulations provide for restrictions on exporting capital from those countries, other than through normal dividends. The carrying amount of the cash and cash equivalents included within the consolidated financial statements to which these restrictions apply is £2,673,000 (FY 2022: £3,568,000). There are no other restrictions on the Group's ability to access or use the assets and settle the liabilities of the Group's subsidiaries.

14. Acquisitions

Acquisitions made in the year ended 31 December 2023:

During the current year, there were no acquisitions of new subsidiaries or interests in joint ventures or associates.

Acquisitions made in the year ended 31 December 2022:

On 30 November 2022 (in the prior year), the Group, through its subsidiaries, Strix (U.K.) Limited and newly incorporated Strix Australia Pty Limited, acquired 100% of the share capital of Billi Australia Pty Ltd, Billi New Zealand Ltd, and certain assets and liabilities through a newly acquired company, Billi UK Ltd, (all together referred to as 'Billi'). The initial consideration for the acquisition was £38,912,000 paid in cash. Following finalisation of the completion accounts for the Billi acquisition, an amount of £1,046,000 of the consideration was adjusted and repaid in the current year bringing the final consideration paid to £37,866,000.

In the prior year financial statements, the accounting for the acquisition of Billi included preliminary amounts of fair values of assets and liabilities acquired. Initially, these were measured on a provisional basis to allow for any potential adjustments resulting from any new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition. As at the end of the current financial year ended 31 December 2023, one year has passed after the acquisition, and it was confirmed that new information came to light that prompted a revision to the fair value amounts recognised for intangible assets, property, plant and equipment, inventories, trade and other receivables, trade and other payables and deferred tax liability at acquisition date. Consequently, the amounts recognised at acquisition date have been updated to reflect the increase in the fair value of trade and other payables in the amount of £291,000 and the decrease in the fair values of intangible assets of £84,000, property, plant and equipment of £136,000, inventories of £140,000, trade and other receivables of £32,000 and deferred tax liability of £29,000.

The consideration refund and the adjustments in fair values resulted in a decrease in the amount of goodwill recognised of £392,000. The final fair values at acquisition date of the assets and liabilities acquired were as follows:

	Book values £000s	Fair value adjustments £000s	Fair values as previously reported £000s	Final adjustments £000s	Fair values £000s
Non-current assets					
Intangible assets	5,993	23,209	**29,202**	(84)	**29,118**
Property, plant and equipment	3,609	(195)	**3,414**	(136)	**3,278**
Other non-current assets	130	–	**130**	–	**130**
Total non-current assets	9,732	23,014	**32,746**	(220)	**32,526**
Current assets					
Inventories	6,461	(376)	**6,085**	(140)	**5,945**
Trade and other receivables	9,152	–	**9,152**	(32)	**9,120**
Cash and cash equivalents	1,254	–	**1,254**	–	**1,254**
Total current assets	16,867	(376)	**16,491**	(172)	**16,319**
Total assets	26,599	22,638	**49,237**	(392)	**48,845**
Non-current liabilities					
Lease liabilities more than 1 year	900	–	**900**	–	**900**
Deferred tax liability	654	8,357	**9,011**	(29)	**8,982**
Total non-current liabilities	1,554	8,357	**9,911**	(29)	**9,882**
Current liabilities					
Trade and other payables	10,919	–	**10,919**	291	**11,210**
Lease liabilities more than 1 year	380	–	**380**	–	**380**
Total current liabilities	11,299	–	**11,299**	291	**11,590**
Total liabilities	12,853	8,357	**21,210**	262	**21,472**
Net assets acquired	13,746	14,281	**28,027**	(654)	**27,373**

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

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14. Acquisitions (continued)

Acquisitions made in the year ended 31 December 2022: (continued)

The fair values of the intangible assets were calculated using an income approach (multi-period excess earnings method for customer-related assets and the royalty relief method for brands) based on a discounted cash flow model that reflects the expected future income they will generate. The discount rates applied to customer related assets were based on the assessed weighted average cost of capital for each territory of operations ranging from 14.9% to 16.2%, with a 1% premium applied to brands, and a growth rate based on forecasted revenues. The economic life of brands and customer relationships applied within the model range from 11 years to 15 years. A deferred tax liability of £8,328,000 has been recognised on the fair value adjustments to intangible assets at the applicable corporate tax rates.

The fair value of acquired receivables shown in the table above and gross contractual amounts differed by a loss allowance of £178,000.

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

Net cash flow on acquisition of the business was £37,658,000 made up of purchase consideration of £38,912,000 less net cash acquired with the business of £1,254,000.

Billi contributed revenues of £41,300,000 (FY 2022: £2,700,000) and an adjusted profit after tax of £5,600,000 (FY 2022: £600,000) to the Group. If Billi had been acquired at the beginning of 2022, its contribution to revenues and adjusted profits after tax for that year would have been £38,800,000 and £5,600,000 respectively.

The revised goodwill at acquisition of £10,493,000 was calculated as the revised purchase consideration of £37,866,000, less the fair value of the net assets acquired of £27,373,000. The goodwill was attributable to new growth opportunities, workforce and synergies of the combined business operations and it is not expected to be deductible for tax purposes.

Acquisition of LAICA

The Group acquired 100% of the issued share capital of LAICA S.p.A. in October 2020. The total consideration transferred for the acquisition was £24.4m (€26.9m), made up of £11.7m (€13.0m) paid in cash, the issue of 3,192,236 Strix Group Plc ordinary shares of £0.01 each with a total fair value of £7.3m (€8.0m), and a further contingent consideration with a fair value of £5.4m (€5.9m) representing an amount payable in cash subject to certain conditions being met, including threshold financial targets for the financial years ending 31 December 2021 and 2022. Based on an arbitration process which was finalised in February 2023 and the financial results of LAICA S.p.A. for the year ended 31 December 2022, the actual fair value of the estimated contingent consideration payable to the vendor shareholders was recorded at £4.9m (€5.6m) in 2022.

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

The accruals relating to both the contingent consideration and the compensation for the supplemental consulting agreement were reflected as current liabilities as at 31 December 2022. These amounts totalling £7.5m were paid in the current year.

15. Inventories

	2023 £000s	2022 £000s
Raw materials and consumables	**9,444**	11,242
Finished goods and goods in transit	**15,996**	16,460
	25,440	27,702

The cost of inventories recognised as an expense and included in cost of sales amounted to £59,181,000 (FY 2022: £44,241,000). There were no inventory write-downs in 2023 (FY 2022: £nil).

16. Trade and other receivables and current income tax receivables

	2023 £000s	2022 £000s
Amounts falling due within one year:		
Trade receivables – current	**11,495**	15,967
Trade receivables – past due	**8,419**	3,580
Trade receivables – gross	**19,914**	19,547
Loss allowance	**(222)**	(158)
Trade receivables – net	**19,692**	19,389
Prepayments	**1,448**	2,335
Advance purchase of commodities	**1,477**	2,344
VAT receivable	**1,399**	1,279
Tax receivable	**220**	497
Other receivables	**3,697**	4,444
	27,933	30,288

Trade and other receivables carrying values are considered to be equivalent to their fair values. The amount of trade receivables impaired at 31 December 2023 is equal to the loss allowance provision (FY 2022: same).

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

Other receivables include receivables from licensing income of £992,000 (FY 2022: £1,191,000) and £1,966,000 (FY 2022: £2,184,000) rebates receivable from suppliers from procurements made in prior years. Settlement of the rebates receivable from suppliers will be via net cash settlement of future purchases.

Government grants due amounted to £73,000 (FY 2022: £nil). 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 prior year other receivables include deferred tax assets of £313,000. In the current year, deferred tax assets have been presented separately under non-current assets. Refer to note 9.

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

	2023 £000s	2022 £000s
Pound Sterling	**8,176**	7,773
Chinese Yuan	**3,068**	2,520
US Dollar	**5,740**	3,993
Euro	**6,788**	8,401
Hong Kong Dollar	**84**	120
Australian Dollar	**3,539**	6,839
New Zealand Dollar	**469**	512
Taiwan Dollar	**69**	130
	27,933	30,288

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 2023 was £222,000 (FY 2022: £158,000).

17. Cash and cash equivalents

Cash and cash equivalents are denominated in the following currencies:

	2023 £000s	2022 £000s
Pound Sterling	**3,402**	15,155
Chinese Yuan	**2,654**	2,506
US Dollar	**2,869**	6,959
Euro	**7,132**	4,471
Hong Kong Dollar	**78**	211
Australian Dollar	**3,028**	616
New Zealand Dollar	**352**	159
Taiwan Dollar	**599**	366
	20,114	30,443

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18. Trade and other payables and current income tax liabilities

	2023 £000s	2022 £000s
Trade payables	**13,847**	10,010
Current income tax liabilities	**2,074**	444
Social security and other taxes	**410**	368
Customer rebates provisions	**179**	745
Capital creditors	**756**	2,848
VAT liabilities	**721**	546
Other liabilities	**3,618**	7,308
Payments in advance from customers	**2,483**	2,270
Accrued expenses	**5,151**	5,868
	29,239	30,407

The fair value of financial liabilities approximates their carrying value due to short maturities. Other liabilities include goods received not invoiced amounts of £1,436,000 (FY 2022: £1,189,000) and an accrual of costs incurred as part of the Billi acquisition of £nil (FY 2022: £3,356,000).

Movement in payments in advance from customers were all driven by normal trading, with the full amounts due at beginning of the year released to revenues in the current year.

Trade and other payables and current income tax liabilities are denominated in the following currencies:

	2023 £000s	2022 £000s
Pound Sterling	**6,582**	10,069
Chinese Yuan	**11,353**	7,228
US Dollar	**2,412**	1,051
Euro	**3,342**	4,461
Hong Kong Dollar	**135**	198
Australian Dollar	**5,116**	6,408
New Zealand Dollar	**191**	881
Taiwan Dollar	**108**	111
	29,239	30,407

19. Borrowings

	2023 £000s	2022 £000s
Total current borrowings[1]	**16,062**	14,734
Total non-current borrowings	**89,743**	103,092
	105,805	117,826

1 The current year borrowings include the interest accrued portion of £2,031,000 in contrast to prior year where interest accrued of £555,000 was included in accrued expenses within Trade and other payables.

Current bank borrowings include 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 its acquisition by the Group in 2020.

Current and non-current borrowings are shown net of loan arrangement fees of £1,023,000 (FY 2022: £956,000) and £888,000 (FY 2022: £1,770,000), respectively.

Total cash outflows relating to loan repayments and interest payments were £15,114,000 (FY 2022: net drawdown of £46,487,000) and £7,611,000 (FY 2022: £3,263,000) respectively.

Term and debt repayment schedule for long term borrowings

	Currency	Interest rate	Maturity date	31 December 2023 Commitments	31 December 2022 Commitments
Revolving credit facility B	GBP	SONIA + 2.15% to 4%	25-Oct-25	**80,120**	77,274
Term loan (facility A)	GBP	SONIA + 2.15% to 4%	30-Nov-25	**24,818**	39,000
Unicredit facility	EUR	EURIBOR 6M + 1.2%	28-Jun-24	**43**	133
Banco BPM	EUR	1.45%	30-Nov-23	**–**	167
BNP Paribas	EUR	4.07%	31-Jan-24	**379**	436
Credito Emiliano	EUR	4.75%	5 Jan-24	**433**	221
Banco BPM	EUR	1.69%	3 Jan-23	**–**	112
Banco BPM	EUR	1.69%	3 Jan-23	**–**	54
Banco BPM	EUR	1.00%	28-Feb-23	**–**	432
Other	EUR			**12**	(3)
				105,805	117,826

19. Borrowings (continued)

The existing revolving credit facility (RCF) agreement was refinanced and amended on 25 October 2022 as follows:

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

Term loan (facility A) – The Company has a three-year term loan of £39,000,000 payable by 11 fixed repayments with the first quarterly repayment of £3,545,000 on 31 March 2023. The purpose of the term loan was to part finance the acquisition of Billi. As at 31 December 2023, the outstanding balance on the term loan is £24,818,000 (FY 2022: £39,000,000).

RCF – The Group has a RCF of £80,000,000. In 2022, the termination date was amended to four years being 25 October 2025, with an option to extend the term for a further 12 months thereafter. The RCF was utilised to finance the acquisition of LAICA as well as other significant capital projects including the new factory in China and the ongoing working capital needs of the Group.

Under the amended agreement, the purpose of the RCF remains the same. As at 31 December 2023, the total facility available is £80,000,000 (FY 2022: £80,000,000).

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 borrower under the agreement.

Transactions costs amounting to £200,000 (FY 2022: £2,324,000) incurred as part of refinancing and amending the RCF agreement were capitalised and are being amortised over the period of three years.

The various agreements contain representations and warranties which are usual for an agreement of this nature. The agreements also provide for the payment of commitment fees, agency fees and arrangement fees, contain certain undertakings, guarantees and covenants (including financial covenants) and provide for certain events of default. During 2023, the Group has not breached any of the financial covenants contained within the agreements – see note 22(d) for further details (FY 2022: same).

The fair values of the Group's borrowings are not materially different from their carrying amounts, since the interest payable on those borrowings is close to current market rates and the borrowings are of a short-term nature.

Interest applied to the RCF is calculated as the sum of the margin and SONIA. The margin under the amended agreement was 3.5% until 31 March 2023, and then 2.85% from 1 April 2023 to 30 June 2023, and thereafter the margin is dependent on the net leverage of the Group based on the following table:

Leverage	Facility A Margin % p.a.	Facility B Margin % p.a.
Greater than or equal to 3.0:1	4.00	4.00
Less than 3.0:1 but greater than or equal to 2.5:1	3.50	3.50
Less than 2.5:1 but greater than or equal to 2.0:1	2.85	2.85
Less than 2.0:1 but greater than or equal to 1.5:1	2.35	2.35
Less than 1.5:1 but greater than or equal to 1.0:1	2.15	2.15
Less than 1.0:1	2.00	2.00

At 31 December 2023, the margin applied was 2.85% (FY 2022: 3.5%). The fair values of the borrowings are not materially different from their carrying amounts, since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short-term nature.

20. Capital commitments

	2023 £000s	2022 £000s
Contracted for but not provided in the consolidated financial statements – Property, plant and equipment	**245**	695

The above commitments include capital expenditure of £148,000 (FY 2022: £547,000) relating to plant and machinery and production equipment for the factory in China.

21. Contingent assets and contingent liabilities

There continues a number of ongoing intellectual property infringement cases initiated by the Group, as well as patent validation challenges brought by the defendants. All of these cases are still subject to due legal process in the countries in which the matters have been raised. As a result, no contingent assets have been recognised at 31 December 2023 (FY 2022: same), as any receipts are dependent on the final outcome of each case. There are also no corresponding contingent liabilities at 31 December 2023 (FY 2022: same).

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for the year ended 31 December 2023

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 in the Isle of Man, UK, EU, US, Australia, New Zealand and China and is therefore exposed to foreign exchange risk. Foreign exchange risk arises on sales and purchases made in foreign currencies and on recognised assets and liabilities and net investments in foreign operations.

The Group monitors its exposure to currency fluctuations on an ongoing basis. The Group uses foreign currency bank accounts to reduce its exposure to foreign currency translation risk, and the Group is naturally hedged against foreign exchange risk as it both generates revenues and incurs costs in the major currencies with which it deals. The major currencies the Group transacts in are:

- British Pounds (GBP)
- Chinese Yuan (CNY)
- United States Dollar (USD)
- Euro (EUR)
- Hong Kong Dollar (HKD)
- Australian Dollar (AUD)
- New Zealand Dollar (NZD)
- Taiwan Dollar (TWD)

In December 2022, the Group entered into USD/GBP and USD/EUR forward exchange rate contracts to sell the notional amount of US$8,500,000 and hence mitigate the risk and impact of volatile exchange rate movements seen during the year on Group profits. The fair value of these contracts at the prior year end was considered not material.

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

(ii) Interest rate risk

The Group is exposed to interest rate risk on its long-term borrowings, being the revolving credit facility, term loan and other borrowings disclosed in note 19. The interest rates on the revolving credit facility are variable, based on SONIA and certain other conditions dependent on the financial condition of the Group, which exposes the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. Other borrowings are made up of both fixed rate loans and variable loans based on EURIBOR.

(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 2023 or 2022 as they relate to physical commodities being purchased for the Group's own use. At 31 December 2023 and 2022, payments were made in advance to buy certain commodities at fixed prices, as disclosed in note 16.

(iv) Sensitivity analysis

Foreign exchange risk: The Group is primarily exposed to exchange rate fluctuations between GBP and USD, CNY, HKD, EUR, TWD, AUD and NZD. Assuming a reasonably possible change in FX rates of +10% (FY 2022: +10%), the impact on profit would be a decrease of £2,460,000 (FY 2022: a decrease of £319,000), and the impact on equity would be a decrease of £1,487,000 (FY 2022: decrease of £738,000). A -10% change (FY 2022: -10%) in FX rates would cause an increase in profit of £3,010,000 (FY 2022: an increase in profit of £390,000) and a £1,822,000 increase in equity (FY 2022: £902,000 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 SONIA/EURIBOR rate of ±0.5% (FY 2022: ±0.5%), the impact on profit would be an increase/decrease of £560,000 (FY 2022: £476,000), and the impact on equity would be an increase/decrease of £560,000 (FY 2022: £72,000). 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.

22. Financial risk management (continued)

(a) Market risk (continued)

Commodity price risk: The Group is exposed to commodity price fluctuations, primarily in relation to copper and silver. Assuming a reasonably possible change in commodity prices of ±13% for silver (FY 2022: ±13%) and ±15% for copper (FY 2022: ±15%) based on volatility analysis for the past year, the impact on profit would be an increase/decrease of £1,835,704 (FY 2022: £1,346,000). 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 (FY 2022: same). This has been calculated by taking the average purchase price of these commodities during the year in purchase currency and recalculating the cost of the purchases with the price sensitivity applied.

(b) Credit risk

The Group has policies in place to ensure that sales of goods are made to clients with an appropriate credit history. The Group uses letters of credit and advance payments to minimise credit risk. Management believe there is no further credit risk provision required in excess of the normal provision for doubtful receivables, as disclosed in note 16. The amount of trade and other receivables written off during the year amounted to 0% of revenue (FY 2022: less than 0.07% of revenue).

Cash and cash equivalents are held with reputable institutions. All material cash amounts are deposited with financial institutions whose credit rating is at least B based on credit ratings according to Standard & Poor's. At year-end, £4,732,000 (FY 2022: £19,456,000) was held with one financial institution with a credit rating of BBB and £4,462,000 (FY 2022: £nil) was held with one financial institution with a credit rating of BBB+.

The following table shows the external credit ratings of the institutions with whom the Group has cash deposits:

Credit risk

	2023 £000s	2022 £000s
AA	**2,635**	797
A+	**1,037**	–
A	**3,280**	4,132
BBB+	**4,462**	–
BBB	**8,213**	25,450
B	**32**	27
n/a	**455**	37
	20,114	30,443

(c) Liquidity risk

The Group maintained significant cash balances throughout the period and hence suffers minimal liquidity risk. Cash flow forecasting is performed for the Group by the Finance function, which monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs and so that the Group minimises the risk of breaching borrowing limits or covenants on any of its borrowing facilities. The Group has revolving credit facilities to provide access to cash for various purposes. The facilities were fully utilised as at 31 December 2023 (FY 2022: fully utilised).

The table below analyses the Group's financial liabilities as at 31 December 2023 into relevant maturity groupings based on their contractual maturities for all non-derivative financial liabilities. There are no derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 6 months £000s	6-12 months £000s	2 years £000s	3-5 years £000s	Over 5 years £000s	Total contractual cash flows £000s	Carrying amount (assets)/ liabilities £000s
Trade and other payables	**26,034**	**–**	**–**	**–**	**–**	**26,034**	**26,034**
Borrowings	**12,007**	**10,530**	**95,700**	**–**	**–**	**118,237**	**105,805**
Lease liabilities	**852**	**852**	**1,406**	**1,694**	**746**	**5,550**	**4,810**
Total financial liabilities	**38,893**	**11,382**	**97,106**	**1,694**	**746**	**149,821**	**136,649**

The table below analyses the respective financial liabilities as at 31 December 2022 (the prior year):

	Less than 6 months £000s	6-12 months £000s	2 years £000s	3-5 years £000s	Over 5 years £000s	Total contractual cash flows £000s	Carrying amount (assets)/ liabilities £000s
Trade and other payables	30,407	–	–	–	–	30,407	30,407
Borrowings	8,478	7,212	14,226	90,636	–	120,552	117,826
Lease liabilities	535	534	1,247	1,645	–	3,961	3,888
Contingent consideration payable	7,532	–	–	–	–	7,532	7,532
Total financial liabilities	46,952	7,746	15,473	92,281	–	162,452	159,653

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22. Financial risk management (continued)

(d) Capital risk management

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

Capital is monitored by the Group on a monthly basis by the Finance function. This includes the monitoring of the Group's gearing ratios and monitoring the terms of the financial covenants related to the revolving credit facilities as disclosed in note 19. These ratios are formally reported on a quarterly basis. The financial covenants were complied with throughout the period. At 31 December 2023 these ratios were as follows:

Debt service coverage ratio: c.1.18x (FY 2022: c.7.00x) – minimum per facility terms is 1.10x; and

Leverage ratio: 2.19x (FY 2022: 2.24x) – maximum per facility terms is 2.25x.

As of 22 March 2024, the net debt leverage ratio maximum was reset to 2.75x EBITDA (from 2.25x EBITDA) for the remainder of the facility term.

(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.

There have been no movements into or out of any levels during the year. There were no financial instruments held at fair value at the end of the current year (FY 2022: same).

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

23. Share-based payments

Long-Term Incentive Plan (LTIP) 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 were 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 included certain performance conditions which must be met, based on predetermined earnings per share, dividend pay-out, or share price targets for the three financial years from grant date. Further awards have been made since August 2017 under the same scheme on similar terms, with additional ESG-related performance conditions added on for certain senior members of management.

During 2020, the Group amended the terms of the Isle of Man share options to conditional share awards.

Participation in the plan is at the discretion of the Board and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits. Where the employee is entitled to share options, these remain exercisable until the ten-year anniversary of the award date. Where the employee is entitled to conditional share awards, these are exercised on the vesting date.

The dividends that would be paid on a share in the period between grant and vesting reduce the fair value of the award if, in not owning the underlying shares, a participant does not receive the dividend income on these shares during the vesting period.

23. Share-based payments (continued)

Long-Term Incentive Plan (LTIP) terms (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:

	2023 Number of shares	2022 Number of shares
At 1 January	**1,654,667**	3,054,161
Granted during the year	**2,821,338**	600,131
Exercised during the year	**(3,448)**	(734,608)
Forfeited during the year	**(251,037)**	(1,265,017)
As at 31 December	**4,221,520**	1,654,667

The Group has recognised a total expense of £380,000 (FY 2022: gain of £491,000) in respect of equity-settled share-based payment transactions in the year ended 31 December 2023.

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 2023 was 8.8 years (FY 2022: 8.7 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 2023	Share options outstanding at 31 December 2022
21 April 2021	290.00	21 April 2031	26.3%	**747,493**	803,919
1 January 2022	303.50	1 January 2032	0.0%	**9,164**	9,164
21 April 2022	208.50	21 April 2031	6.8%	**382,359**	382,359
20 April 2023	96.90	20 April 2033	9.3%	**1,340,208**	–
1 November 2023	59.60	1 November 2033	0.0%	**229,216**	–
Total share options				**2,708,440**	1,195,442

The key inputs to the Black-Scholes-Merton model for the purposes of estimating the fair values of the conditional share awards outstanding at the end of the year are as follows:

Grant date	Share price on grant date (p)	Vesting date	Weighted average probability of meeting performance criteria	Conditional share awards outstanding at 31 December 2023	Conditional share awards outstanding at 31 December 2022
21 April 2021	290.00	31 December 2023	0.0%	**210,253**	225,204
6 December 2021	296.50	31 December 2023	0.0%	**–**	16,090
6 December 2021	296.50	31 December 2024	0.0%	**6,364**	9,323
21 April 2022	208.50	31 December 2024	0.0%	**160,571**	208,608
20 April 2023	96.90	31 December 2025	0.0%	**1,135,892**	–
Total conditional share awards				**1,513,080**	459,225
Total share options and conditional share awards				**4,221,520**	1,654,667

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 £20,000 (FY 2022: £nil) and the expected charge over the life of the options by a total of £20,000 (FY 2022: £nil).

The other factors in the Black-Scholes-Merton model do not affect the calculation and have not been disclosed, as the share options were issued for nil consideration and do not have an exercise price. The weighted average fair value of the options outstanding at the period end was £1.5147 (FY 2022: £2.5719).

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

	2023 £000s	2022 £000s
Shared-based payments reserves as at 1 January	**202**	2,039
Share-based payments transactions (note 5(a))	**380**	(491)
Other share-based payments	**–**	(136)
Share-based payments transferred to other reserves upon exercise/vesting	**(10)**	(1,210)
Shared-based payments reserve as at 31 December	**572**	202

Other movements

Other transactions recognised directly in equity in 2022 include the settlement of dividend entitlements previously accrued as part of the LTIP programme and employer contributions to national insurance for vested LTIPs.

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24. Share capital and share premium

	Number of shares (000s)	Par value £000s	Share premium £000s	Total £000s
Allotted and fully paid: ordinary shares of 1p each				
Balance at 1 January 2023	218,711	2,186	21,675	23,861
Transaction costs	–	–	(219)	(219)
Share options exercised during the year (note 23)	3	–	–	–
Balance at 31 December 2023	**218,714**	**2,186**	**21,456**	**23,642**

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

Transaction costs of £219,000 recognised directly in share premium relate to costs associated with the raise of equity for the acquisition of Billi.

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

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

25. Dividends

The following amounts were recognised as distributions in the year:

	2023 £000s	2022 £000s
Interim 2023 dividend of 0.9p per share (FY 2022: 2.75p)	**1,967**	5,699
Final 2022 dividend of 3.25p per share (FY 2021: 5.6p)	**7,103**	11,601
Total dividends recognised in the year	**9,070**	17,300

No final dividend is proposed for financial year 2023 (FY 2022: 3.25p).

	2023 £000s	2022 £000s
No final dividend proposed for FY23 (FY 2022: 3.25p)	**–**	7,108
Total dividends proposed but not recognised in the year, and estimated to be recognised in the following year	**–**	7,108

26. Leases

(a) Amounts recognised in the consolidated statement of financial position

The consolidated statement of financial position shows the following amounts relating to leases:

	2023 £000s	2022 £000s
Right-of-use assets		
Land and buildings	**4,511**	3,625
Total right-of-use assets	**4,511**	3,625
Current future lease liabilities (due within 12 months)	**1,218**	1,069
Non-current future lease liabilities (due in more than 12 months)	**3,592**	2,819
Total future lease liabilities	**4,810**	3,888

Additions to the right-of-use liabilities during the 2023 financial year were £2,321,000 (FY 2022: £505,000). Disposals of right-of-use liabilities during the current year were £16,000 (FY 2022: £586,000).

Short-term leases and leases of low values were recognised directly in the consolidated statement of comprehensive income, amounting to £317,000 (FY 2022: £106,000). Total cash outflows relating to all lease payments, including short-term leases and leases of low values were £1,743,000 (FY 2022: £939,000).

The movement in lease liabilities is as follows:

	2023 £000s	2022 £000s
Balance as at 1 January	**3,888**	3,371
Additions	**2,321**	505
Disposals	**(16)**	(586)
Adjustments to leases	**(49)**	–
Acquisition of Billi entities (note 14)	**–**	1,284
Repayments	**(1,426)**	(833)
Interest expense (included in finance cost)	**198**	92
Foreign exchange differences	**(106)**	55
Balance as at 31 December	**4,810**	3,888

26. Leases (continued)

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

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

	2023 £000s	2022 £000s
Depreciation of right-of-use assets	**(1,321)**	(920)
Short-term and low value leases	**(317)**	(106)
Interest expense (included in finance cost)	**(198)**	(92)
Total cost relating to leases	**(1,836)**	(1,118)

(c) Group as a lessor

Rental income recognised by the Group during the year is £4,750,000 (FY 2022: £383,000) which is included in the Premium Filtration Systems segment (see note 7). Future minimum rentals receivable under non-cancellable operating leases are £2,209,000 (FY 2022: £1,348,000). These amounts are expected to be received within a year.

27. Statement of cash flows notes

(a) Cash generated from operations

	Note	2023 £000s	2022 £000s
Cash flows from operating activities			
Operating profit		**27,914**	19,916
Adjustments for:			
Depreciation of property, plant and equipment	12	**4,020**	3,281
Depreciation of right-of-use assets	12	**1,321**	920
Amortisation of intangible assets	11	**3,365**	2,063
Share of (profits)/losses from joint ventures		**(85)**	18
Other non-cash flow items		**73**	1,275
Share-based payment transactions	23	**380**	(491)
Net exchange differences		**(435)**	188
		36,553	27,170
Changes in working capital:			
Decrease/(increase) in inventories		**1,639**	(1,213)
(Increase)/decrease in trade and other receivables		**(2,422)**	3,159
Increase/(decrease) in trade and other payables		**3,132**	(4,549)
Cash generated from operations		**38,902**	24,567

Other non-cash flow items include accrual of amounts relating to compensation for post-combination services, which were accrued part of the acquisition of LAICA as the services were rendered (see note 14).

Share-based payment transactions include other transactions recognised directly in equity included in the statement of changes of equity.

(b) Movement in net debt

			Non-cash movements		
	At 1 January 2023 £000s	Cash flows £000s	Currency movements £000s	Other movements £000s	At 31 December 2023 £000s
Borrowings, net of loan arrangement fees	**(117,826)**	**15,114**	**39**	**(3,132)**	**(105,805)**
Lease liabilities	**(3,888)**	**1,426**	**106**	**(2,454)**	**(4,810)**
Total liabilities from financing activities	**(121,714)**	**16,540**	**145**	**(5,586)**	**(110,615)**
Cash and cash equivalents	**30,443**	**(10,136)**	**(193)**	**–**	**20,114**
Net debt	**(91,271)**	**6,404**	**(48)**	**(5,586)**	**(90,501)**

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.

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29. Related party transactions (continued)
(b) Related party balances
Trading balances

	Balance due from		Balance due to	
	2023 £000s	2022 £000s	2023 £000s	2022 £000s
Related party				
LAICA Brand House Limited	**26**	26	**–**	–

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

Name of related party	2023 £000s	2022 £000s
Transactions with related parties		
Revenue earned from LAICA Brand House Limited	**3**	3
Contributions paid to The Strix Limited Retirement Fund (note 5(c)(i))	**(1,352)**	(782)

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
As discussed in note 22(d), the net debt leverage ratio maximum was reset to 2.75x EBITDA (from 2.25x EBITDA) for the remainder of the facility term as of 22 March 2024.

The Group does not have any material events after the reporting period to disclose.

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