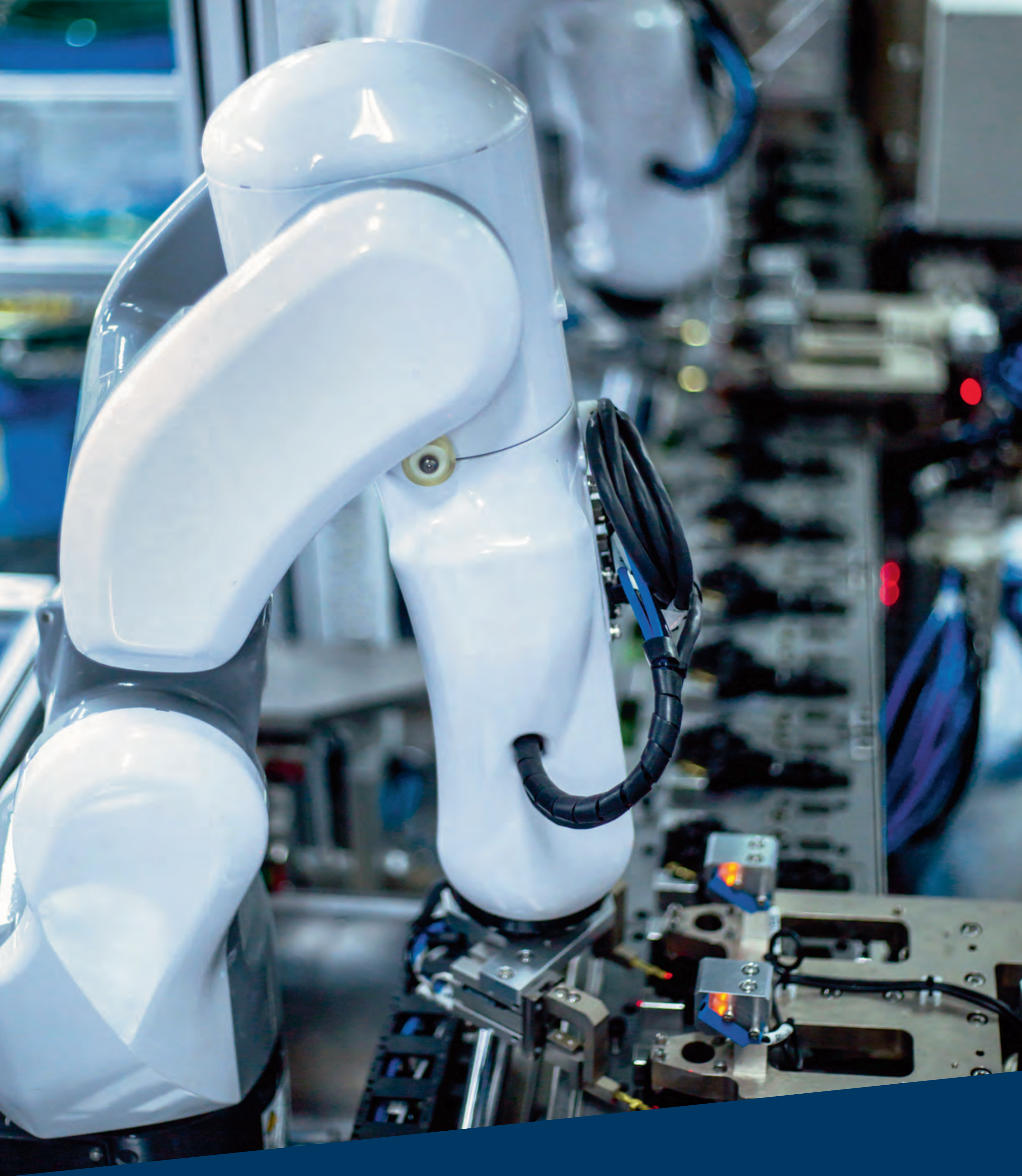


Strix Group Plc

Safer by design

—

AIM Admission Document

Zeus Capital

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this Document, you should consult your stockbroker, bank manager, solicitor, accountant or other independent professional adviser who specialises in advising on the acquisition of shares and other securities and is duly authorised under the Financial Services and Markets Act 2000 (as amended) ("FSMA").

Application has been made for the ordinary share capital of the Company to be admitted to trading on AIM, a market operated by the London Stock Exchange. It is expected that Admission will become effective, and dealings in the Ordinary Shares will commence on 8 August 2017. No application has been or is being made for the Ordinary Shares to be listed on any recognised investment exchange.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UK Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required, pursuant to the AIM Rules published by the London Stock Exchange, to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. Neither the UK Listing Authority nor the London Stock Exchange has itself examined or approved the contents of this Document.

Prospective investors should read the whole text of this Document and should be aware that an investment in the Company is speculative and involves a high degree of risk and prospective investors should carefully consider the section entitled "Risk Factors" set out in Part II of this Document. All statements regarding the Company's business, financial position and prospects should be viewed in light of these risk factors.

This Document, which is drawn up as an AIM admission document in accordance with the AIM Rules, has been issued in connection with the application for admission to trading on AIM of the ordinary share capital of the Company. This Document does not constitute an offer to the public requiring an approved prospectus under section 85 of FSMA and, accordingly, this Document does not constitute a prospectus for the purposes of FSMA and the Prospectus Rules and has not been pre-approved by the FCA pursuant to section 85 of FSMA. Copies of this Document will be available free of charge to the public during normal business hours on any day (Saturdays, Sundays and public holidays excepted) at the offices of Zeus Capital, 82 King Street, Manchester M2 4WQ and the registered office of the Company, 33-37 Athol Street, Douglas, IM1 1LB, Isle of Man from the date of this Document until one month from the date of Admission in accordance with the AIM Rules. A copy of this Document will also be available from the Company's website at www.strix.com.

This document constitutes an offering document for the purposes of section 45 of the Isle of Man Companies Act 2006 (the "IOM Act") and is prepared in compliance with the requirements of that section. It is not necessary for this offering document to be filed or registered with any governmental or public body, authority or agency in the Isle of Man either on, before or after the date of its publication and it is not intended that this offering document will be filed with the Registrar of Companies in the Isle of Man, pursuant to section 45(5) of the IOM Act. This document has not been approved by the Isle of Man Financial Services Authority ("FSA") or any other regulatory or governmental authority in or of the Isle of Man. Investors are not protected by statutory compensation arrangements and the FSA does not vouch for the financial soundness of the Company or for the accuracy of statements made or opinions expressed about it.

The Directors, whose names appear on page 8 of this Document, and the Company accept responsibility, both individually and collectively, for the information contained in this Document. To the best of the knowledge and belief of the Company and the Directors (having taken all reasonable care to ensure that such is the case), the information contained in this Document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Strix Group Plc

(a company incorporated in Isle of Man under the IOM Act with company number 014963V)

Placing of 190,000,000 Ordinary Shares at 100 pence per Ordinary Share

and

Admission to trading on AIM

Nominated Adviser and Broker:

Zeus Capital

Share Capital immediately following Admission

Number	*Issued and fully paid*	*Amount £*
190,000,000	ordinary shares of £0.01 each	1,900,000

The Placing is conditional, *inter alia*, on Admission taking place by 8.00 a.m. on 8 August 2017 (or such later date as the Company and Zeus Capital may agree, being not later than 31 August 2017). The Placing Shares will, upon Admission, rank *pari passu* in all respects and will rank in full for all dividends and other distributions declared paid or made in respect of the Ordinary Shares after Admission. It is emphasised that no application is being made for the Ordinary Shares to be admitted to the Official List or to any other recognised investment exchange.

Zeus Capital, which is authorised and regulated in the United Kingdom by the FCA, is acting as nominated adviser and broker to the Company in connection with the proposed Placing and Admission. Its responsibilities as the Company's nominated adviser under the AIM Rules for Nominated Advisers are owed solely to the London Stock Exchange and are not owed to the Company or to any Director or to any other person in respect of his decision to acquire shares in the Company in reliance on any part of this Document. No representation or warranty, express or implied, is made by Zeus Capital as to any of the contents of this Document (without limiting the statutory rights of any person to whom this Document is issued). Zeus Capital will not be offering advice and will not otherwise be responsible to anyone other than the Company for providing the protections afforded to clients of Zeus Capital or for providing advice in relation to the contents of this Document or any other matter.

Without limiting the statutory rights of any person to whom this Document is issued, no representation or warranty, express or implied, is made by Zeus Capital as to the contents of this Document. No liability whatsoever is accepted by Zeus Capital for the accuracy of any information or opinions contained in this Document, for which the Company and the Directors are solely responsible, or for the omission of any information from this Document for which it is not responsible.

In accordance with the AIM Rules for Nominated Advisers, Zeus Capital has confirmed to the London Stock Exchange that it has satisfied itself that the Directors have received advice and guidance as to the nature of their responsibilities and obligations to ensure compliance by the Company with the AIM Rules and that, in its opinion and to the best of its knowledge and belief, all relevant requirements of the AIM Rules have been complied with. No liability whatsoever is accepted by Zeus Capital for the accuracy of any information or opinions contained in this Document or for the omissions of any material information, for which it is not responsible.

This Document does not constitute an offer to sell or an invitation to subscribe for, or solicitation of an offer to subscribe for or buy, shares to any person in any jurisdiction to whom it is unlawful to make such offer, invitation or solicitation. In particular, this Document must not be taken, transmitted, distributed or sent, directly or indirectly, in, or into, the United States of America, Canada, Australia, Japan, the Republic of Ireland or the Republic of South Africa or transmitted, distributed or sent to, or by, any national, resident or citizen of such countries. Accordingly, the Placing Shares may, subject to certain exceptions, be offered or sold, directly or indirectly, in, or into, or from, the United States of America, Canada, Australia, Japan, the Republic of Ireland or the Republic of South Africa or in any other country, territory or possession where to do so may contravene local securities laws or regulations. The Placing Shares have not been, and will not be, registered under the United States Securities Act of 1933 (as amended) or under the securities legislation of any state of the United States of America, any province or territory of Canada, Australia, Japan, the Republic of Ireland or the Republic of South Africa and may not be offered or sold, directly or indirectly, within the United States of America or Canada, Australia, Japan, the Republic of Ireland or the Republic of South Africa or to or for the account or benefit of any national, citizen or resident of the United States of America, Canada, Australia, Japan, the Republic of Ireland or the Republic of South Africa or to any US person (within the definition of Regulation S made under the United States Securities Act 1933 (as amended)).

The distribution of this Document outside the UK may be restricted by law. No action has been taken by the Company or Zeus Capital that would permit a public offer of shares in any jurisdiction outside the UK where action for that purpose is required. Persons outside the UK who come into possession of this Document should inform themselves about the distribution of this Document in their particular jurisdiction. Failure to comply with those restrictions may constitute a violation of the securities laws of such jurisdiction.

IMPORTANT INFORMATION

In deciding whether or not to invest in the Ordinary Shares, prospective investors should rely only on the information contained in this Document. No person has been authorised to give any information or make any representations other than as contained in this Document and, if given or made, such information or representations must not be relied on as having been authorised by the Company, the Directors or Zeus Capital. Neither the delivery of this Document nor any subscription or purchase made under this Document shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date of this Document or that the information contained herein is correct as at any time after its date.

Investment in the Company carries risk. There can be no assurance that the Company's strategy will be achieved and investment results may vary substantially over time. Investment in the Company is not intended to be a complete investment programme for any investor. The price of Ordinary Shares and any income from Ordinary Shares can go down as well as up and investors may not realise the value of their initial investment. Prospective Shareholders should carefully consider whether an investment in Ordinary Shares is suitable for them in light of their circumstances and financial resources and should be able and willing to withstand the loss of their entire investment (see "Part II: Risk Factors" of this Document).

Potential investors contemplating an investment in Ordinary Shares should recognise that their market value can fluctuate and may not always reflect their underlying value. Returns achieved are reliant upon the performance of the Group. No assurance is given, express or implied, that Shareholders will receive back the amount of their investment in Ordinary Shares.

If you are in any doubt about the contents of this Document you should consult your stockbroker or your financial or other professional adviser.

Investment in the Company is suitable only for financially sophisticated individuals and institutional investors who have taken appropriate professional advice, who understand and are capable of assuming the risks of an investment in the Company and who have sufficient resources to bear any losses which may result therefrom.

Potential investors should not treat the contents of this Document or any subsequent communications from the Company as advice relating to legal, taxation, investment or any other matters. Potential investors should inform themselves as to: (a) the legal requirements within their own countries for the purchase, holding, transfer, or other disposal of Ordinary Shares; (b) any foreign exchange restrictions applicable to the purchase, holding, transfer or other disposal of Ordinary Shares that they might encounter; and (c) the income and other tax consequences that may apply in their own countries as a result of the purchase, holding, transfer or other disposal of Ordinary Shares. Potential investors must rely upon their own representatives, including their own legal advisers and accountants, as to legal, tax, investment or any other related matters concerning the Company and an investment therein.

This Document should be read in its entirety before making any investment in the Company.

Forward looking statements

Certain statements contained in the Document are forward looking statements and are based on current expectations, estimates and projections about the potential returns of the Group and industry and markets in which the Group operates, the Directors' beliefs and assumptions made by the Directors. Words such as "expects", "anticipates", "may", "should", "will", "intends", "plans", "believes", "targets", "seeks", "estimates", "aims", "projects", "pipeline" and variations of such words and similar expressions are intended to identify such forward looking statements and expectations. These statements are not guarantees of future performance or the ability to identify and consummate investments and involve certain risks, uncertainties, outcomes of negotiations and due diligence and assumptions that are difficult to predict, qualify or quantify. Therefore, actual outcomes and results may differ materially from what is expressed in such forward looking statements or expectations. Among the factors that could cause actual results to differ materially are: the general economic climate, competition, interest rate levels, loss of key personnel, the result of legal and commercial due diligence, the availability of financing on acceptable terms and changes in the legal or regulatory environment.

Such forward looking statements are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which the Group will operate in the future. These forward looking statements speak only as of the date of this Document. The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward looking statements contained herein to reflect any change in the Company's expectations with regard thereto, any new information or any change in events, conditions or circumstances on which any such statements are based, unless required to do so by law or any appropriate regulatory authority.

Presentation of financial information

The financial information contained in this Document, including that financial information presented in a number of tables in this Document, has been rounded to the nearest whole number or the nearest decimal place. Therefore, the actual arithmetic total of the numbers in a column or row in a certain table may not conform exactly to the total figure given for that column or row. In addition, certain percentages presented in the tables in this Document reflect calculations based upon the underlying information prior to rounding, and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.

Certain non-IFRS measures such as operating profit before finance costs, taxation, royalty charges, depreciation, amortisation and exceptional one-off costs ("Adjusted EBITDA") have been included in the financial information, as the Directors believe that these provide important alternative measures with which to assess the Group's performance. You should not consider Adjusted EBITDA as an alternative for Revenue or Operating Profit which are IFRS measures. Additionally, the Company's calculation of Adjusted EBITDA may be different from the calculation used by other companies and therefore comparability may be limited.

No Incorporation of Website

The contents of the Company's website (or any other website) do not form part of this Document.

General notice

This Document has been drawn up in accordance with the AIM Rules and it does not comprise a prospectus for the purposes of the Prospectus Rules in the United Kingdom. It has been drawn up in accordance with the requirements of the Prospectus Directive only in so far as required by the AIM Rules and has not been delivered to the Registrar of Companies in England and Wales or the Isle of Man for registration.

This Document has been prepared for the benefit only of a limited number of persons all of whom qualify as "qualified investors" for the purposes of the Prospectus Directive, to whom it has been addressed and delivered and may not in any circumstances be used for any other purpose or be viewed as a document for the benefit of the public. The reproduction, distribution or transmission of this Document (either in whole or in part) without the prior written consent of the Company and Zeus Capital is prohibited.

CONTENTS

KEY STATISTICS

Existing share capital at the date of this Document	
Number of Ordinary Shares	Nil
Number of A ordinary shares (1)	one
Placing	
Placing Price	100p
Number of Placing Shares	190,000,000
Gross proceeds of the Placing	£190,000,000
Estimated net proceeds of the Placing (2)	£175,400,000
Upon Admission	
Number of Ordinary Shares in issue at Admission	190,000,000
Estimated market capitalisation of the Company at Admission (3)	£190,000,000
TIDM	KETL
ISIN number	IM00BF0FMG91

Notes

(1) This share will be repurchased by the Company and cancelled as part of the Pre-Admission Reorganisation, effective upon Admission

(2) After deducting transaction costs of £14.6 million. Following implementation of the Pre-Admission Reorganisation, the Company will not retain any of these net proceeds

(3) Based on the Placing Price

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

	2017
Publication of this Admission Document	27 July
Admission and commencement of dealings in the Ordinary Shares on AIM	8 August
CREST accounts credited (where applicable)	8 August
Despatch of definitive share certificates (where applicable)	within 10 business days of Admission

Notes:

1. References to time in this Document are to London (BST) time unless otherwise stated
2. If any of the above times or dates should change, the revised times and/or dates will be notified by an announcement on an RIS

DIRECTORS, REGISTERED AGENT AND ADVISERS

Directors:	Gary Edward Lamb *(Interim Non-Executive Chairman)* Mark Victor Edward Bartlett *(Chief Executive Officer)* Raudres Lourdes Wong *(Chief Financial Officer)* Mark Adrian Kirkland *(Non-Executive Director)* All of whose business address is Forrest House, Ronaldsway, Isle of Man, IM9 2BG
Registered Office:	33-37 Athol Street Douglas Isle of Man IM1 1LB
Registered Agent:	Estera Trust (Isle of Man) Limited 33-37 Athol Street Douglas Isle of Man IM1 1LB
Company website:	www.strix.com
Nominated Adviser and Broker:	**Zeus Capital Limited** 82 King Street and 41 Conduit Street Manchester London M2 4WQ W1S 2YQ
Auditors:	**PricewaterhouseCoopers LLC** 60 Circular Road Douglas IM1 1SA
Reporting Accountants: (For the purposes of the Historical Financial Information set out in Section B of Part III)	**PricewaterhouseCoopers LLP** 101 Barbirolli Square Manchester M2 3PW
Legal Advisers to the Company as to English law and the law of the PRC:	**CMS Cameron McKenna Nabarro Olswang LLP** Cannon Place 78 Cannon Street London EC4N 6AF
Advocates to the Company as to IOM Law:	**Appleby (Isle of Man) LLC** 33-37 Athol Street Douglas Isle of Man IM1 1LB
Solicitors to Zeus Capital:	**Eversheds Sutherland (International) LLP** 70 Great Bridgewater Street Manchester M1 5ES

Financial PR:	**IFC Advisory Limited** 73 Watling Street London EC4M 9BJ
Company Registrars:	**Capita Registrars (Isle of Man) Limited** PO Box 227 Clinch's House Lord Street Douglas Isle of Man IM99 1RZ

DEFINITIONS

The following definitions apply throughout this Document, unless the context requires otherwise or unless defined in Part III of this Document, for the purposes of that part only:

"**2006 Act**"	the UK Companies Act 2006
"**AAC Capital**"	AAC UK Buy Out Fund LP
"**Admission**"	admission of the Ordinary Shares to trading on AIM becoming effective in accordance with Rule 6 of the AIM Rules
"**Admission Document**" or "**Document**"	this Document dated 27 July 2017
"**Adjusted EBITDA**"	profit before finance costs, tax, royalty charges, depreciation, amortisation, and exceptional items
"**AIM**"	the market of that name operated by the London Stock Exchange
"**AIM Rules**"	the AIM Rules for Companies published by the London Stock Exchange from time to time (including, without limitation, any guidance notes or statements of practice) which govern the rules and responsibilities of companies whose shares are admitted to trading on AIM
"**AIM Rules for Nominated Advisers**"	the rules setting out the eligibility, ongoing obligations and certain disciplinary matters in relation to nominated advisers, as published by the London Stock Exchange from time to time
"**Articles**"	the articles of association of the Company, to be adopted with effect from Admission, a summary of which is set out in paragraph 5 of Part V of this Document
"**Audit Committee**"	the audit committee of the Board, as constituted from time to time
"**Bermuda Group**"	Strix Investments Limited, George Bond Limited, George Mezz Limited, Sterna Group Limited and Strix Group Limited, each of which is incorporated in Bermuda
"**Board**"	the board of Directors of the Company from time to time, or a duly constituted committee thereof
"**certificated**" or "**in certificated form**"	recorded on the relevant register of the share or security concerned as being held in certificated form in physical paper (that is not in CREST)
"**Company**"	Strix Group Plc, a company limited by shares incorporated in the Isle of Man under the IOM Act with company number 014963V and registered office at 33-37 Athol Street, Douglas, Isle of Man, IM1 1LB
"**Corporate Governance Code**"	the UK Corporate Governance Code published by the Financial Reporting Council as modified by the QCA Guidelines
"**CREST**"	the computer based system and procedures which enable title to securities to be evidenced and transferred without a written instrument, administered by Euroclear UK & Ireland in accordance with the Isle of Man CREST Regulations

"**Directors**"	the directors of the Company as at the date of this Document, whose names are set out on page 8 of this Document
"**DTRs**"	the Disclosure Guidance and Transparency Rules (in accordance with section 73A(3) of FSMA) relating to the disclosure of information in respect of financial instruments which have been admitted to trading on a regulated market or for which a request for admission to trading on such a market has been made
"**Euroclear UK & Ireland**"	Euroclear UK & Ireland Limited, a company incorporated under the laws of England and Wales with registered number 2878738 and the operator of CREST
"**FCA**"	the Financial Conduct Authority
"**FSMA**"	the Financial Services and Markets Act 2000
"**Group**" or "**Strix Group**"	the Company and its Subsidiaries listed below (following implementation of the Pre-Admission Reorganisation) whose principal activities are the design, manufacture and sale of thermostatic controls and cordless interfaces, trading under the name Strix: Sula Limited; Strix Limited; Strix Guangzhou Ltd; Strix Far East Ltd; Strix (U.K.) Limited; Strix Hong Kong Ltd; Strix Finance (U.K.) Ltd
"**IOM**"	Isle of Man
"**IOM Act**"	the Isle of Man Companies Act 2006
"**IP**"	intellectual property
"**Isle of Man CREST Regulations**"	the Uncertificated Securities Regulations 2006 (SD 743/06), including (i) any enactment or subordinate legislation which amends or those regulations; and (ii) any applicable rules made under those regulations or such enactment or subordinate legislation for the time being in force
"**Less Regulated Markets**"	those markets where either high safety and IP protection standards are not in place, or where they are in place but less rigorously enforced, as described in further detail in paragraph 3 of Part I of this Document
"**London Stock Exchange**"	London Stock Exchange plc
"**LTIP**"	the Strix Group Plc Long Term Incentive Plan
"**MAR**"	the EU Market Abuse Regulation (Regulation (EU) No 596/2014)
"**New Debt Facilities**"	the new debt facilities to be made available to the Group, details of which are contained in paragraph 14.3 of Part V of this Document
"**Nomination Committee**"	the nomination committee of the Board, as constituted from time to time
"**OEM**"	original equipment manufacturer
"**Official List**"	the official list maintained by the UK Listing Authority

“**Operating Group**”	Sula Limited and its Subsidiaries, but also including for the purposes of the historical financial information contained in Part III of this Document, Strix Far East Limited
“**Ordinary Shares**”	ordinary shares of 1 pence each in the capital of the Company
“**Placees**”	the subscribers for Placing Shares pursuant to the Placing
“**Placing**”	the conditional placing of the Placing Shares by Zeus Capital, as agent for the Company, of the Placing Shares pursuant to the Placing Agreement
“**Placing Agreement**”	the conditional agreement dated 27 July 2017 between, amongst others, (1) the Company (2) Zeus Capital (3) AAC Capital and (4) the Directors relating to the Placing
“**Placing Price**”	100 pence per Placing Share
“**Placing Shares**”	the 190,000,000 new Ordinary Shares to be issued and allotted pursuant to the Placing, such allotment being conditional upon Admission
“**PRC**”	People’s Republic of China
“**Pre-Admission Reorganisation**”	the corporate reorganisation of the Group being undertaken in connection with Admission and the Placing, the material details of which are summarised at paragraph 10 of Part V of this Document
“**Prospectus Directive**”	EU Prospectus Directive 2003/71/EC, as amended
“**Prospectus Rules**”	the Prospectus Rules made by the FCA pursuant to sections 73(A)(1) and (4) of FSMA
“**QCA**”	the Quoted Companies Alliance
“**QCA Guidelines**”	The Corporate Governance Code for Small and Mid-size Quoted Companies published by the QCA in May 2013
“**Registered Agent**”	Estera Trust (Isle of Man) Limited
“**Registrars**”	the Company’s registrars, being Capita Registrars (Isle of Man) Limited
“**Regulated Markets**”	those markets where high safety and IP protection standards are in place, and importantly that those standards are rigorously maintained and enforced, as described in further detail in paragraph 3 of Part I of this Document
“**Remuneration Committee**”	the remuneration committee of the Board, as constituted from time to time
“**RIS**”	Regulatory Information Service
“**Shareholder**”	a holder of Ordinary Shares
“**Strix**”	the Company or, as the context permits, its subsidiaries and predecessors in title forming part of the Group and operating the business of the Group
“**Subsidiaries**”	any subsidiary undertaking as defined in the 2006 Act

"**Takeover Code**"	the City Code on Takeovers and Mergers as issued and administered by the Takeover Panel
"**Takeover Panel**"	the Panel on Takeovers and Mergers
"**UK**" or "**United Kingdom**"	the United Kingdom of Great Britain and Northern Ireland
"**UK Listing Authority**"	the FCA, acting in its capacity as the competent authority for the purposes of FSMA
"**uncertificated**" or "**uncertificated form**"	recorded on the relevant register of the share or security as being held in uncertificated form in CREST and title to which, by virtue of the Isle of Man CREST Regulations, may be transferred by means of CREST
"**US**"	the United States of America and all of its territories and possessions
"**VAT**"	value added tax
"**Zeus Capital**"	Zeus Capital Limited, a company incorporated in England and Wales with registered number 4417845 and registered office at 82 King Street, Manchester M2 4WQ
"**£**" or "**Sterling**"	British pounds sterling

Any reference in this Document to any provision of any legislation shall include any amendment, modification, re-enactment or extension thereof.

Words importing the singular shall include the plural and vice versa, and words importing the masculine gender shall include the feminine or neutral gender.

PART I

INFORMATION ON THE GROUP

Strix Group Plc

1. INTRODUCTION

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

The global market for kettle safety controls is estimated to have been around 174 million sets in 2016, with Strix having a global market share of 38 per cent. by volume. To date, Strix has sold over 1.9 billion units, and management estimate that Strix safety controls are used over 1 billion times per day by consumers, in more than 100 countries, and by over 10 per cent. of the world's population.

Strix has a long track record of substantial profitability with over £30 million of Adjusted EBITDA generated in each year and over £200 million of debt repayments made since 2007. In the year ended 31 December 2016, Strix recorded an Adjusted EBITDA of £33.3 million.

Strix is seeking Admission in order to enhance the profile of the business, incentivise its management and employee base and to provide permanent capital to enable the Directors to take long term investment decisions. The entire net proceeds of the Placing, in combination with the New Debt Facilities, and by implementing the Pre-Admission Reorganisation, will also provide an exit for the Group's current majority owner, AAC Capital, which has held a stake in the business since 2005. After implementing the Pre-Admission Reorganisation, the Company will retain no net proceeds from the Placing. Further details of the Placing, the New Debt Facilities and the Pre-Admission Reorganisation are set out in paragraphs 10 and 14 of Part V of this Document.

2. HISTORY AND BACKGROUND

Strix was established in 1982 on the Isle of Man and was initially focused on designing and manufacturing thermostatic controls for small domestic appliances. Strix developed and patented what would become key kettle safety control products, which led to it gaining significant market shares and becoming the leading global manufacturer of safety controls for kettles.

In 1989, Strix opened a Hong Kong office as it could foresee the potential benefits of larger scale appliance manufacturing in Asia. In 1997, it started production in Guangzhou, China, and in 2003 it opened its current manufacturing facility. Strix currently produces over 70 million control sets per annum.

In 2005, AAC Capital acquired control of Strix, which has since experienced significant revenue growth and produced its 1 billionth safety control in 2009.

Strix has also developed a number of other products and controls connected to small domestic appliances and water filtration including the launch of Aqua Optima filters in 2003 and the launch of the Tommee Tippee Perfect Prep product in 2013.

As at the date of this Document, Strix has produced over 1.9 billion units and continues to be a global leader in the kettle safety control market.

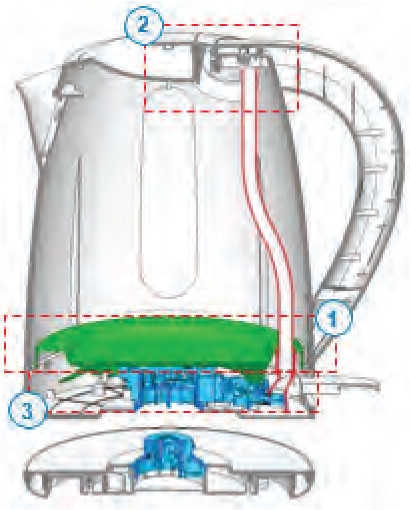
3. BUSINESS OVERVIEW

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

Strix's core products are kettle safety controls, which are responsible for disconnecting the power to the heating element when either water has boiled, operated with no water present, or in some products when the kettle is lifted off its base. The kettle control is also designed to act as a safety device, disconnecting the power during abnormal operations such as when there is no water in the appliance, to prevent the element from overheating.

Kettle safety controls require precision engineering and intricate knowledge of material properties in order to repeatedly function correctly. Strix has built up market leading capability and know-how in this field since being founded in 1982.

Controls in the context of a under floor element kettle:



1 Underfloor heating system heats water

2 When boiled, steam is released down a tube activating the safety control

3 Safety control disconnects the power supply to stop the heating process

Strix designs, manufactures and supplies the control and connector

Strix provides designs for suppliers to produce elements compatible with the Strix system

Strix provides appliance design support throughout the value chain

Strix believes that national kettle markets across the world can be broadly categorised as either 'Regulated' or 'Less Regulated', with China representing a special case and dealt with individually.

The key considerations in categorising a market as Regulated or Less Regulated are the intellectual property and safety standards in place, and importantly how rigorously these are monitored and enforced.

- ***Regulated Markets:*** Consumers and brands in Regulated Markets favour controls with greater functionality and high quality to meet the higher safety standards, which come at a price premium. Strix is a key supplier in Regulated Markets and has a market share of over 61 per cent.
- ***Less Regulated Markets:*** In Less Regulated Markets brands and consumers are less safety focussed, and are more price conscious. In these markets lower quality control manufacturers hold significant market shares, with Strix having a market share of approximately 18 per cent.
- ***China:*** China is generally considered a Less Regulated Market, however consumer and brand preferences are rapidly shifting towards higher quality controls, which has seen Strix increase its market share, achieving over 50 per cent. in 2016. The Chinese market remains price sensitive however.

Core Products

Strix's core product range comprises a variety of safety controls for small domestic appliances (but primarily kettles). These products have been developed over a number of years and utilise IP and know-how generated by Strix over its 30 plus years in the kettle market. Strix products are high quality, routinely exceeding 12,000 cycles in the life endurance tests.

Strix has developed a range of products that are appropriate for different market and consumer preferences. A selection of the products developed for each type of market, and some of their key features are shown below:

Product Name	Key Features	Target Market
U18/U88	● U18 is the original best-in-class under-floor control, with variants in the range offering additional functionality ● U88 is a lower cost upgrade to U18 with several alterations	Regulated
Electronic control	● Under-floor control system that interfaces with electronics to facilitate multiple temperature setting	Regulated, Less Regulated and China
Immersed	● Opening-price-point control, which has been sold for over 30 years	Regulated & Less Regulated
Product X	● Reduced specification, low cost variant of U18 specifically developed for the China market ● Enabled Strix to capture significant market share from low cost competitors	China
KeAi	● Unique micro control developed by Strix and launched in 2013 ● Lower cost control with a lower silver/copper footprint, reducing exposure to raw material price volatility	Less Regulated
U9 series	● New best-in-class suite of controls, all designed for lower material cost, designed for automation and enhanced quality through numerous marginal improvements	Variants for all markets

Strix has a ‘good, better, best’ strategy for addressing each of its key markets, with products available at differing price points and levels of functionality to satisfy customer needs, whilst enhancing safety standards and complying with relevant regulations.

Kettle Control Product Development

Strix has developed a range of new controls over the past 18 months (the U9 series), which were launched into the market in H1 2017. These controls are the result of extensive research and development, realising many incremental performance improvements over the current products and reinforcing Strix’s position as offering best-in-class products which provide added value to both the OEM and brand owners.

The new control series uses a common architecture across variants designed to address different markets. This provides benefits through economies of scale, suitability for automated manufacturing and reduced tooling and inventory, resulting in the ability to produce controls at lower unit costs. The new control range will enable closer price competition with low cost, lower quality competitors, with the aim of increasing volumes, particularly in Less Regulated Markets. The U9 series is expected to rise as a proportion of sales over time, as currently specified kettles using older controls reach the end of their product lifecycle and are replaced by new models.

Aqua Optima

Aqua Optima is Strix’s range of domestic water filtration products, including jugs, water filters and other related appliances.

Strix’s expertise in water filtration originally grew from an internal project to develop a filter kettle, due to none of the products in the market achieving a fast enough flow rate to avoid a kettle dry boiling and switching off. Strix therefore developed a faster flowing filter in house, and subsequently decided to launch a range of products based on this technology into the retail market for domestic use.

The current product range includes water filter jugs, and a range of other filters and appliances, sold mainly into the UK via high street retailers and online.

Aqua Optima also has a long term contract to supply bespoke filters for the Tommee Tippee Perfect Prep baby formula appliance, which sterilises baby formula powder and prepares a bottle of the correct volume and temperature in under 2 minutes. Over 600,000 Tommee Tippee Perfect Prep appliances and over 2 million filters have been sold since launch in 2013. The Directors consider that Tommee Tippee Perfect Prep has substantial potential for international growth, including into China, and Strix are working with the brand owner to facilitate this.

The Tommee Tippee Perfect Prep appliance was originally a Strix designed concept that was developed internally and proposed to a number of brand owners. After customer feedback the design was amended and ultimately the owners of Tommee Tippee decided to launch the product. This evidences Strix's market knowledge and industrial design capability, and is a potential area of growth in the future.

Customer Base

Strix's main direct customers for safety controls are original equipment manufacturers ('OEMs') involved in the manufacture of kettles and other small domestic appliances. The majority (90+ per cent. by sales volume) of these OEMs are China based and Strix's personnel in the Far East (China and Hong Kong) lead these relationships on a day to day basis.

Strix also have indirect customers in the form of appliance brands and retailers, who work with Strix to select the best OEM for a product and specify the product to meet their quality and price point requirements. Strix has relationships with over 400 brands and retailers globally, who often rely on them to ensure consistency of compliance with applicable regulations and with their own standards, which are often higher, as well as to troubleshoot any manufacturing issues at an OEM level.

As well as working with the key OEMs in China, Strix works with a significant number of the best known brands and retailers worldwide, including: Tesco, Tefal, Siemens, Philips, Walmart and Supor.

Strix's focus on product quality and customer service leads to long term customer relationships. 63 per cent. of Strix's top 30 customer base in 2016 have traded with Strix for more than 10 years, and of Strix's top 30 customers in 2011, only two are no longer customers, having both left the industry.

Other products and technologies

Strix has developed a portfolio of water, temperature and/or steam management technologies over time that could be commercialised if a market opportunity arises. Examples of these technologies are:

- *Steam boiler:* Strix's patented steam boiler produces large amounts of steam quickly (in comparison to other available devices) and reaches full temperature in seconds. Potential applications for this technology include food steamers and water dispensers.
- *Instant flow heater:* Strix's patented instant flow heater has adjustable temperature (up to true boiling) and volume dispense settings, and starts quickly (under 5 seconds to full temperature). Potential applications include baby formula systems, water dispensers and other hot water applications.
- *Turbo toaster:* Patent protected design enabling bread to be toasted in under 60 seconds.

Strix's research and development, industrial design and appliance knowledge could also enable partnership with brands/OEMs to develop new kettles or other domestic appliances, in a similar manner to the Tommee Tippee appliance. Strix has a number of product concepts in the process of being developed/refined for introduction to customers. These are focussed on adding additional consumer features that allow brands to make new product claims within their marketing, such as improved energy efficiency.

Intellectual Property

Strix has a portfolio of intellectual property protecting a variety of product features across its product range. The portfolio includes over 150 patents, and Strix actively defends these from infringement, taking legal action where appropriate.

The strength of Strix's intellectual property portfolio has been tested on numerous occasions and enforcement of its IP rights has resulted in payment of license fees or damages in various countries around the world, including cases won by Strix in China.

Locations

Strix has six operational sites globally, of which two are in the Isle of Man (where the Group's head office is located), one is in the UK, two in Hong Kong and one is in China.

The company's corporate offices are located in the Isle of Man (Ronaldsway), which serves as the head office, and Hong Kong. The Chief Executive Officer and Chief Financial Officer split their time between the Isle of Man and Hong Kong, with trips to Guangzhou, China and global customer visits as required.

Employees

As at 31 December 2016, Strix had 838 members of staff, based predominantly at the site in Guangzhou, PRC. Of the staff at that site, 374 of them were Strix employees, 55 were employed by a human resources agency and 314 were employed by contractor that provides outsourced labour services to Strix. A further 71 were employees based at Strix's sites in the Isle of Man, and 14 were employees based in locations in the United Kingdom, Europe and the United States of America. The average number of workers employed on a temporary basis by the human resources agency for the year ending 31 December 2016 was 90. Since 31 December 2016, the number of workers employed by the human resources agency decreased by 19 while the number of workers employed by the outsourced labour contactor has increased by 64.

Manufacturing Facilities

Strix has manufacturing operations in two locations, being the Ramsey, Isle of Man site and Guangzhou, China.

The Isle of Man manufacturing site focuses primarily on the higher precision manufacturing processes and material engineering of bimetal blades and high-speed stampings, including contact insertion. The Guangzhou site has four technology areas, namely precision moulding, high speed pressing, final assembly and test of kettle controls and water filtration production.

The Guangzhou site which is under lease until 2021, is Strix's largest manufacturing operation and employs (directly and indirectly) nearly 800 staff. The Guangzhou factory currently includes a combination of manual and semi-automated production lines, although the first fully automated production line has recently been installed to manufacture the new U9 series kettle control.

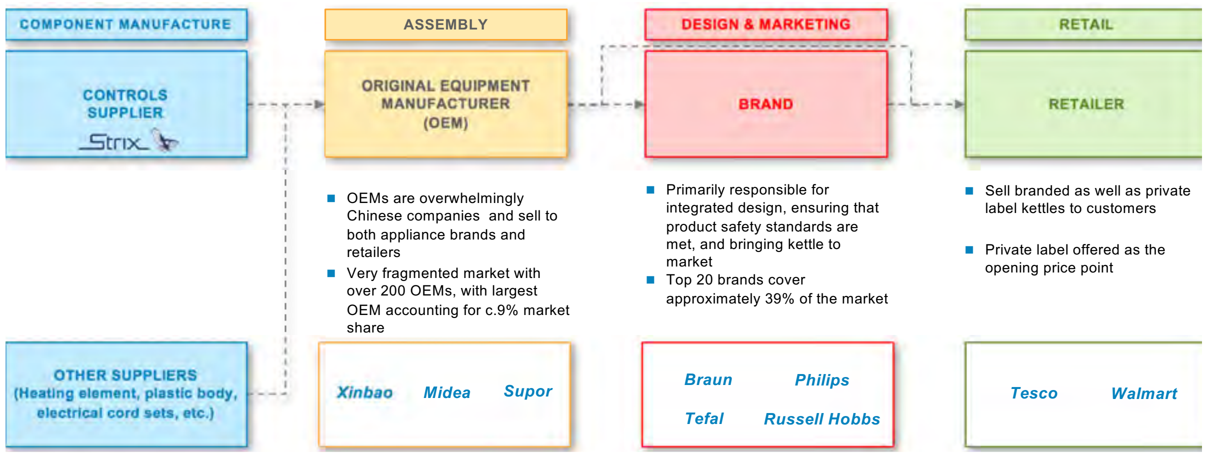
Strix has an automation plan in place for the Guangzhou site which will see a phased introduction of new automated lines over the next few years to generate additional manufacturing capacity from the same floor space, to cope with increased production volumes, and to further improve production efficiency and quality.

Strix is focussed on employee wellbeing and regularly monitors, and has plans to further improve, working practices across the Group. Strix has enjoyed a high staff retention rate in recent years, with senior management in Guangzhou averaging over 10 years of service at Strix. Strix anticipate that over time, the number of employees in Guangzhou will reduce through natural attrition, and that the automated lines will ultimately represent a larger proportion of overall production capacity.

4. MARKET AND COMPETITION

Market structure

The kettle value chain comprises component suppliers, OEMs, brands and retailers. Strix as a component supplier provides components to OEMs, who utilise these and other components to assemble a kettle to specification for a brand and/or retailer. Strix is unusual in that it has direct relationships with brands and retailers, who regularly seek advice from Strix on product design and specification, including selection of an appropriate OEM. This position in the value chain helps Strix to secure its market position and acts as a barrier to entry by ensuring that Strix controls are specified, whilst assisting the brand/retailer in achieving their desired appliance quality and price point.



End Market types

Strix categorise the end markets for kettles as either 'Regulated Markets' or 'Less Regulated Markets'. The Chinese domestic market is generally considered to be a Less Regulated Market, but is significant enough in size to have its own trends and identifying factors.

Regulated Markets

Regulated Markets are those where high safety and intellectual property protection standards are in place, and importantly that those standards are rigorously monitored and enforced. Examples of Regulated Markets include the UK, the USA and most of western Europe, as well as Japan, Australia and Turkey. In Regulated Markets Strix has a high market share, as its high quality products, intellectual property protection and effective market regulators limit competition from low quality players. In addition, brands and retailers need to meet customer expectations of safety and quality to maintain reputation and brand equity, and Strix's relationships, know-how and repeatable product quality, consistency and testing (at both Strix and OEM level) assist them in meeting their goals.

Less Regulated Markets

Less Regulated Markets are those where either high safety and intellectual property protection standards are not in place, or where they are in place but less rigorously enforced. In these markets lower quality players who typically operate to lower standards of safety and manufacturing consistency are able to offer low quality products at low price points that are acceptable to some brands/retailers, taking into consideration local market conditions and customer preferences. Strix market share is lower in these markets, but the recent development and launch of new, lower cost products is designed to increase penetration and market share in these markets.

China

China is generally considered to be a Less Regulated Market, but is developing quickly. China has improving safety standards and enforcement, and importantly the brands and retailers have an increasing focus on safety after a consumer health scare in early 2016. Anecdotally, the Directors believe that the standards that Chinese brands and retailers are working to are some of the highest in the world. This changing marketplace, combined with a specialised lower cost product, has resulted in Strix increasing market share substantially – moving from 31 per cent. by volume in 2015 to 51 per cent. by volume in 2016. New lower cost product launches are designed to allow Strix to remain competitive and maintain its market position.

Strix Market Shares

Globally, Strix estimates that 174 million kettles were sold in 2016, giving Strix a market leading 38 per cent. global market share of kettle safety controls (2015: 32 per cent.).

In 2016, Strix estimates that it had a market share (by volume) of 61 per cent. in Regulated Markets, 18 per cent. in Less Regulated Markets (excluding China), and 51 per cent. in China.

Strix estimates that since 2012 the global kettle market has grown at 6 per cent. per annum, with growth in the different market segments ranging from relatively flat growth in Regulated Markets, to 12 per cent. per annum in China, with Less Regulated Market growth at around 7 per cent. per annum.

Kettle penetration rates provide an indicator of potential growth in individual markets, when considering that the UK market has penetration of approximately 120 per cent. (i.e. 1.2 kettles per household). This high penetration is driven by the UK being a market with heavy tea and other hot drink consumption, and the fact that hotels, schools, offices and other multi occupancy buildings commonly offer kettle facilities. In a number of Regulated Markets, kettle penetration is below 30 per cent., with the potentially large USA market at c.12 per cent. In Less Regulated Markets, penetration is generally higher, however, the Directors believe that key markets including China and India still have substantial growth potential.

Competition

The kettle control manufacturing market mainly comprises two different types of producer – high end, high quality manufacturers, who dominate supply in Regulated Markets, and low cost, lower quality manufacturers, who have a large share in Less Regulated Markets.

The high quality producer segment mostly comprises Strix and one competitor. The Directors believe that this competitor supplies primarily to customers within the Regulated Markets, and therefore supplies the majority of the 38 per cent. non Strix volume in the Regulated Market. The balance of low cost controls also compete at the low end of the quality spectrum in Regulated Markets. Given Strix's China and Less Regulated Market share, the Directors consider that Strix's annual production volume is significantly higher than this competitor which enables more investment in improving products, and greater scale efficiencies – providing a strong competitive position.

The lower cost producer segment is fragmented, with 5 low cost producers estimated to have a combined global volume share of 46 per cent. and other low cost providers splitting an 8 per cent. market share (includes DIY travel kettles which don't include a sophisticated control) between them (in contrast with Strix's 38 per cent. global market volume share). Strix therefore has significant scale advantages over these low cost producers, and has been working on leveraging its scale efficiencies and precision engineering capabilities to create a range of lower cost products that maintain high quality and safety standards, in order to capture volume from these low cost producers. In addition, Strix takes an active role with regulators in key Less Regulated Markets, to improve regulation levels and enforcement, as well as demonstrating that often low cost producers find it hard to maintain quality across batches and production runs, resulting in potentially unsafe controls in the retail market.

5. STRATEGY

Strix has a divisional strategy, with the overriding principle being to develop and supply best in class products across all of its markets and product lines. Key areas of strategic focus are as follows:

Regulated Markets

- Continue to offer the highest quality products and performance at competitive prices
- Maintain relationships with key direct and indirect customers via high product quality and value added service
- Continue to enhance market share
- Maintain work supporting consumer safety organisations and the related global standards, to ensure that unsafe products are not permitted to enter the market

Less Regulated Markets

- Introduce new, lower cost products and invest in customer relationships
- Lobby for regulation enforcement by demonstrating the safety benefits of Strix products
- Support and educate test houses and regulatory bodies to enforce standards

Growth in China

- Enhance relationship with key brand/retailer accounts to increase penetration
- Maintain or increase market share to take advantage of structural market growth
- Continue to work with regulators and brands to increase regulation levels in the market

Aqua Optima and New Product Development

- Continue to broaden the product range, utilising Strix core strengths
- Expand Aqua Optima portfolio and geographies, and invest in marketing Aqua Optima water filter products as the challenger brand to the leading brand
- Support the baby formula appliance market with its international growth plans, including expansion into China and USA

6. FINANCIAL INFORMATION

Part III of this Document contains audited historical financial information of the Operating Group for the three years ended 31 December 2016.

The following financial information has been derived from the financial information on the Operating Group contained in Section B of Part III of this Document and should be read in conjunction with the full text of this Document. Potential investors should not rely solely on the summarised information.

	Audited Year ended 31 December 2014 £'000	*Audited Year ended 31 December 2015 £'000*	*Audited Year ended 31 December 2016 £'000*
Revenue	78,085	79,915	88,653
Gross Profit	37,585	31,374	35,013
Operating Profit	26,429	22,030	24,134
Adjusted EBITDA[1]	35,087	31,026	33,292
Taxation	(281)	(198)	(2,103)
Profit after tax	26,141	21,827	22,032

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

Revenue over the three year period ended 31 December 2016 has increased by 13.5 per cent. as the Operating Group continued to gain market share and launch new products. The Operating Group experienced significant market share growth in the China market over this period and currently holds c.50 per cent. of the market.

The year to 31 December 2014 benefitted from an overstocking trend in the global market which increased sales and profitability for that period at the expense of performance in 2015.

The Operating Group has demonstrated stable profitability, generating over £30 million Adjusted EBITDA per annum since 2007.

7. CURRENT TRADING AND PROSPECTS

The financial information for the three years ended 31 December 2016 is set out in Section B of Part III of this Document. Since 31 December 2016, trading has been strong with profitability and cash generation in line with the Directors' expectations.

Strix has launched 8 new products in the last 6 months, including several variants of the U9 series of kettle safety controls. Strix has also introduced its first fully automated production line into the Guangzhou factory, which started producing components in June 2017.

The Directors are confident about the future prospects of the Group and delivering on the strategy set out within this Document.

8. DIRECTORS AND KEY MANAGEMENT

The Board on Admission will comprise Gary Lamb as Interim Non-Executive Chairman, Mark Bartlett as Chief Executive Officer, Raudres Wong as Chief Financial Officer, and Mark Kirkland as Independent Non-Executive Director.

The Board intends to appoint a permanent Non-Executive Chairman within 9 months from Admission. Following this appointment, Gary Lamb will step down to become Non-Executive Director.

The Board is supported by a five person senior management team whose roles and biographies are detailed below.

Directors

Gary Edward Lamb (*Interim Non-Executive Chairman*, aged 51)

Gary Lamb is a qualified accountant (CIMA) who has gained extensive business experience over the past 25 years in numerous senior roles. Gary is currently Chief Executive Officer of Manx Telecom plc. Gary led Manx Telecom through a successful initial public offering on AIM in 2014. Prior to joining Manx Telecom, Gary was a founder director of Bladon Jets Limited, and a Non-Executive Director until July 2017. For 11 years, prior to Bladon Jets, Gary was the Finance & IT Director of Strix Limited, leaving in 2007. Gary was a key member of a successful team that delivered impressive growth and played a leading role in two leveraged management buy-out sales to private equity houses.

Mark Victor Edward Bartlett (*Chief Executive Officer*, aged 52)

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

Raudres Lourdes Wong (*Chief Financial Officer*, aged 54)

Raudres joined Strix in 2011 and is responsible for financial management. She has over 25 years of international experience in corporate finance, business management and mergers and acquisitions. She has worked in Toronto, Japan, Beijing and Hong Kong for multinationals such as IDT International Ltd, Nortel Networks Inc., Level 3 Communications Inc., Nike International Ltd and ASSA ABLOY Ltd, holding senior finance and strategic planning positions. Raudres has a BComm and MBA from McMaster University and qualified as a Chartered Accountant in Canada.

Mark Adrian Kirkland (*Non-Executive Director*, aged 49)

Mark qualified as an accountant (ACA) with Price Waterhouse in London and has extensive corporate experience gained over the last 25 years having held numerous senior roles in public and private companies.

Mark's initial career was in corporate finance, predominantly spent at UBS Limited however in 2003, as part of the founding team, he became CFO of Raven Mount plc (now part of Raven Russia Limited). Latterly, Mark has been chief financial officer of Marwyn Management Partners plc.

Senior management

Frank Gao (*Chief Operating Officer*)

Frank joined Strix in 2012. He directs and leads the global operations team which spans Strix's Guangzhou and Ramsey facilities, and oversees the company's overall manufacturing, supply chain and technology footprint. Frank has over 20 years of experience at various multinationals including 15 years with Nortel and 5 years with Jabil Circuits. Frank holds a Bachelors Degree in Telecommunications Engineering from

Changchun Post and Telecommunications Institute and an MBA from Southern Cross University in Australia. Frank also holds a Six Sigma Black Belt.

Nick Gibbs (*Engineering Director*)

Nick joined Strix in 1992 and directs the global engineering team, which includes the research and development facility in the Isle of Man and the Engineering Department at Guangzhou. Nick was previously the factory manager at the Ramsey facility. Nick holds a BEng (Hons) Manufacturing Systems and Management from Brunel University and a MSc from Manchester University. Nick is also a member of The Institution of Engineering and Technology.

David Trustrum (*Commercial Director*)

David joined Strix in 1991 and directs the Commercial Operations department, optimising commercial activities through IPR and product safety, market intelligence and pricing management. David's experience includes IT project management, factory management, and commercial management within the Finance Department. David holds a MEng (Hons) Manufacturing Engineering and Management from Loughborough University and a MSc from Manchester University.

Simon Charlesworth (*Sales Director*)

Simon joined Strix in 2007 and directs an international sales force and support staff team comprising 25 personnel, focused on delivering against annual sales volume and margin commitments through the promotion of added value services. His previous experience includes 13 years in a variety of sales and marketing roles within the water treatment sector, both in the UK and internationally.

Nigel Wheeler (*Director, Aqua Optima*)

Nigel joined Strix in 2004 to develop UK retail distribution having previously worked in the category for Morphy Richards and Brita. He has been responsible for the major account developments with major retail chains such as Tesco, Asda Walmart, Argos, Wilkinson and Amazon. In December 2015 Nigel was appointed Director of Aqua Optima and is now responsible for strategic direction and global business development.

9. PLACING AND PLACING AGREEMENT

The Placing

The Company is proposing to raise £190.0 million by way of a conditional placing by the Company of the Placing Shares with investors at the Placing Price. The Placing Shares will represent 100 per cent. of the Ordinary Shares at Admission.

The Placing Agreement

Pursuant to the Placing Agreement, Zeus Capital has agreed to use its reasonable endeavours to procure subscribers for the Placing Shares. The Company and the Directors have given certain warranties (and the Company has given an indemnity) to Zeus Capital, all of which are customary for this type of agreement.

Each of the Directors has undertaken, pursuant to the Placing Agreement, not to dispose of any of the Ordinary Shares in which they are interested at Admission for 12 months from Admission. The Directors have also undertaken that, for a further period of 12 months, they will comply with certain requirements designed to maintain an orderly market in the Ordinary Shares.

The Placing, which is not underwritten, is conditional, *inter alia*, on:

- the Placing Agreement becoming unconditional and not having been terminated in accordance with its terms prior to Admission;
- Admission occurring no later than 8 August 2017 (or such later date as Zeus Capital and the Company may agree, being no later than 31 August 2017); and
- the New Debt Facilities becoming unconditional (save for any condition relating to Admission having occurred).

The Placing Shares being issued pursuant to the Placing will, on Admission participate in full for all dividends and other distributions thereafter declared, made or paid on the Ordinary Shares. The Placing Shares will, immediately on and from Admission, be freely transferable.

Zeus Capital has the right under the Placing Agreement to terminate the Placing Agreement and not proceed with the Placing if, prior to Admission, certain events occur including certain force majeure events. If such right is exercised, the Placing will lapse and any monies received in respect of the Placing will be returned to investors without interest.

Further details of the Placing Agreement are set out in paragraph 14.1 of Part V of this Document.

10. USE OF PROCEEDS

The Placing is being undertaken to fund the repayment of outstanding principal and accrued interest in respect of certain loan note debt that related to the acquisition of Strix by an investor group led by AAC Capital in 2005. The implementation of the Pre-Admission Reorganisation and the subsequent Placing will result in a full exit for this investor group including both equity and loan notes, and the separation of the Company from its existing holding company structure such that at Admission the Company is the ultimate parent company of the Group. Further details of the Pre-Admission Reorganisation are set out in paragraph 10 of Part V of this Document.

Although the Company's agents will receive the net placing proceeds on the Company's behalf, the Company will not retain the benefit of the net proceeds of the Placing. In addition to undertaking the Placing, conditional upon Admission, the Company is entering into the New Debt Facilities, to provide funds for, among others, repayment of the existing debt of the Group, to finance working capital and for general corporate purposes of the Group. Further details of the New Debt Facilities are set out in paragraph 14.3 of Part V of this Document.

In addition to enabling the Placing, the Directors believe that Admission will provide the business with enhanced reputation and profile and the ability to incentivise key employees.

11. DIVIDEND POLICY

The Directors' intention is to implement a progressive dividend policy.

For the year ending 31 December 2017 (being the first financial period end as an AIM traded company), subject to the discretion of the Board, having taken into account the current and expected future trading performance of the Company, and to the Company being able to satisfy the solvency test set out in the IOM Act, it is the Directors' intention that the total dividend payable will equate to a 2.9 per cent. dividend yield, calculated on the Placing Price. This intention is based on an annualised dividend yield of 7 per cent. (calculated on the Placing Price) pro rated for the period for which the Company will have been AIM quoted before its financial year end (approximately five months).

12. TAXATION

Information regarding taxation is set out in paragraph 11 of Part V of this Document. These details are intended only as a general guide to the current tax position in the UK and the Isle of Man.

If a potential investor is in any doubt as to his or her tax position or is subject to tax in a jurisdiction other than the UK or the Isle of Man, he or she should consult his or her own independent financial adviser immediately.

13. ADMISSION, SETTLEMENT AND DEALINGS

Application has been made to the London Stock Exchange for the Ordinary Shares to be admitted to trading on AIM. It is expected that Admission will become effective and dealings in the Ordinary Shares on AIM will commence at 8.00 a.m. on 8 August 2017.

The Ordinary Shares will be in registered form and will be capable of being held in either certificated or uncertificated form (i.e. in CREST). Accordingly, following Admission, settlement of transactions in the Ordinary Shares may take place within the CREST system if a Shareholder so wishes. In respect of Shareholders who will receive Placing Shares in uncertificated form, Ordinary Shares will be credited to their CREST stock accounts on 8 August 2017. Shareholders who wish to receive and retain share certificates are able to do so and share certificates representing the Placing Shares to be issued pursuant to the Placing are expected to be despatched by post to such Shareholders within 10 business days of Admission.

CREST is a paperless settlement enabling securities to be evidenced otherwise than by certificate and transferred otherwise than by written instrument in accordance with the Isle of Man CREST Regulations. The Articles permit the holding of Ordinary Shares in uncertificated systems such as CREST. The Company will apply for the Ordinary Shares to be admitted to CREST on the date of Admission.

14. INTERESTS IN ORDINARY SHARES

Upon Admission, the Directors through their participation in the Placing will in aggregate be interested in, directly and indirectly, 1,100,000 Ordinary Shares representing approximately 0.58 per cent. of the entire issued share capital immediately following the Placing. Further information is available in paragraph 6 of Part V of this Document.

15. CORPORATE GOVERNANCE

There is no corporate governance regime in the Isle of Man that applies to the Company. Directors of companies incorporated in the Isle of Man are required to comply with certain duties that are contained in the IOM Act, and the Directors comply with those duties.

The Directors acknowledge the importance of the principles set out in the Corporate Governance Code.

The Directors intend to apply the QCA Guidelines contained therein, as far as they consider appropriate for a company of its size and nature.

Following Admission, the Board will comprise four directors, two of whom shall be executive directors and two of whom shall be non-executive directors, reflecting a blend of different experience and backgrounds. Gary Lamb and Mark Kirkland will be considered independent from Admission.

The Board intends to meet regularly to consider strategy, performance and the framework of internal controls. To enable the Board to discharge its duties, all Directors will receive appropriate and timely information. Briefing papers will be distributed to all Directors in advance of Board meetings. All Directors will have access to the advice and services of the Chief Financial Officer, who will be responsible for ensuring that the Board procedures are followed and that applicable rules and regulations are complied with. In addition, procedures will be in place to enable the Directors to obtain independent professional advice in the furtherance of their duties, if necessary, at the Company's expense.

Board Committees

The Company will, upon Admission, have established Audit, Nomination and Remuneration Committees.

The Audit Committee will have Mark Kirkland as chairman, and will have primary responsibility for monitoring the quality of internal controls, ensuring that the financial performance of the Group is properly measured and reported on and reviewing reports from the Group's auditors relating to the Group's accounting and internal controls, in all cases having due regard to the interests of Shareholders. The Audit Committee will meet at least once a year. Gary Lamb will be the other member of the Audit Committee.

The Nomination Committee will have Mark Kirkland as chairman, and will identify and nominate, for the approval of the Board, candidates to fill board vacancies as and when they arise. The Nomination Committee will meet as required. Gary Lamb and Mark Bartlett will be the other members of the Nomination Committee.

The Remuneration Committee will have Gary Lamb as chairman, and will review the performance of the executive directors and determine their terms and conditions of service, including their remuneration and the grant of options, having due regard to the interests of Shareholders. The Remuneration Committee will meet at least once a year. Mark Kirkland will be the other member of the Remuneration Committee.

Share Dealing Code

The Directors understand the importance of complying with the AIM Rules and applicable legislation relating to dealings by Directors and certain other employees of the Group in the Ordinary Shares and has established a share dealing code. The Company will take all reasonable steps to ensure compliance by the Directors and any relevant employees. The Directors believe that the share dealing code adopted by the Board is appropriate for a company quoted on AIM and is compliant with Rule 21 of the AIM Rules relating to dealing policies. The Company and the Directors will take all reasonable steps to ensure compliance by the Company's Directors and employees.

16. APPLICABILITY OF THE TAKEOVER CODE

The Takeover Code is issued and administered by the Takeover Panel and governs amongst other things, transactions involving companies to which the Takeover Code applies. The Takeover Code applies to the Company and therefore its Shareholders are entitled to the protection afforded by the Takeover Code. Under Rule 9 of the Takeover Code, if an acquisition of interests in shares were to increase the aggregate holding of the acquirer and its concert parties to interests in shares carrying 30 per cent. or more of the voting rights in the Company, the acquirer and, depending on circumstances, its concert parties would be required (except with the consent of the Takeover Panel) to make a cash offer for the outstanding shares in the Company at a price not less than the highest price paid for interests in shares by the acquirer or its concert parties during the previous 12 months. This requirement would also be triggered by any acquisition of interests in shares by a person holding (together with its concert parties) shares carrying between 30 per cent. and 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase that person's percentage interest in the Company's shares.

17. THE BRIBERY ACT

The Isle of Man government has issued guidelines setting out appropriate procedures for companies to follow to ensure that they are compliant with the Isle of Man Bribery Act 2013. The Company has implemented an anti-bribery and anti-corruption policy that has been adopted by the Board.

18. RISK FACTORS

Your attention is drawn to the risk factors set out in Part II of this Document. In addition to all other information set out in this Document, potential investors should carefully consider the risks described in those sections before making a decision to invest in the Company.

19. ADDITIONAL INFORMATION

You should read the whole of this Document and not just rely on the information contained in this Part I.

Your attention is drawn to the information set out in Parts II to V (inclusive) of this Document which contains further information on the Group.

PART II

RISK FACTORS

Before making any investment decision, prospective investors should carefully consider all the information contained in this Document including, in particular, the risk factors described below.

Ordinary Shares may not be a suitable investment for all recipients of this Document. If you are in any doubt about the Ordinary Shares and their suitability for you as an investment, you should consult a person authorised under FSMA who specialises in advising on the acquisition of shares and other securities.

In addition to the usual risks associated with an investment in a company, the Directors consider that the factors and risks described below are the most significant in relation to an investment in the Company and should be carefully considered, together with all the information contained in this Document, prior to making any investment decision in respect of the Ordinary Shares. The list below is not exhaustive, nor is it an explanation of all the risk factors involved in investing in the Company and nor are the risks set out in any order of priority.

It should be noted that the risks described below are not the only risks faced by the Group and there may be additional risks that the Directors currently consider not to be material or of which they are currently not aware.

If any of the events described in the following risks actually occur, the Group's business, financial condition, results or future operations could be materially affected. In such circumstances, the price of the Ordinary Shares could decline and investors could lose all or part of their investment.

Risks specific to the Company

The following sets out some of the risks relating to the Strix business.

The Group relies on key customers

The Group has a number of key customer relationships, being some of the largest OEMs in the global market. The top 10 customers contributed c.66 per cent. of the Group's revenues in the financial year ended 31 December 2016, with the largest customer making up c.19 per cent. of the Group's revenues. The loss of any of these key customer relationships could have a material adverse effect on the Group's business, financial condition and results of operations.

Reputation with customer base

The Company's reputation for, and delivery of high quality products with high standards of safety, is key to a number of direct and indirect customers in choosing to specify Strix products. Should Strix suffer product quality or safety issues, leading to a negative impact on its reputation with customers, future performance could be significantly impaired.

Contractual arrangements

The arrangements that the Group has entered into with certain of its customers, distributors and sales partners, as well as certain of its service providers have been, on occasion, potentially inadequately documented. The lack of documentation may give rise to a number of areas of legal and/or commercial uncertainty. Where formal contracts have not been entered into or only short form terms exist, the areas of contractual uncertainty may include, among other things, (i) termination provisions; (ii) limitations and exclusions on liability (in time and monetary amount); (iii) insurance arrangements; (iv) the nature and extent of any indemnification provisions; (v) dispute resolution procedures; (vi) ownership of intellectual property; and (vii) governing law.

In light of the foregoing, there can be no assurance that the Group will not in the future face challenges or disputes in relation to the contractual or other arrangements with third parties with whom limited written contractual arrangements have been entered into.

While the Group has standard form customer and supplier agreements which set out certain contractual protections in favour of the Group, in some cases, the Group has not contracted with customers on such standard terms and there can be no assurance that the Group will have the benefit of appropriate contractual protections and/or such arrangements will not be terminated by commercial counterparties at short notice or without notice. Termination of any of the abovementioned agreements/arrangements and/or entry into contractual arrangements without appropriate protections in favour of the Group could have a material adverse effect on the Group's business, financial condition or results of operations.

Reliance on key suppliers

The Group relies upon certain key suppliers, although dual source arrangements are in place across the supplier base. As a result, if alternative supply sources could not fulfil the required demand, the Group is exposed to a number of risks, including the risk of supply disruption, the risk of key suppliers increasing prices and the risk of a key supplier suffering a quality issue which impacts upon the quality of the Group's products. All of these risks, which apply across the marketplace, could have a negative impact on the Group's business and, if required, the engagement of alternative suppliers may increase the Group's cost base.

Manufacturing facilities

The Group currently manufactures the majority of its products at its main manufacturing facility in Guangzhou, China. If for any reason, including product mix changes, a capacity constraint is created, or should the operations at this site become disrupted for whatever reason (or reasons), and/or the Group is unable to find a suitable manufacturing site, the Group's ability to meet the demands of its customers could be affected. Any of the above could negatively impact the Group's relationships with its customers.

Environmental risk

As a manufacturing business working with various materials including metals and plastics, the Group is exposed to the risk that its operations (whether through an industrial accident or otherwise) cause environmental damage to the surrounding area. If this occurred, the Group could be liable for the cost of repairing the damage as well as associated fines and/or penalties.

Raw material and commodity prices

Whilst the Group manages its input costs as far as possible, a significant change in the cost of certain raw materials, particularly silver and copper, if sustained for a prolonged period, could affect the Group's profit margins and ultimate profitability.

Cost inflation

Any change in the costs of operating the Group could impact on the Group's profitability. Such cost increases could be incurred from increments in supplier costs (including, amongst other things, raw materials and energy costs, particularly electricity costs), employment costs or wage inflation, or increases in costs to be incurred due to regulatory change. Although such costs are accounted for, where these can be estimated, in future budgets for the Group, not all cost increases are capable of being estimated adequately in advance.

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, 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.

Intellectual Property

The Group relies on a combination of patents, design registrations, design rights, trade marks, 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.

No assurance can be given that the patents that have been or are in the future applied for will be granted, or, if granted, will be sufficiently broad in their scope to provide protection for the Group's technology and exclude competitors with similar products.

Further, third parties may have filed applications for, may have been granted, or may obtain patents that relate to products competitive with those of the Group or its technology. This may result in the Group being required to develop or obtain alternative technology, or required to obtain appropriate licences under these patents, which may not be available on acceptable terms, or at all. Such a circumstance may result in the Group having to indemnify customers or obtain replacement technology for customers, to significantly increase development efforts and resources to redesign technology as a result of these claims, or to discontinue the sale of some or all of the Group's products and services.

Litigation may be necessary in the future to enforce the Group's patents and other intellectual property rights, to determine the scope of the proprietary rights of others, or to defend against claims of infringement or invalidity, and there can be no assurance that the Group would prevail in any such litigation. Such litigation, whether or not determined or resolved in the Group's favour, would be costly and may divert the efforts and attention of the Group's management and technical personnel from normal business operations. Adverse determinations in litigation could result in the loss to the Group of its proprietary rights, subject the Group to significant liabilities, or prevent the Group from selling its products. If the Group cannot successfully enforce or defend its intellectual property rights, this could have a material adverse effect on its business, financial condition and prospects.

Dividends

Strix's ability to pay dividends will depend on the level of distributions, if any, received from its operating subsidiaries. Strix's subsidiaries may, from time to time, be subject to restrictions on their ability to make distributions to Strix including foreign exchange limitations, and regulatory, fiscal and other restrictions. There can be no assurance that such restrictions will not have a material adverse effect on Strix's results or financial condition.

Risks generally associated with operating in/conducting business in emerging markets

Legal considerations

The PRC legal system is relatively new, and the PRC government is still in the process of developing a comprehensive system of laws. Since 1979, many laws and regulations dealing with economic matters with respect to general and foreign investments have been promulgated in the PRC. In 1982, the PRC National People's Congress amended the PRC constitution to attract foreign investments and to safeguard the "lawful rights and interests" of foreign investors in the PRC. Since then, the trend of legislation has been to significantly enhance the protection afforded to various forms of foreign investment in the PRC. However, despite significant improvements in its legal system, there may still be difficulties in obtaining swift and equitable enforcement of rights or in obtaining enforcement of a judgment by a court of another jurisdiction. This creates additional uncertainties as to the outcome of litigation.

In particular, the following uncertainties may affect the Group's operations and its profitability:

(i) uncertainties regarding the interpretation and application of the PRC laws and regulations;

(ii) new laws may be applied retrospectively;

(iii) there may be a requirement to obtain new licences, permits or approvals and there is no guarantee that these may be obtained;

(iv) the relevant authorities in the PRC have broad discretion in dealing with violations of law and regulations, including levying fines, revoking business and other licences and requiring actions necessary for compliance; and

(v) the PRC legal system is based in part on government policies and internal rules, some of which are not published on a timely basis or at all.

Law and regulation applicable to the Group, particularly in the PRC, is complex and inconsistent interpretations, implementation and enforcement of such law and regulation, at local, state or national level, by relevant authorities, is not uncommon. While the Directors have taken appropriate legal advice in relation to the Group's current operations in the PRC and compliance with relevant law, the interpretation of the law applied by relevant authorities may be different from the Group's expectations and there can be no assurance that any liabilities resulting from potential investigation, criticism or formal legal proceedings would not have a material impact on the Group.

Foreign exchange risk

Under the current regulations on foreign exchange control in the PRC, foreign investment enterprises are allowed to distribute their profits or dividends in foreign currencies to foreign investors through designated foreign exchange banks without the prior approval of the State Administration for Foreign Exchange of China. However, the exchange of the Yuan Renminbi ("RMB") 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 RMB 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.

Regulatory environment

The Group is required to obtain and maintain various licences, permits and approvals to operate in the PRC. Regulatory authorities exercise considerable discretion in monitoring licensees' compliance with relevant licence terms and in the timing of licence issuance and renewal. There can be no assurance that new licence requirements will not be introduced or that any given licence will not be deemed insufficient by the competent governmental authorities for the conduct of the Group's operations, nor that the Group will be able to obtain or renew, in a timely fashion or at all, the necessary licences. The failure to obtain or to continue to comply with all necessary approvals, licences or permits, including timely renewals thereof, may adversely affect the Group's performance.

General Risk Factors

Quotation on AIM, liquidity and possible price volatility

Following Admission, the market price of the Ordinary Shares may be subject to significant fluctuations in response to many factors, including variations in the results of Strix, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, general economic conditions, legislative changes in Strix's sector and other events and factors outside of Strix's control.

In addition, stock market prices may be volatile and may go down as well as up. The price at which investors may dispose of their Ordinary Shares may be influenced by a number of factors, some of which may pertain to the Group and others which are extraneous. These factors could include the performance of the Group's business, changes in the values of its investments, changes in the amount of distributions or dividends, changes in the Group's operating expenses, variations in and the timing of the recognition of realised and unrealised gains or losses, the degree to which the Group encounters competition, large purchases or sales of Ordinary Shares, liquidity (or absence of liquidity) in the Ordinary Shares, legislative or regulatory or taxation changes and general economic conditions. On any disposal of their Ordinary Shares, investors may realise less than the original amount invested.

The Ordinary Shares will not be listed on the Official List of the UK Listing Authority and although the Ordinary Shares will be traded on AIM, this should not be taken as implying that there will always be a liquid market in the Ordinary Shares. In addition, the market for shares in smaller public companies is less liquid than for larger public companies. Therefore an investment in the Ordinary Shares may be difficult to realise and the price of the Ordinary Shares may be subject to greater fluctuations than might otherwise be the case.

An investment in shares traded on AIM may carry a higher risk than an investment in shares quoted on the Official List of the UK Listing Authority.

In addition, there can be no guarantee that Strix's Ordinary Shares will continue to trade on AIM in the future or on any other exchange. If such trading were to cease, certain investors may decide to sell their shares, which could have an adverse impact on the price of the Ordinary Shares. Additionally, if in the future the

Company decides to obtain a listing on another exchange in addition or as an alternative to AIM, the level of liquidity of the Ordinary Shares traded on AIM could decline.

The Company's objectives may not be fulfilled

The value of an investment in the Company is dependent upon the Company achieving the aims set out in this Document. There can be no guarantee that the Company will achieve the level of success that the Board expects.

Legislation and tax status

This Document has been prepared on the basis of current legislation, regulation, rules and practices and the Directors' interpretation thereof. Such interpretation may not be correct and it is always possible that legislation, rules and practice may changes. Any change in legislation or regulation and, in particular, in tax status or tax residence of the Group or in tax legislation or practice may have an adverse affect on the returns available on an investment in the Company.

Economic, political, judicial, administrative, taxation or other regulatory matters

In addition to the impact of the downturn of the world's economies, the Group may be adversely affected by other changes in economic, political, judicial, administrative, taxation or other regulatory or other unforeseen matters.

Regulation

The Group is required to meet various regulations in relation to its products. New or changes to such regulations could result in non-compliance of the Group's current products and/or materials used in the construction of those products may adversely affect the Group's performance.

New Technologies

Although the Directors are not aware of any disruptive technologies which may impact the Group, the Group may be adversely affected by new technologies which could result in the reduction of sales of the electric kettle and/or its current safety control format.

Taxation

The attention of potential investors is drawn to paragraph 11 of Part V of this Document headed "Taxation".

The tax rules and their interpretation relating to an investment in the Company may change during its life.

Representations in this Document concerning the taxation of the Group and its investors are based upon current tax law and practice which is, in principle, subject to change.

PART III

OPERATING GROUP HISTORICAL FINANCIAL INFORMATION

SECTION A – ACCOUNTANTS' REPORT

The Directors
Strix Group Plc
33-37 Athol Street
Douglas
Isle of Man
IM1 1LB

Zeus Capital Limited (the "**Nominated Adviser**")
82 King Street
Manchester
M2 4WQ

27 July 2017

Dear Sirs

Strix Group Plc

We report on the combined historical financial information of the Operating Group as at, and for the three years ended 31 December 2014, 31 December 2015 and 31 December 2016 set out in section B of Part III of this Document (the "**Combined Financial Information Table**"). The Combined Financial Information Table has been prepared for inclusion in the admission document dated 27 July 2017 (the "**Admission Document**") of Strix Group Plc (the "**Company**") on the basis of the accounting policies set out in note 2 to the Combined Financial Information Table. This report is required by Schedule Two of the AIM rules for Companies published by the London Stock Exchange plc (the "**AIM Rules**") and is given for the purpose of complying with that Schedule and for no other purpose.

Responsibilities

The Directors of the Company are responsible for preparing the Combined Financial Information Table in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion as to whether the Combined Financial Information Table gives a true and fair view, for the purposes of the Admission Document and to report our opinion to you.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and for any responsibility arising under paragraph (a) of Schedule Two of the AIM Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result

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of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Schedule Two to the AIM Rules, consenting to its inclusion in the Admission Document.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the Operating Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the Combined Financial Information Table gives, for the purposes of the Admission Document dated 27 July 2017, a true and fair view of the state of affairs of the Operating Group as at the dates stated and of its profits, cash flows and changes in invested capital for the periods then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Declaration

For the purposes of paragraph (a) of Schedule Two of the AIM Rules we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

PricewaterhouseCoopers LLP
Chartered Accountants

SECTION B – OPERATING GROUP HISTORICAL FINANCIAL INFORMATION

COMBINED INCOME STATEMENT

For the years ended 31 December 2014, 2015 and 2016

	Note	*2014* *£'000*	*2015* *£'000*	*2016* *£'000*
Revenue	4	78,085	79,915	88,653
Cost of sales – before exceptional items	6	(40,444)	(47,364)	(53,605)
Cost of sales – exceptional items	6	(56)	(1,177)	(35)
Cost of sales		(40,500)	(48,541)	(53,640)
Gross profit		37,585	31,374	35,013
Distribution costs	6	(5,532)	(5,715)	(5,746)
Administrative expenses – before exceptional items	6	(3,914)	(3,776)	(4,773)
Administrative expenses – exceptional items	6	(2,029)	(151)	(670)
Administrative expenses		(5,943)	(3,927)	(5,443)
Other operating income		319	298	310
Operating profit		26,429	22,030	24,134
Analysed as:				
– Adjusted EBITDA[1]		35,087	31,026	33,292
– Royalty charges	6	(1,694)	(1,596)	(1,849)
– Amortisation	11	(1,514)	(1,907)	(2,920)
– Depreciation	12	(3,365)	(4,165)	(3,684)
– Exceptional items	6	(2,085)	(1,328)	(705)
Operating profit		26,429	22,030	24,134
Finance costs	7	(10)	(10)	(7)
Finance income	8	3	5	8
Net finance costs		(7)	(5)	1
Profit before taxation		26,422	22,025	24,135
Taxation	10	(281)	(198)	(2,103)
Profit for the year attributable to equity shareholders		26,141	21,827	22,032

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

All results derive from continuing operations.

COMBINED STATEMENT OF COMPREHENSIVE INCOME

For the years ended 31 December 2014, 2015 and 2016

	Note	*2014* *£'000*	*2015* *£'000*	*2016* *£'000*
Profit for the year		26,141	21,827	22,032
Other comprehensive profit/(loss)/income:				
Items that will not be subsequently reclassified to the income statement				
Re-measurements of post-employment benefit obligations	19	(85)	79	(100)
Total other comprehensive (loss)/income		(85)	79	(100)
Total comprehensive income attributable to equity shareholders		26,056	21,906	21,932

Items in the statement above are disclosed net of tax.

COMBINED BALANCE SHEET

As at 31 December 2013, 2014, 2015 and 2016

	Note	*2013* *£'000*	*2014* *£'000*	*2015* *£'000*	*2016* *£'000*
Assets					
Non-current assets					
Intangible assets	11	6,523	7,612	7,724	6,224
Property, plant and equipment	12	8,138	9,041	8,452	8,075
Total non-current assets		14,661	16,653	16,176	14,299
Current assets					
Inventories	14	7,596	12,295	10,533	8,560
Trade and other receivables	15	297,731	325,020	349,538	376,598
Cash and cash equivalents	16	11,482	10,079	10,175	10,959
Total current assets		316,809	347,394	370,246	396,117
Total assets		331,470	364,047	386,422	410,416
Total invested capital		178,971	205,170	227,219	249,294
Non-current liabilities					
Financial liabilities – borrowings	18	1,000	1,000	1,000	1,000
Post-employment benefits	19	216	287	180	249
Total non-current liabilities		1,216	1,287	1,180	1,249
Current liabilities					
Trade and other payables	17	150,707	157,077	157,810	158,988
Income taxes payable		299	74	207	843
Derivative financial instruments	21	277	439	6	42
Total current liabilities		151,283	157,590	158,023	159,873
Total liabilities		152,499	158,877	159,203	161,122
Total equity and liabilities		331,470	364,047	386,422	410,416

COMBINED STATEMENT OF CHANGES IN INVESTED CAPITAL

	Total invested capital £'000
Balance at 1 January 2014	178,971
Profit for the year	26,141
Other comprehensive expense for the year	(85)
Total comprehensive income for the year	26,056
On-going costs borne by the parent group	143
Total transactions with owners, recognised directly in equity	143
Balance at 31 December 2014	205,170
Balance at 1 January 2015	205,170
Profit for the year	21,827
Other comprehensive income for the year	79
Total comprehensive income for the year	21,906
On-going costs borne by the parent group	143
Total transactions with owners, recognised directly in equity	143
Balance at 31 December 2015	227,219
Balance at 1 January 2016	227,219
Profit for the year	22,032
Other comprehensive expense for the year	(100)
Total comprehensive income for the year	21,932
On-going costs borne by the parent group	143
Total transactions with owners, recognised directly in equity	143
Balance at 31 December 2016	249,294

COMBINED CASH FLOW STATEMENT

For the years ended 31 December 2014, 2015 and 2016

	Note	*2014* *£'000*	*2015* *£'000*	*2016* *£'000*
Cash flows from operating activities				
Profit before taxation		26,422	22,025	24,135
Adjustments for:				
Depreciation	12	3,365	4,165	3,684
Amortisation of intangible assets	11	1,514	1,907	2,920
Impairment	11	–	–	25
Pension cost contributions in excess of charge	19	(24)	(40)	(40)
Movement in derivative financial instruments	21	162	(433)	36
Profit on disposal of fixed assets		(2)	(2)	(3)
On-going costs borne by parent group		143	143	143
Finance costs	7	10	10	7
Finance income	8	(3)	(5)	(8)
		31,587	27,770	30,899
Changes in working capital:				
(Increase)/decrease in inventories		(4,699)	1,762	1,973
(Increase)/decrease in trade and other receivables		(3,559)	1,871	1,958
Increase/(decrease) in trade and other payables		4,298	(415)	(662)
Cash generated from operations		27,627	30,988	34,168
Tax (paid)/reclaimed		(496)	7	(1,464)
Net cash inflow from operating activities		27,131	30,995	32,704
Cash flows from investing activities				
Cash transfer to group companies	15	(23,731)	(26,389)	(29,019)
Purchase of property, plant and equipment	12	(3,789)	(4,156)	(3,294)
Purchase of intangible assets	11	(2,603)	(2,019)	(1,445)
Proceeds on sale of PPE		2	15	3
Interest received		3	5	8
Net cash used in investing activities		(30,118)	(32,544)	(33,747)
Cash flows from financing activities				
Payments to related parties	17	1,584	1,645	1,827
Net cash used in financing activities		1,584	1,645	1,827
Net (decrease)/increase in cash and cash equivalents		(1,403)	96	784
Cash and cash equivalents at 1 January		11,482	10,079	10,175
Cash and cash equivalents at 31 December		10,079	10,175	10,959

1. GENERAL INFORMATION

The "Operating Group" is currently a collection of subsidiaries wholly owned by Strix Investments Limited (the "Parent Company") throughout the period for which this financial information has been presented. The Operating Group does not constitute a separate legal group, however all the entities comprising the Operating Group were under common management and common control throughout this period.

The combined financial information presented in this "**Operating Group Historical Financial Information**" has been prepared specifically for this Admission Document, and incorporates financial information of the Operating Group's subsidiaries that has been previously reported on a standalone basis.

This combined financial information presents the financial track record of the entities comprising the Operating Group as at and for the years ended 31 December 2014, 2015, and 2016.

The entities that comprise the Operating Group are incorporated and domiciled in the UK, China, Hong Kong, Isle of Man, and Bermuda. The principal activities of the Operating Group are the design, manufacture and sale of thermostatic controls and cordless interfaces, trading under the name Strix. The principal activities of the subsidiaries included in the Operating Group financial information are as follows:

Subsidiary	*Nature of business*
Sula Limited	Holding company
Strix Limited	Manufacture and sale of products
Strix Guangzhou Ltd	Manufacture and sale of products
Strix (U.K.) Limited	Group's sale and distribution centre
Strix Hong Kong Ltd	Sale and distribution of products
Strix Finance (U.K.) Ltd	Financing group activities
Strix Finance (IOM) Ltd (Dissolved on 20 February 2017)	Financing group activities

In addition, Strix Far East Ltd, whilst not a legal subsidiary, has been included in the Historical Financial Information on a combined basis. See note 2 below.

Further information can be found in Note 13.

The Parent Company was the ultimate holding company of those subsidiaries making up the Operating Group. The Parent Company is a company incorporated and domiciled in Bermuda. The address of the registered office is: 4th Floor, Clarendon House, Church Street, Hamilton, Bermuda.

2. ACCOUNTING POLICIES

(a) *Basis of preparation*

The Operating Group does not constitute a separate legal group. The combined historical financial information, which has been prepared specifically for this Admission Document, is therefore prepared on a basis that combines the results, assets and liabilities of each of the companies constituting the Operating Group by applying the principles underlying the consolidation procedures of IFRS 10 'Consolidated Financial Statements' ("IFRS 10") for each of the three years to 31 December 2014, 2015, and 2016 and as at these dates. On such basis, the combined historical financial information sets out the Operating Group's balance sheet as of 31 December 2014, 2015, and 2016 and combined results of the Operating Group's operations and cash flows for the three years then ended.

This historical financial information presents the financial track record of the Operating Group for the three years ended 31 December 2016 and is prepared for the purposes of admission to AIM, a market operated by the London Stock Exchange. This combined financial information has been prepared in accordance with the requirements of the Prospectus Directive regulation, the AIM Rules for Companies, in accordance with this basis of preparation, and with those parts of the Isle of Man Companies Act 1931 to 2004 as applicable to companies reporting under IFRS.

This basis of preparation describes how this combined financial information has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the IFRS Interpretation Committee interpretations (together "IFRS"). The principal accounting policies that have been applied to this combined financial information are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

IFRS does not provide for the preparation of combined historical financial information and, accordingly, in preparing the combined historical financial information certain accounting conventions commonly used for the preparation of historical financial information for inclusion in investment circulars as described in the Annexure to SIR 2000 "Standards for Investment Reporting applicable to public reporting engagements on historical financial information" issued by the UK Auditing Practices Board have been applied.

– The combined financial information has been prepared by using the Operating Group's historical records to aggregate the results, assets and liabilities of each of the companies constituting the Operating Group and by applying the principles underlying the consolidation procedures of IFRS 10 for each of the years to 31 December 2014, 2015 and 2016 and as at these dates.

– In addition, there are other costs relating to Chairman's fees and additional audit costs which have been allocated to the combined financial information of the Operating Group in order to reflect the fact that the Operating Group formed part of the larger Strix Investments Limited Group. These expenses, totalling £143,000 in each period, have been allocated to the combined Operating Group on the basis of direct usage.

– The Operating Group has not in the past constituted a separate legal group and therefore it is not meaningful to show share capital or an analysis of reserves for this combined Operating Group. As such, the net assets of Operating Group are represented by the cumulative investment of the Parent Company in the Operating Group (shown as "Invested Capital").

– As the financial information has been prepared on a combined basis, it is not possible to measure earnings per share. Accordingly, the requirement of IAS 33 'Earnings per Share' to disclose earnings per share has not been complied with.

The combined financial information of the Operating Group does not necessarily reflect what the results of operations, financial position, or cash flows would have been had the Operating Group been a separate entity or the future results of the Operating Group as it will exist upon completion of the transaction.

The deemed transition date to IFRS for the purposes of this combined financial information on the Operating Group is 1 January 2014 which is the beginning of the first period presented and is set out in combined balance sheets. Details of the transition are set out in Note 24. The principles and requirements for first time adoption of IFRS are set out in IFRS 1. IFRS 1 allows certain exemptions in the application of particular standards to prior periods in order to assist companies with the transition process. The Operating Group has not applied any of the optional exemptions under IFRS 1.

This Combined historical financial information is prepared in accordance with IFRS under the historical cost convention, as modified for the revaluation of certain financial instruments. The historical financial information is presented in thousands of pounds sterling ("£'000") except when otherwise indicated.

The principal accounting policies adopted in the preparation of the Combined financial information are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

(b) ***Going concern***

This historical financial information relating to the Operating Group has been prepared on the going concern basis.

After making appropriate enquiries, the directors have a reasonable expectation that the Operating Group has adequate resources to continue in operational existence for the foreseeable future and for at least one year from the date of this Historical Financial Information. For these reasons, they continue to adopt the going in concern basis in preparing the Operating Group's Historical Financial Information.

The cashflow projections are the sole responsibility of the directors based upon their present plans, expectations and intentions. In this context, the directors have prepared and considered cash flow projections for the Operating Group for a period extending one year from the date of approval of this Historical Financial Information. Based on these cash flows the directors are satisfied that the Operating Group are able to meet their liabilities as and when they fall due for the foreseeable future and for a minimum period of twelve months from the date of this Historical Financial Information.

(c) ***New standards, amendments and interpretations***

Standards, amendments and interpretations which are not effective or early adopted by the Operating Group:

At the date of authorisation of this financial information, the following new standards and interpretations which have not been applied in this financial information were in issue but not yet effective (and in some cases, had not yet been adopted by the EU):

- IFRS 15 – Revenue from Contracts with Customers (effective 1 January 2018)
- IFRS 9 – Financial instruments (effective 1 January 2018)
- IFRS 16 – Leases (effective 1 January 2019)

Although the Directors continue to assess their impact, the adoption of these standards is not expected to have a material impact on the financial information of the Operating Group in the period of initial application when the relevant standards come into effect.

(d) ***Basis of combination***

Subsidiaries

Subsidiaries are entities controlled by the Operating Group. Control exists when the Operating Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. Control is generally accompanied by a shareholding of more than one half of the voting rights.

Transactions eliminated on consolidation

Intragroup balances, and any gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the Combined financial information.

(e) ***Foreign currency translation***

Functional and presentational currency

Items included in the financial information are measured using the currency of the primary economic environment in which the Group operates ("the functional currency"). The functional currency of the company, Operating Group and all subsidiaries, and the Operating Group's presentational currency, is pounds sterling.

Transactions and balances

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

Group companies

As the Operating Group and all its subsidiaries have a sterling functional currency, there are no cumulative exchange differences on consolidation of the results and balances of foreign operations.

(f) ***Property, plant and equipment***

Owned assets

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, those components are accounted for as separate items of property, plant and equipment.

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 Operating Group and the cost of the item can be measured reliably.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement.

Leased assets

Leases under which the Operating Group assumes substantially all the risks and rewards of ownership of an asset are classified as finance leases. Property, plant and equipment acquired under finance leases is recorded at fair value or, if lower, the present value of minimum lease payments at inception of the lease, less depreciation and any impairment.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in the other long-term payables. The interest element of the finance cost is charged to the income statement 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 property, plant and equipment under finance leases is depreciated over the shorter of the useful life of the asset and lease term. The costs associated with operating leases are taken to the income statement on an accruals basis over the period of the lease.

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a "finance lease".

Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term. The estimated useful lives are as follows:

- Plant & machinery 3-10 years
- Fixtures, fittings & equipment 3 years
- Motor vehicles 3-5 years
- Production tools 1-5 years

The residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Capital assets under construction

The Operating Group manufactures some of its production tools and equipment. The costs of construction are included within a separate category within property, plant and equipment 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 income statement within cost of sales.

(g) ***Intangible assets***

Development costs

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 product development so that it will be available for use;
- Management intends to complete the product development and use or sell it;
- It can be demonstrated how the product development will develop probable future economic benefits;

- Adequate technical, financial, and other resources to complete the development and to use or sell the product are available; and
- Expenditure attributable to the product during its development can be reliably measured.

Capitalised development costs include employee, travel and patent application costs. Internal costs that are capitalised are limited to incremental costs specific to the project.

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

Amortisation

Amortisation is charged to the income statement within cost of sales on a straight-line basis over the estimated useful lives of intangible assets of 2-5 years.

Patents

The costs or renewing and maintaining patents are expensed in the income statement as they are incurred, unless they qualify for capitalisation as development expenditure.

(h) ***Impairment of non-financial assets***

Assets not subject to amortisation are tested annually for impairment. 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.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date. Development costs are reviewed on a regular basis and projects where the technical feasibility, or the other factors noted in (g) above can no longer be supported, are written off to the income statement immediately.

(i) ***Financial assets***

Classification

The Operating Group classifies its financial assets as loans and receivables. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that arise principally through the provision of services to customers. They are initially recognised at fair value, and are subsequently stated at amortised cost using the effective interest method. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. Loans and receivables comprise mainly cash and cash equivalents and trade and other receivables, including amounts owed by related entities. Trade and other receivables relate mainly to the sale of products to trade customers.

Impairment of financial assets

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Operating Group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable.

For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within other operating costs in the income statement. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

(j) ***Financial liabilities***

The Operating 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 and other payables, amounts owed to group undertakings, other liabilities and accruals and deferred income and 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.

Trade and other 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 payments in advance from customers and rebates.

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates. Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities.

(k) ***Cash and cash equivalents***

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less.

(l) ***Derivative financial instruments***

The Operating Group enters into forward commodity contracts to minimise the market price exposure that arises at the point the commodity purchase is transacted. The Operating Group does not apply hedge accounting and re-measurements of the derivative financial instruments are recognised in the income statement. The use of financial derivatives is governed by the Operating Group's treasury policies, as approved by the Board. The Operating Group does not use derivative financial instruments for speculative purposes. All derivative financial instruments are initially measured at fair value on the contract date and are re-measured at fair value at subsequent reporting dates.

(m) ***Employee benefits***

The Operating 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.

Pensions

A subsidiary company operates both a defined contribution scheme and a defined benefit scheme for the benefit of its employees. A defined contribution plan is a pension plan under which the Operating Group pays fixed contributions into a separate entity. The Operating 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 Operating Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

The liability recognised in the balance sheet in respect of the defined benefit scheme is the present value of the defined benefit obligation at the balance sheet date less the fair value of the scheme assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the Projected Unit

Credit 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 income statement within administrative expenses.

Actuarial gains and losses are recognised immediately in the statement of comprehensive income. Net defined benefit pension scheme deficits before tax relief are presented separately on the face of the balance sheet within non-current liabilities. Where material, any attributable deferred income tax asset is included within the deferred income tax asset in the balance sheet and is subject to the recognition criteria as set out in the accounting policy on deferred income tax.

(n) ***Inventories***

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

(o) ***Revenue***

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and rebates allowed by the Operating Group and value added taxes. The Operating Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; which is generally on despatch. The Operating Group bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. All revenue is derived from the principal activities of the Operating Group.

Revenue also includes royalty and licensing income which is recognised in the period it becomes due.

(p) ***Cost of sales***

Cost of sales comprise costs arising in connection with the manufacture of thermostatic controls and cordless interfaces. 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.

(q) ***Exceptional items***

Items that are material in size, unusual or infrequent in nature are included within operating profit and disclosed separately as exceptional items in the combined income statement. The separate reporting of exceptional items helps provide an indication of the Operating Group's underlying performance, and include capital transaction and reorganisation costs.

(r) ***EBITDA and Adjusted EBITDA***

Earnings before Interest, Taxation, Depreciation and Amortisation (EBITDA) and Adjusted EBITDA are non-GAAP measures used by management to assess the operating performance of the Operating Group. EBITDA is defined as profit before finance costs, tax, depreciation and amortisation. Exceptional items and royalty charges are excluded from EBITDA to calculate adjusted EBITDA.

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

(s) ***Research and development***

Research expenditure is written off to the income statement 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 balance sheet as an intangible asset and amortised over its useful economic life (see policy (g)).

(t) ***Net finance costs***

Finance costs

Finance costs comprise interest charges on pension liabilities.

Finance income

Finance income comprises bank interest receivable on funds invested.

(u) ***Income tax***

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

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

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

(v) ***Segment reporting***

Operating segments are reported in a manner consistent with the internal reporting to the Board of directors which has been identified as the chief operating decision maker. The Board of directors consists of the Executive Directors and the Non-Executive directors. The Operating Group's activities consist solely of the design, manufacture and sale of thermostatic controls and cordless interfaces, primarily to the Chinese market. It is managed as one entity and management have consequently determined that there is only one operating segment.

(w) ***Government grants***

Subsidiary companies receive grants from the Isle of Man and Chinese governments towards revenue expenditure. The grants are dependent on the subsidiary company having fulfilled certain operating, investment and profitability criteria in the financial year. The grants are credited directly to the income statement and presented within "other operating income" when all appropriate conditions are satisfied.

(x) ***Related party transactions***

The Operating Group discloses transactions with related parties which are not wholly owned within the same group.

3. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

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

The Directors consider that the following estimates and judgements are likely to have the most significant effect on the amounts recognised in the Combined financial information.

(i) ***Critical judgements in applying the entity's accounting policies***

Going concern

Management prepared this combined historical financial information on a going concern basis. In making this judgment management considered the Operating Group's financial position, current intentions, profitability of operations and access to financial resources and analysed the impact of the situation in the financial markets on the operations of the Operating Group.

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 to be sterling. This may change as the Operating Group's operations and markets change in the future.

Capitalisation of development costs

The Directors consider the factors set out in paragraph (g) above with regard to the timing the capitalisation of the development costs incurred. This requires judgement in determining when the different stages of development have been met.

(ii) ***Critical accounting estimates***

Impairment of capitalised development costs

The Operating Group considers whether capitalised development costs are impaired. Where an indication of impairment is identified the estimation or recoverable value requires estimation of the future cash flows and the continued commercial viability of the capitalised project.

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 Operating Group's activities consist solely of the design, manufacture and sale of thermostatic controls and cordless interfaces, primarily to the Chinese market. It is managed as one entity and management have consequently determined that there is only one operating segment.

Major customers

In 2016 there were two major customers that individually accounted for at least 10 per cent. of total revenues (2015: two customers; 2014 two customers). The revenues relating to these customers in 2016 were £16,061,000 and £11,434,000 (2015: £14,761,000 and £9,038,000; 2014: £14,672,000 and £7,900,000).

5. EMPLOYEES AND DIRECTORS

(a) ***Staff costs for the Operating Group during the year were:***

	2014 *£'000*	*2015* *£'000*	*2016* *£'000*
Wages and salaries	11,028	11,235	13,650
Other long-term employee benefits	161	111	104
Defined contribution pension cost (note 5 (d))	90	79	73
Social security costs	1,271	1,337	1,425
	12,550	12,762	15,252

(b) ***Directors' emoluments***

	2014 *£'000*	*2015* *£'000*	*2016* *£'000*
Aggregate emoluments	101	101	101

The above emoluments represent the amounts payable to the Chairman.

(c) ***Key management compensation***

The following table details the aggregate compensation paid in respect of the key management, which includes directors and the executive committee.

	2014 *£'000*	*2015* *£'000*	*2016* *£'000*
Salaries and other short-term employee benefits	901	941	1,540
Post-employment benefits	54	78	90
	955	1,019	1,630

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

(d) ***Retirement benefits***

The Operating Group offers membership of The Strix Limited (1978) Retirement Fund which is a defined contribution scheme and the pension cost in the year was £73,000 (2015: £79,000; 2014: £90,000). The Operating Group also operates The Strix Limited (1978) Retirement Fund, which is a defined benefit scheme now closed to new members and future accrual. The charge recognised in the income statement for this scheme was £7,000 (2015: £10,000; 2014 £13,000).

6. EXPENSES BY NATURE

	2014 £'000	2015 £'000	2016 £'000
Change in inventories of finished goods	(4,438)	888	1,607
Raw materials and consumables used	29,111	29,240	31,917
Employee benefit expense (note 5)	12,550	12,762	15,252
Depreciation charges (note 12)	3,365	4,165	3,684
Amortisation and impairment charges (note 11)	1,514	1,907	2,920
Operating lease payments	916	1,113	1,063
Exceptional items – reorganisation costs	56	1,177	35
Exceptional items – private equity exit costs	2,029	151	670
Royalty charges	1,694	1,596	1,849
Foreign exchange gains	(47)	(40)	(110)
Other expenses	5,225	5,224	5,942
Total cost of sales, distribution costs and administrative expenses	51,975	58,183	64,829

Royalty charges represent amounts paid to sister group companies during the track record period which will not continue following the transaction, and are included within administrative expenses.

Research and development expenses totalled £1,873,000 (2015: £2,080,000; 2014: £1,849,000).

Exceptional items

The reorganisation costs are in relation to the transfer of operations to China and Hong Kong, and the expansion of the senior management unit within China and Hong Kong throughout the period. As a consequence of this reorganisation and redundancies were made throughout the period.

The private equity exit costs were costs incurred by the Operating Group relating to an aborted sale of the Operating Group by its private equity owners and an attempted disposal of a division of the group.

7. FINANCE COSTS

	2014 £'000	2015 £'000	2016 £'000
Other finance costs-pensions	10	10	7
Non-cash payable interest	10	10	7
Finance costs	10	10	7

8. FINANCE INCOME

	2014 £'000	2015 £'000	2016 £'000
Interest income	3	5	8

9. AUDITOR'S REMUNERATION

During the year the Operating Group (including its overseas subsidiaries) obtained the following services from the Company's auditors at costs as detailed below:

	2014 *£'000*	*2015* *£'000*	*2016* *£'000*
Fees payable to Company's auditor and its associates for the audit of Combined financial statements	70	64	64
Fees payable to Company's auditor and its associates for other services:			
– The audit of Company's subsidiaries	6	5	4
– Audit assurance services	2	2	2
– Non-audit services	16	16	14
– Tax compliance	2	2	2
	96	89	86

10. TAXATION

Analysis of charge in year

	2014 *£'000*	*2015* *£'000*	*2016* *£'000*
Current tax (overseas)			
Current tax on overseas profits for the year	281	198	803
Adjustments in respect of prior years – overseas	–	–	1,300
Total current tax	281	198	2,103
Income tax charge	281	198	2,103

Overseas tax relates primarily to tax payable by the Operating Group's subsidiary in China. During 2016, the Operating Group's Chinese subsidiary paid additional tax of £1.1 million following a benchmarking assessment by the Chinese tax authorities relating to contract processing businesses in the years 2009-2014.The potential additional liabilities for 2015 and 2016 calculated on the same basis of £0.4 million have been charged in 2016.

As the most significant subsidiary in the Operating Group is based on the Isle of Man, this is considered to represent the most relevant standard rate for the Operating Group. The tax assessed for the year is higher than the standard rate of income tax in the Isle of Man of 0 per cent. (2015:0 per cent.; 2014: 0 per cent.). The differences are explained below.

	2014 *£'000*	*2015* *£'000*	*2016* *£'000*
Profit on ordinary activities before tax	26,422	22,025	24,135
Profit on ordinary activities multiplied by the rate of corporation tax in the Isle of Man of 0% (2015: 0%, 2014: 0%)	–	–	–
Impact of higher overseas tax rate	281	198	803
Adjustments in respect of prior years – overseas	–	–	1,300
Total taxation charge	281	198	2,103

The company is subject to Isle of Man income tax on profits at the rate of 0 per cent. (2015: 0 per cent.; 2014: 0 per cent.). Based on the company's current activities, the company is not expected to have any future Isle of Man tax liability.

11. INTANGIBLE ASSETS

	Development costs 2014 £'000	2015 £'000	2016 £'000
Cost			
At 1 January	7,211	9,814	11,833
Additions	2,603	2,019	1,445
Disposals	–	–	(25)
At 31 December	9,814	11,833	13,253
Accumulated amortisation			
At 1 January	688	2,202	4,109
Charge for the year	1,514	1,907	2,920
On disposals	–	–	–
At 31 December	2,202	4,109	7,029
Net book amount			
At 31 December	7,612	7,724	6,224

All amortisation charges have been treated as an expense, and charged to cost of sales in the income statement.

12. PROPERTY, PLANT AND EQUIPMENT

2014

	Plant & machinery £'000	*Fixtures, fittings & equipment* £'000	*Motor vehicles* £'000	*Production tools* £'000	*Assets under construction* £'000	*Total* £'000
Cost						
At 1 January	10,040	2,961	46	6,387	1,372	20,806
Additions at cost	–	–	–	–	4,268	4,268
Transfers	1,618	428	–	2,832	(4,878)	–
Disposals	(511)	(226)	–	(571)	–	(1,308)
At 31 December	11,147	3,163	46	8,648	762	23,766
Accumulated depreciation						
At 1 January	7,093	2,458	25	3,092	–	12,668
Charge for the period	1,052	328	7	1,978	–	3,365
Disposals	(511)	(226)	–	(571)	–	(1,308)
At 31 December	7,634	2,560	32	4,499	–	14,725
Net book amount						
At 31 December	3,513	603	14	4,149	762	9,041

2015	Plant & machinery £'000	Fixtures, fittings & equipment £'000	Motor vehicles £'000	Production tools £'000	Assets under construction £'000	Total £'000
Cost						
At 1 January	11,147	3,163	46	8,648	762	23,766
Additions at cost	–	–	–	–	3,589	3,589
Transfers	1,632	171	–	1,940	(3,743)	–
Disposals	(86)	(94)	(2)	(101)	–	(283)
At 31 December	12,693	3,240	44	10,487	608	27,072
Accumulated depreciation						
At 1 January	7,634	2,560	32	4,499	–	14,725
Charge for the period	1,413	221	6	2,525	–	4,165
Disposals	(83)	(84)	(2)	(101)	–	(270)
At 31 December	8,964	2,697	36	6,923	–	18,620
Net book amount						
At 31 December	3,729	543	8	3,564	608	8,452

2016	Plant & machinery £'000	Fixtures, fittings & equipment £'000	Motor vehicles £'000	Production tools £'000	Assets under construction £'000	Total £'000
Cost						
At 1 January	12,693	3,240	44	10,487	608	27,072
Additions at cost	–	–	–	–	3,307	3,307
Transfers	1,439	387	10	1,005	(2,841)	–
Disposals	(64)	(51)	–	(3)	–	(118)
At 31 December	14,068	3,576	54	11,489	1,074	30,261
Accumulated depreciation						
At 1 January	8,964	2,697	36	6,923	–	18,620
Charge for the period	1,114	388	3	2,179	–	3,684
Disposals	(64)	(51)	–	(3)	–	(118)
At 31 December	10,014	3,034	39	9,099	–	22,186
Net book amount						
At 31 December	4,054	542	15	2,390	1,074	8,075

Depreciation charges are allocated to cost of sales, distribution costs, and administrative expenses in the income statement.

13. INVESTMENTS

Principal subsidiary undertakings of the Operating Group

This combined historic financial information has been prepared on a combined basis that incorporates the results of Sula Limited and its subsidiaries and Strix Far East Limited. Details of all companies are set out below.

Subsidiary	*Nature of business*	*Country of incorporation*	*Proportion of ordinary shares held by parent*	*Proportion of ordinary shares held by the Operating Group*
			%	*%*
Sula Limited	Holding company	IOM	100	100
Strix Limited	Manufacture and sale of products	IOM	100	100
Strix Guangzhou Ltd	Manufacture and sale of products	China	100	100
Strix Far East Ltd	Sale of certain of the group's appliances	Bermuda	100	100
Strix (U.K.) Limited	Group's sale and distribution centre	UK	100	100
Strix Hong Kong Ltd	Sale and distribution of products	Hong Kong	100	100
Strix Finance (U.K.) Ltd	Financing group activities	UK	100	100
Strix Finance (IOM) Ltd	Financing group activities	IOM	100	100

There are no restrictions on the Operating Group's ability to access or use the assets and settle the liabilities of the Operating Group's subsidiaries.

14. INVENTORIES

	2014	*2015*	*2016*
	£'000	*£'000*	*£'000*
Raw materials and consumables	4,288	3,414	3,048
Finished goods and goods in transit	8,007	7,119	5,512
	12,295	10,533	8,560

The cost of inventories recognised as an expense and included in "cost of sales" amounted to £33,524,000 (2015: £30,128,000; 2014: £24,673,000). The charge for impaired inventories was £345,000 (2015: £158,000; 2014: £415,000). There were no reversals of previous inventory write-downs.

15. TRADE AND OTHER RECEIVABLES

	2014	*2015*	*2016*
	£'000	*£'000*	*£'000*
Amounts falling due within one year:			
Trade receivables not past due	7,940	6,129	4,240
Trade receivables past due	205	412	33
Trade receivables past due and impaired	157	42	39
Trade receivables – net	8,302	6,583	4,312
Receivables from related parties	315,541	341,930	370,950
Other receivables	1,177	1,025	1,336
	316,718	342,955	372,286
	325,020	349,538	376,598

Trade and other receivables are all current and any fair value difference is not material. Trade and receivables are considered past due once they have passed their contracted due date. Trade receivables are reviewed for impairment if they are past due beyond 30 days. Receivables from related parties are unsecured, repayable on demand, and bear no interest and will be settled and/or extinguished as part of the transaction.

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

	2014	*2015*	*2016*
	£'000	*£'000*	*£'000*
British Pound	322,316	346,258	374,277
United States Dollar	2,189	2,745	1,605
Euro	105	230	275
Hong Kong Dollar	85	99	132
Chinese Yuan	302	177	287
Other	23	29	22
	325,020	349,538	376,598

Movements on the Operating Group's provision for impairment of trade receivables are as follows:

	2014	*2015*	*2016*
	£'000	*£'000*	*£'000*
At 1 January	58	157	42
Provision for receivables impairment	128	24	34
Unused amounts reversed	(29)	(139)	(37)
At 31 December	157	42	39

The creation and release of provision for impaired receivables have been included in 'other expenses' in the income statement (note 6). Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired assets.

16. CASH AND CASH EQUIVALENTS

	2014	*2015*	*2016*
	£'000	*£'000*	*£'000*
Cash and cash equivalents			
Cash at bank and in hand	10,079	10,175	10,959

The following amounts were held in foreign currencies:

	2014	*2015*	*2016*
	£'000	*£'000*	*£'000*
United States Dollar	4,298	3,031	2,529
Euro	30	39	291
Hong Kong Dollar	684	397	168
Chinese Yuan	606	703	1,013
	5,618	4,170	4,001

17. TRADE AND OTHER PAYABLES

	2014	*2015*	*2016*
	£'000	*£'000*	*£'000*
Trade payables	8,028	5,939	4,468
Amounts due to related parties	141,227	142,873	144,700
Social security and other taxes	93	80	87
Other liabilities	1,997	3,697	3,034
Accrued expenses	5,732	5,221	6,699
	157,077	157,810	158,988

Amounts due to related parties are unsecured, repayable on demand, and bear no interest and will be settled and/or extinguished as part of the transaction.

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

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

	2014	*2015*	*2016*
	£'000	*£'000*	*£'000*
British Pound	147,437	148,962	150,273
United States Dollar	4,376	4,465	2,314
Euro	208	164	197
Hong Kong Dollar	1,287	918	1,007
Chinese Yuan	3,749	3,301	5,197
Other	20	–	–
	157,077	157,810	158,988

18. BORROWINGS

	2014	*2015*	*2016*
	£'000	*£'000*	*£'000*
Non-current			
Preference shares	1,000	1,000	1,000

The above borrowings are denominated in sterling, are unsecured and do not bear interest and will be settled and/or extinguished as part of the transaction. The fair value of borrowings equals their carrying amount, as the impact of discounting is not significant. The Operating Group's only interest-bearing borrowing is a finance lease liability which is not considered material for separate disclosure.

19. DEFINED BENEFIT PENSION PLANS

The Strix Limited (1978) Retirement Fund is a defined benefit scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Operating Group.

The trustees of the pension fund are required by law to act in the interest of the fund and of all relevant stakeholders in the scheme. The trustees are responsible for the investment policy with regard to the assets of the fund.

The scheme is closed to new members and future accrual.

A full actuarial valuation of this scheme was completed as at 6 April 2016, which has been updated to 31 December 2016 by a qualified independent actuary. The valuation of the scheme used the projected unit method.

The Operating Group expects to make total contributions of £40,000 in the year ending 31 December 2017.

The principal actuarial assumptions as at the balance sheet date, used for the purposes of the actuarial valuations, were as follows:

	2014	*2015*	*2016*
	%	*%*	*%*
Discount rate	3.40	4.00	2.70
RPI inflation	3.70	3.30	3.40
Pension increases in payment	2.40	2.50	2.60

The mortality assumptions adopted imply the following life expectancies:

	2014	*2015*	*2016*
	Years	*Years*	*Years*
Current pensioners – male life expectancy at age 60	29.3	27.4	27.2
Current pensioners – female life expectancy at age 60	31.8	29.9	29.7
Future pensioners retiring in 20 years – male life expectancy at age 60	32.8	28.8	28.6
Future pensioners retiring in 20 years – female life expectancy at age 60	35.0	31.4	31.2

The amounts recognised in the balance sheet in respect of the defined benefit scheme are as follows:

	2014	*2015*	*2016*
	£'000	*£'000*	*£'000*
Present value of defined benefit obligations	(437)	(314)	(381)
Fair value of scheme assets	150	134	132
Net pension liability	(287)	(180)	(249)

Gains and losses arising from the re-measurement of the net defined benefit liability have been reported in the combined statement of comprehensive income, as shown below:

	2014	*2015*	*2016*
	£'000	*£'000*	*£'000*
Actuarial gain/(loss) on plan assets	1	13	(3)
Experience adjustments on plan liabilities	–	(13)	(10)
Actuarial (loss)/gain arising from changes in financial assumptions	(86)	79	(87)
Re-measurement (loss)/gain	(85)	79	(100)

Changes in the present value of the defined benefit obligation are as follows:

	2014 £'000	2015 £'000	2016 £'000
At 1 January	337	437	314
Current service cost	3	–	–
Interest cost	15	14	12
Re-measurement losses/(gains):			
Actuarial loss/(gain) arising from changes in financial assumptions	86	(79)	87
Experience adjustments on plan liabilities	–	13	10
Benefits Paid	(4)	(71)	(42)
At 31 December	437	314	381

Changes in the fair value of scheme assets are as follows:

	2014 £'000	2015 £'000	2016 £'000
At 1 January	121	150	134
Interest income	5	4	5
Re-measurement (gains)/losses:			
Actuarial gains/(losses) on plan assets	1	13	(3)
Contributions by employer	27	40	40
Expenses	–	(2)	(2)
Benefits Paid	(4)	(71)	(42)
At 31 December	150	134	132

The major categories and fair values of scheme assets at the balance sheet date are as follows:

	2014 £'000	2015 £'000	2016 £'000
Utilised with profits policy	115	116	120
Cash	35	18	12
Total	150	134	132

None of the fair values of the assets shown above include any of the Operating Group's own financial instruments or any property used by the Operating Group at the balance sheet date.

The actual return on scheme assets was a gain of £2,000 (2015: £17,000; 2014: £6,000).

20. COMMITMENTS AND CONTINGENCIES

(a) *Capital commitments*

	2014 £'000	2015 £'000	2016 £'000
Contracted for but not provided in the combined historical financial information – Property, plant and equipment	412	145	760

(b) ***Operating lease commitments***

The Operating Group leases various properties under non-cancellable operating lease agreements. The lease terms are between 1 and 5 years, and the majority of lease agreements are renewable at the end of the lease period at market rate.

The lease expenditure charged to the income statement during the year is disclosed in note 6.

The future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2014	*2015*	*2016*
	£'000	*£'000*	*£'000*
Within 1 year	994	665	1,028
Later than 1 year and less than 5 years	1,660	1,297	1,863
After 5 years	454	183	–
	3,108	2,145	2,891

21. FINANCIAL INSTRUMENTS

Derivative financial instruments represent the Operating Group's commodity contracts to hedge market risk. The liabilities represent the valuations of the forward commodity contracts to buy silver at each year-end date as follows:

	2014	*2015*	*2016*
	£'000	*£'000*	*£'000*
Current			
Forward commodity contracts	439	6	42

The contracts are designated as fair value through profit or loss at initial recognition. This is done through Cost of Sales. The fair value of the contracts is calculated as the difference between the contract rates and the spot rates which are current at the balance sheet date. This valuation is obtained from the counterparty bank and is categorised as a Level 2 valuation, see below.

The notional principal amounts of the outstanding forward commodity contracts at 31 December 2016 were £632,000 (2015: £293,000; 2014: £2,803,000).

Fair value hierarchy

IFRS 7 requires fair value measurements to be recognised using a fair value hierarchy that reflects the significance of the inputs used in the value measurements:

Level 1: inputs are quoted prices in active markets.

Level 2: a valuation that uses observable inputs for the asset or liability other than quoted prices in active markets.

Level 3: a valuation using unobservable inputs i.e. a valuation technique

There were no transfers between levels throughout the years under review.

Fair values

The fair values of the Operating Group's financial instruments approximates closely with their carrying values and are set out in the table below:

	2014	*2015*	*2016*
	£'000	*£'000*	*£'000*
Financial assets			
Current			
Trade receivables	8,302	6,583	4,312
Receivables from related parties	315,541	341,930	370,950
Cash and short-term deposits	10,079	10,175	10,959
	333,922	358,688	386,221
Financial liabilities			
Current			
Trade and other payables	151,345	152,589	152,289
Derivative financial instruments	439	6	42
	151,784	152,595	152,331
Non-current			
Borrowings	1,000	1,000	1,000
	1,000	1,000	1,000

Financial risk management

The Operating Group's activities expose it to a variety of financial risks: market risk (including currency risk), credit risk and liquidity risk.

Risk management is carried out by the board of directors. The Operating Group uses financial instruments 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 Operating Group operates predominantly in the UK and China and is therefore exposed to foreign exchange risk. Foreign exchange risk arises on sales and purchases made in foreign currencies and on recognised assets and liabilities and net investments in foreign operations.

The Operating Group monitors its exposure to currency fluctuations on an ongoing basis. The Operating Group uses foreign currency bank accounts to reduce its exposure to foreign currency translation risk.

(ii) *Interest rate risk*

The Operating Group has limited long term borrowings hence suffers minimal interest rate risk.

(iii) *Price risk*

The Operating Group is exposed to price risk principally in relation to certain raw materials and enters into forward commodity contracts in order to manage the impact of price movements on its gross margin. The Operating Group has not designated any of these contracts as hedging instruments during the period under review.

(b) ***Credit risk***

The Operating Group has no external concentrations of credit risk. The Operating Group has policies in place to ensure that sales of goods are made to clients with an appropriate credit history. Cash and cash equivalents are held with reputable institutions.

The Operating Group uses letters of credit and advance payments to minimise credit risk. No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties. Management believe there is no further credit risk provision required in excess of normal provision for doubtful receivables.

(c) ***Liquidity risk***

The Operating Group has significant cash balances throughout the period and hence suffers minimal liquidity risk. Cash flow forecasting is performed in the operating entities of the Operating Group and aggregated by Operating Group finance. Operating Group finance monitors rolling forecasts of the Operating Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities (held at the level above the Operating Group) at all times so that the Operating Group minimises the risk of breaching borrowing limits or covenants on any of its borrowing facilities.

The Operating Group's non-derivative financial liabilities (represented by trade and other payables) have a maturity date of less than 3 months. The Operating Group's borrowings (represented by preference shares) have a maturity date of between 2 and 5 years.

Capital risk management

The Operating Group is funded by related parties. The aim of the Operating 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 Operating Group may adjust the amount of cash transferred to group companies, return capital to shareholders, issue new shares or raise debt.

All material cash amounts are deposited with financial institutions whose credit rating is at least Baa3.

Further capital risk measures such as gearing ratios are not currently relevant to the Operating Group.

22. RELATED PARTY TRANSACTIONS

(a) ***Identity of related parties***

The directors consider there to be no ultimate controlling party during the track record period. Related parties include representatives of a major shareholder, AAC Capital, parent and intermediate parent entities ultimately owned by the same shareholders. Related party balances with the Company are as follows:

Trading balances

	Balance due from			*Balance due to*		
Related party	*2014*	*2015*	*2016*	*2014*	*2015*	*2016*
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
Strix Investments Limited	7,703	7,973	8,143	–	–	–
George Mezz Limited	221,643	247,741	276,580	(114)	(114)	(114)
George Bond Limited	3,237	3,251	3,265	–	–	–
Sterna Group Limited	82,958	82,965	82,962	–	–	–
Strix Group Limited	–	–	–	(141,113)	(142,759)	(144,586)
	315,541	341,930	370,950	(141,227)	(142,873)	(144,700)

The transactions include royalty charges to Strix Group Limited of £1,849,000 (2015: £1,596,000; 2014: £1,694,000) and cash advances to George Mezz Limited over the track record period.

Key management compensation is given in note 5 (c).

23. POST BALANCE SHEET EVENTS

Revolving Credit Facility Agreement

On 27 July 2017, members of the Operating Group entered into a revolving credit facilities agreement with certain banks in respect of a revolving credit facility of £70,000,000. Interest is payable on amounts drawn down at the rate of 2.20 per cent. above LIBOR. The term of the agreement is five years from the date of the agreement.

Liquidation of Strix Finance (IOM) Ltd

On 20 February 2017, Strix Finance (IOM) Ltd was liquidated. This has no material impact on the historical financial information.

24. EXPLANATION OF TRANSITION TO IFRS

As stated in Note 2 this Combined Historical Financial Information has been prepared in accordance with IFRS. The date of the Operating Group transition to IFRS is 1 January 2014 (the "Transition date").

The accounting policies described in Note 2 were applied when preparing the Combined Historical Financial Information for the years ended 31 December 2014, 2015 and 2016 and the Combined Balance Sheet as at the Transition Date.

In preparing its opening IFRS Combined Balance Sheet and adjusting amounts reported previously in the financial statements prepared in accordance with Financial Reporting Standard 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland (previous GAAP), the Operating Group has applied IFRS 1 First-Time Adoption of International Financial Reporting Standards, which contains a number of voluntary exemptions and mandatory exceptions from the requirement to apply IFRS retrospectively.

Exceptions and Exemptions used during transition to IFRS

The Operating Group has applied the following mandatory exception required by IFRS 1 in the conversion from UK GAAP to IFRS:

Estimates

Hindsight is not used to create or revise estimates. The estimates previously made by the Operating Group under UK GAAP were not revised for application of IFRS except where necessary to reflect any difference in accounting policies.

Exemptions

The Operating Group has not applied any optional exemptions in the conversion from UK GAAP to IFRS.

Adjustments Made in Connection with Transition to IFRS

There were no material adjustments made to the UK GAAP financial statements in connection with the transition to IFRS.

To align the presentation of certain items of assets and liabilities, income and expenses with the requirements of IFRS, the Operating Group made a number of reclassifications from the UK GAAP financial statements.

The material reclassifications were:

- Presentation of derivative financial instruments on a separate line within current liabilities – previously this was included within accruals;
- Presentation of income tax payable on the face of the balance sheet – previously this was included within "Creditors falling due within one year"; and
- Presentation of the income statement from Isle of Man Companies Act formats to the new requirements of IAS 1 "Presentation of financial statements", with analysis of cost of sales, administration and distribution costs. Previously only operating profit was presented.

Given the materiality of the amounts involved, formal reconciliations of the previously presented balance sheets and income statements have not been presented.

PART IV

UNAUDITED PRO FORMA STATEMENT OF NET ASSETS OF THE GROUP

Set out below is an unaudited pro forma statement of net assets for the Group as at 31 December 2016. It has been prepared by the Directors on the basis set out in the notes below to illustrate the effect of the Pre-Admission Reorganisation, the Placing, Admission and the New Debt Facilities on the net assets of the Operating Group had they taken place on 31 December 2016.

The unaudited pro forma statement of net assets has been prepared for illustrative purposes only, and by its nature, the pro forma statement of net assets addresses a hypothetical situation and, therefore, does not represent the Group's actual financial position or results.

The unaudited pro forma statement of net assets has been prepared on a basis consistent with the accounting policies of the Group which are under IFRS and on the basis set out in the notes below, and in accordance with Schedule Two of the AIM Rules for Companies. It should be read in conjunction with the notes below.

The unaudited pro forma statement of net assets is compiled from the combined balance sheet of the Operating Group as at 31 December 2016 as set out in Section B of Part III.

In addition, the unaudited pro forma financial information does not purport to represent what the Group's financial position and results of operations actually would have been had the Pre-Admission Reorganisation, the Placing, Admission and the New Debt Facilities been completed on the dates indicated nor do they purport to represent the results of operations for any future period or the financial condition at any future date.

Potential investors should read the whole of this Document and not rely solely on the summarised financial information contained in this Part IV.

	Operating Group as at 31 December 2016 £'000 (Note 1)	*Pre-Admission Reorganisation £'000 (Note 2)*	*Net proceeds of the Placing receivable by the Company £'000 (Note 3)*	*Repurchase of existing share capital £'000 (Note 4)*	*Refinancing £'000 (Note 5)*	*Refinancing £'000 (Note 5)*	*Unaudited Pro Forma Total £'000 (Note 6)*
Assets							
Non-current assets							
Intangible assets	6,224	-	-	-	-	-	6,224
Property, plant and equipment	8,075	-	-	-	-	-	8,075
Total non-current assets	14,299	-	-	-	-	-	14,299
Current assets							
Inventory	8,560	-	-	-	-	-	8,560
Trade and other receivables	376,598	(370,950)	-	-	-	-	5,648
Cash and cash equivalents	10,959	-	175,403	(198,846)	60,000	(48,000)	(484)
Total current assets	396,117	(370,950)	175,403	(198,846)	60,000	(48,000)	13,724
Total assets	410,416	(370,950)	175,403	(198,846)	60,000	(48,000)	28,023
Liabilities							
Non-current liabilities							
Financial liabilities – borrowings	1,000	(1,000)	-	-	60,000	-	60,000
Post-employment benefits	249	-	-	-	-	-	249
Total non-current liabilities	1,249	(1,000)	-	-	60,000	-	60,249
Current liabilities							
Trade and other payables	158,988	(96,700)	-	-	-	(48,000)	14,288
Income taxes payable	843	-	-	-	-	-	843
Derivative financial instruments	42	-	-	-	-	-	42
Total current liabilities	159,873	(96,700)	-	-	-	(48,000)	15,173
Total liabilities	161,122	(97,700)	-	-	60,000	(48,000)	75,422
Net assets/(liabilities)	249,294	(273,250)	175,403	(198,846)	-	-	(47,399)

Notes

(1) The financial information has been extracted, without material adjustment, from the combined financial information of the Operating Group as at 31 December 2016 as set out in Section B of Part III: "Historical Financial Information".

(2) This column reflects the following adjustments relating to the Pre-Admission Reorganisation:

(a) the release of the receivables from the Bermuda Group of £370,950k as at 31 December 2016 and the forgiveness of payables to the Bermuda Group of £96,700k as at 31 December 2016. Following this adjustment, there is a remaining payable balance to the Bermuda Group of £48,000k. These adjustments do not take account of any movements in these balances subsequent to 31 December 2016 and the actual amounts that will be settled will differ due to movements in the above balances subsequent to 31 December 2016;

(b) Preference shares held by the Bermuda Group will be transferred to the Operating Group for a nominal £1;

(c) Strix Far East will be legally transferred to the Operating Group for nil consideration. The financial results and position of Strix Far East is included within the historical financial information of the Operating Group as explained in Note 2 of Section B of Part III: "Historical Financial Information"; and

(d) the Company was incorporated on 12 July 2017. It will become the parent and ultimate holding company of the Operating Group through the issue of 1 A Ordinary Share to the Bermuda Group in exchange for the entire issued share capital of Sula Limited, (the parent of the Operating Group) held by the Bermuda Group. This insertion of the Company will constitute a group reorganisation and will be accounted for using merger accounting principles.

(3) This column reflects the estimated net proceeds of £175,403k in relation to the Placing receivable by the Company after estimated fees and expenses of £14,597k.

(4) This column reflects the repurchase of the 1 A Ordinary Share of the Company from the Bermuda Group together with the payment of excess cash to the Bermuda Group. This amount is equivalent to the net proceeds from the Placing receivable by the Company of £175,403k together with excess cash transferred to the Bermuda Group of £23,443k. By receiving only the net proceeds of the Placing via the Bermuda Group, the equity and loan note holders, including AAC Capital, are in effect bearing the costs associated with the Placing and Admission of approximately £14,597k. The 2 A Ordinary Shares of the Company are subsequently cancelled.

(5) These columns reflect the refinancing that is taking place in connection with the Placing as set out below:

(a) the drawdown on the £60,000k against the New Debt Facilities of £70,000k which will be classified within non-current liabilities; and

(b) the repayment of the remaining Bermuda Group payable balance of £48,000k.

These adjustments do not take account of any movements in these balances subsequent to 31 December 2016 and the actual amounts that will be settled will differ due to movements in the above balances subsequent to 31 December 2016.

(6) No adjustment has been made to take account of trading results, cash movements, or other transactions undertaken by the Operating Group subsequent to 31 December 2016.

PART V

ADDITIONAL INFORMATION

1. RESPONSIBILITY

The Company and the Directors, whose names are set out on page 8 of this Document accept responsibility for the information contained in this Document. To the best of the knowledge of the Company and the Directors (each of whom has taken all reasonable care to ensure that such is the case), the information contained in this Document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. THE COMPANY

2.1 The Company was incorporated and registered in the Isle of Man on 12 July 2017 as a company limited by shares under the IOM Act with the name Steam Plc and with the registered number 014693V. The Company changed its name to Strix Group Plc on 24 July 2017.

2.2 The Company's registered office is at 33-37 Athol Street, Douglas, IM1 1LB, Isle of Man. The Company's principal place of business is Forrest House, Ronaldsway, Isle of Man IM9 2RG. Its telephone number is +44 (0)1624 829 829.

2.3 The Company operates under the IOM Act and the liability of its members is limited.

2.4 The Company is domiciled in the Isle of Man. The Placing Shares will be created pursuant to the IOM Act.

3. SHARE CAPITAL

3.1 Under the IOM Act, the Company is not required to have an authorised share capital. The issued capital of the Company on incorporation was one A ordinary share of £1, issued to Darbara Limited. This share will be transferred to Strix Group Limited prior to Admission, and will be repurchased and cancelled by the Company as part of the Pre-Admission Reorganisation.

3.2 Pursuant to a resolution of the Board passed on 27 July 2017, it was resolved that, conditional upon Admission, 190,000,000 new Ordinary Shares be issued and allotted in connection with the Placing. It should be noted that under the IOM Act, prior shareholder approval is not required in connection with the issue and allotment of shares, unless required by a company's articles of association. As part of the Pre-Admission Reorganisation, the Company will adopt the Articles (conditional upon, and with effect, from Admission) which will contain customary restrictions on the Directors' authority to issue and allot shares without prior shareholder approval. Further details are contained in paragraph 5 of this Part V.

3.3 As at the date of this Document, and following Admission, the Company's issued share capital is, and will be, as follows:

	Existing			*Immediately following Admission*		
	Nominal Value (£)	*Number of A ordinary shares*	*Number of Ordinary Shares*	*Nominal value (£)*	*Number of A ordinary shares*	*Number of Ordinary Shares*
Issued and fully paid	One	One	Nil	0.01	Nil	190,000,000

3.4 Save in connection with the Placing and as disclosed in paragraph 10 below, no share or loan capital of any member of the Group is proposed to be issued or is under option or agreed, conditionally or unconditionally, to be put under option.

4. SUBSIDIARY UNDERTAKINGS

4.1 Following completion of the Pre-Admission Reorganisation and with effect from Admission, the Company will be the holding company of the Group, the principal activities of which are the design, manufacture and sale of thermostatic controls and cordless interfaces. The Company's principal subsidiary undertakings will be as follows:

Name	*Principal activity*	*Percentage of issued share capital held (direct or indirect)*	*Jurisdiction of incorporation*
Sula Limited	Holding company of the Operating Group	100	Isle of Man
Strix Far East Limited	Sale of certain types of the Operating Group's appliances	100	Bermuda
Strix UK Limited	Manufacture and support for sale of the Operating Group's appliances	100	England & Wales
Strix Hong Kong Limited	Provision of management services to the Operating Group	100	Hong Kong
Strix Limited	Manufacture and sale of Operating Group products	100	Isle of Man
Strix Guangzhou Limited	Manufacture and sale of Operating Group products	100	PRC
Strix Finance (UK) Limited	Financial intermediation	100	England & Wales

5. MEMORANDUM AND ARTICLES OF ASSOCIATION

Set out below is a summary of certain material provisions of the Memorandum of Association and the Articles, which will in each case be adopted conditional upon and with effect from Admission, pursuant to a resolution that will be passed as part of the Pre-Admission Reorganisation. This summary does not purport to give a complete overview and should be read in conjunction with, and is qualified in its entirety by reference to, the Memorandum of Association and the Articles, and the relevant provisions of the IOM Act as in force at the date of this Document.

Memorandum of Association

Under its Memorandum of Association, the Company has unlimited capacity to carry on or to undertake any business or activity, to do, or to be subject to, any act or to enter into any transaction.

Articles of Association

Shares

Share rights

Without prejudice to any rights attached to any existing shares, the Company may issue shares with such rights or restrictions as determined by the Company by ordinary resolution. The Company may also issue shares which are, or are liable to be, redeemed at the option of the Company or the holder. The Directors may determine the date on which or by which, or dates between which, any redeemable shares are to be redeemed and in such a case must be fixed by the Directors before such shares are issued.

Until the first annual general meeting following the date of Admission, the Directors are authorised to allot shares up to one third of the Company's existing issued share capital (or an additional third in the case of a rights issue). Any new shares to be issued for cash must be offered on a pre-emptive basis to existing shareholders, with the exception of issues up to 10 per cent. of the Company's issued share capital immediately following Admission; issues pursuant to awards granted under the Company's long term incentive plan or any other share option scheme adopted by the Company; or by way of an allotment of bonus shares. After the first annual general meeting following the date of Admission the Directors may allot a number of Shares up to the amount authorised by resolution of the shareholders at each annual general meeting. Any new shares to be issued for cash must be offered on a pre-emptive basis to existing shareholders with the exception of issues up to such proportion of the Company's existing issued share capital as is authorised by resolution of the shareholders at each annual general meeting.

Voting rights

At a general meeting (including an annual general meeting), subject to the IOM Act and any special terms as to voting attached to any class of shares:

(a) on a show of hands, every member present in person and every duly appointed proxy present (not being himself a member entitled to vote) shall have one vote; and

(b) on a poll, every member present in person or by proxy (not being himself a member entitled to vote) has one vote for every share held by him.

Unless the Board resolves otherwise, no member shall be entitled to vote either personally or by proxy or to exercise any other right in relation to general meetings if any call or other sum due from him to the Company in respect of that share remains unpaid.

Variation of rights

Subject to the IOM Act, whenever the share capital of the Company is divided into different classes of shares, any rights attached to any class may be varied or abrogated in such manner as may be provided by such rights or, in the absence of such provision, either with the written consent of the holders of not less than three-quarters of the voting rights attached to the issued shares of the class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of the class (but not otherwise), and may be so varied or abrogated either while the Company is a going concern or during or in contemplation of a liquidation.

Subject to the terms of their issue, the special rights attached to any class of shares will be deemed to be varied or abrogated by (a) the reduction of the capital paid up on such shares or (b) by the allotment of further shares ranking in priority for the payment of a dividend or in respect of capital or howsoever or which confer on the holders voting rights more favourable than those conferred by such first mentioned shares.

The rights attached to any class of shares will not, unless otherwise expressly provided by the terms of issue, be deemed to be varied or abrogated by (i) the creation or issue of further shares ranking *pari passu* in all respects (save as to the date from which such new shares shall rank for dividend) with or subsequent to those already issued, or (ii) the purchase or redemption by the Company of any of its own shares, or (iii) the Company permitting, in accordance with the Isle of Man CREST Regulations, the holding of and transfer of title to shares of that or any other class in uncertificated form by means of a relevant system in accordance with provisions in the IOM Act and these Articles.

Transfer of shares

Transfers of certificated shares must be effected in writing, and signed by or on behalf of the transferor and, except in the case of fully paid shares, by or on behalf of the transferee. The written instrument must also contain the name and business or residential address of the transferee. The transferor shall remain the holder of the shares concerned until the name of the transferee is entered in the register of members in respect of those shares. Transfers of uncertificated shares may be effected in accordance with the Isle of Man CREST Regulations.

The Directors may decline to register any transfer of a certificated share, unless (a) it is in respect of only one class of share, (b) it is in respect of a share on which the Company has no lien, (c) it is in favour of a single transferee or not more than four joint transferees and (d) it is delivered for registration accompanied (except in the case of a transfer where a certificate has not been required to be issued) by the certificate for the shares to which it relates and/or such other evidence as the Board may reasonably require to prove the title of the transferor and the due execution by him of the transfer or, if the transfer is executed by some other person on his behalf, the authority of that person to do so, provided that, where any shares are admitted to AIM or the official list maintained by the UK Listing Authority or another recognised investment exchange, such refusal does not prevent dealing in shares of the relevant class in the Company from taking place on an open and proper basis.

Restrictions where notice not complied with

If any person appearing to be interested in shares has been duly served with a notice requiring them to provide information as to their interests and is in default for a period of 14 days in supplying to the Company the information required by that notice, the Directors can serve a notice which would result in the following sanctions:

(a) the holder of those shares shall not be entitled to attend or vote (in person or by proxy) at any shareholders' meeting, separate meeting of the holders of any class of shares or any poll; and

(b) where those shares represent 0.25 per cent. or more of the issued shares of a relevant class:

  (I) any dividend or other money which would otherwise be payable on the shares will be retained by the Company without any liability for interest and the Shareholder will not be entitled to elect to receive shares in lieu of a dividend; and

  (II) (with various exceptions set out in the Articles) transfers of the shares will not be registered.

Forfeiture and lien

If a member fails to pay the whole of any call or any instalment of any call on or before the due date for payment, then, following notice by the Directors requiring payment of the unpaid amount with any accrued interest and reasonable expenses incurred, and non-compliance with that notice, such share may be forfeited by a resolution of the Directors to that effect (including all dividends declared or other moneys payable in respect of the forfeited share and not actually paid before the forfeiture).

A member whose shares have been forfeited will cease to be a member in respect of the shares, but will remain liable to pay the Company all moneys which at the date of forfeiture were presently payable, together with interest.

The Company shall have a lien on every share (not being a fully paid-up share) that is not fully paid for all moneys called or payable at a fixed time in respect of such share. The Directors may waive any lien which has arisen and may resolve that any share shall for some limited period be exempt from such a lien, either wholly or partially.

A share forfeited or surrendered may, subject to the IOM Act, be sold, re-allotted or otherwise disposed of to any person (including the person who was, before such forfeiture or surrender, the holder of that share or entitled to it) on such terms and in such manner as the Directors think fit and, in the case of re-allotment, whether with or without all or any part of the amount previously paid up on the share being treated as so paid up. The Company may sell any share in respect of which a notice to enforce the lien, delivered in accordance with the Articles, has been given if such notice has not been complied with. The proceeds of sale shall first be applied towards payment of the amount in respect of the lien as is presently payable, and then on surrender of the share certificate for cancellation, to the person entitled to the shares immediately prior to the sale.

Meetings of members

Annual general meeting

An annual general meeting shall be at such time and place as the Directors may determine, but at least one annual general meeting shall be held in each calendar year no more than 15 months after the previous annual general meeting.

Other meetings

All meetings of members other than annual general meetings shall be called general meetings. The Board may convene a general meeting whenever it thinks fit. At any meeting convened on such requisition, no business shall be transacted except that stated by the requisition or proposed by the Board.

Notice of meetings etc.

Notice of meetings shall include: (a) whether the meeting is an annual general meeting or a general meeting; (b) the place, day and time of the meeting; (c) the general nature of the business to be discussed at the meeting; (d) if the meeting is convened to consider a special resolution, the intention for its proposal and the required majority for an affirmative vote; and (e) the right to appoint proxies. It shall be given to all members other than those members who are not entitled to receive such notices from the Company under the provisions of the Articles, to the Directors and to the Auditors. An annual general meeting shall be convened at a meeting place anywhere in the world other than the UK by not less than 21 clear days' notice in writing. A general meeting shall be convened at a meeting place anywhere in the world other than the UK by not less than 14 clear days' notice in writing.

Notwithstanding that a meeting is called on shorter notice than that specified above, a general meeting shall be deemed to have been duly convened if a member or members holding not less than 90 per cent. of the voting rights attached to shares have waived notice of the meeting and for this purpose the presence of a member at the meeting shall be deemed to constitute a waiver on the part of such member.

Quorum

No business other than the appointment of a chairman shall be transacted at any meeting unless a quorum is present at the time when the meeting proceeds to business. Two persons entitled to attend and to vote on the business to be transacted, being members present in person or a proxy for a member, shall be a quorum.

If, within five minutes (or such longer interval as the chairman thinks fit, not exceeding 30 minutes) of the scheduled start of the meeting, a quorum is not present, or if during a meeting such quorum ceases to be present, the meeting, if convened on the requisition of members, shall be dissolved. In other cases, the meeting shall be adjourned. If a quorum is not present within 15 minutes at the adjourned meeting, one member present in person or by proxy shall be quorum. If no such quorum is present, the adjourned meeting shall be dissolved.

Conditions of admission

The Directors may require attendees to submit to searches or put in place such arrangements or restrictions as they think fit to ensure the safety and security of attendees at a meeting. Any member, proxy or other person who fails to comply with such arrangements or restrictions may be refused entry to, or removed from, the meeting.

The Directors may resolve that a meeting shall be held at two or more locations to facilitate the organisation and administration of such meeting. A member present in person or by proxy at the designated "satellite" meeting place may be counted in the quorum and may exercise rights to speak and vote that they would have been able to exercise if they had been present at the principal meeting place. The Directors may make and change from time to time such arrangements as they shall in their absolute discretion consider appropriate to:

(a) ensure that all persons attending the meeting are able to participate in the business of the meeting and to see and hear anyone else addressing the meeting; and

(b) ensure that the person joining the meeting from a "satellite" meeting place can be heard and seen by all other persons in the same way.

Directors

General powers

The Directors may exercise all the powers of the Company whether relating to the central management and control of the business of the Company or not.

Number of Directors

The Directors shall not be less than two in number save that the Company may, by ordinary resolution, from time to time vary the minimum number of Directors.

Share qualification

A Director shall not be required to hold any shares of the Company by way of qualification.

Directors' fees

Directors' fees (in addition to fees paid for executive services) are determined by the Directors from time to time in consultation with the Remuneration Committee, except that they may not exceed £250,000 per annum in aggregate (or such other sum as the Company may by ordinary resolution decide from time to time).

Any Director who performs or renders any special duties or services outside his ordinary duties as a Director, and not in his capacity as a holder of employment or executive office, may be paid such reasonable additional remuneration (whether by way of a lump sum or by way of salary, commission, participation in profits or otherwise) as the Directors may determine from time to time.

Directors' retirement

Commencing with the Company's first annual general meeting, and at each annual general meeting of the Company thereafter, one third of Directors who are subject to retirement by rotation or, if their number is not three or a multiple of three, the number nearest to but not exceeding one-third shall retire from office. If there are fewer than three Directors who are subject to retirement by rotation, one Director shall retire from office.

If the Company, at the annual general meeting at which a Director retires, does not fill the vacancy created by his retirement, the retiring Director shall, if willing to act, be deemed to have been re-appointed unless, amongst other things, at the meeting it is expressly resolved not to fill the vacancy or unless an ordinary resolution for the re- appointment of the Director is put to the meeting and lost or if the retiring Director has given notice in writing to the Company that he is unwilling to be re-elected.

Removal of a Director by resolution of Company

The Company may, by ordinary resolution passed at a meeting called for such purpose, remove any Director before the expiration of his period of office. Such removal may take place notwithstanding any provision of the Articles or of any agreement between the Company and such Director, but is without prejudice to any claim the Director may have for damages for breach of any such agreement.

Proceedings of the Board

Subject to the provisions of the Articles, the business of the Company shall be managed by the Board, which may exercise all the powers of the Company whether relating to the central management and control of the business or not.

The quorum necessary for the transaction of business of the Directors may be fixed from time to time by the Directors and unless so fixed at any other number shall be two. A meeting of the Directors at which a quorum is present shall be competent to exercise all powers and discretions for the time being exercisable by the Directors.

The Directors may elect from their number a chairman and decide the period for which he is to hold office. If no such chairman is elected or if at any meeting the chairman is not present within five minutes of the time appointed for holding it, the Directors present shall choose one of their number to be the chairman of the meeting.

Questions arising at any meeting of the Directors shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

Directors' interests

Provided that Directors have disclosed their interests to the Board in line with the Articles, a Director, notwithstanding his office:

(a) may be a party to or otherwise be interested in any transaction or arrangement with the Company or in which the Company is otherwise interested;

(b) may be a Director or officer of, or employed by, or a party to any transaction or arrangement with, or otherwise interested in, any body corporate promoted by the Company or in which the Company is otherwise interested; and

(c) shall not, by reason of his office, be liable to account to the Company for any benefit which he derives from any such office, employment, contract, arrangement, transaction or proposal or from any interest in any such body corporate; and no such contract, arrangement, transaction, proposal or arrangement shall be liable to be avoided on the grounds of any such interest or benefit.

Restrictions on voting

Except as provided below, a Director shall not vote on or be counted in the quorum in relation to any resolution of the Board or of a committee of the Board concerning any contract, arrangement, transaction or any proposal whatsoever to which the Company is, or is to be, a party and in which he has (directly or indirectly) an interest which is material (other than by virtue of his interests in shares or debentures or other securities of, or otherwise in or through, the Company) or a duty which conflicts with the interests of the Company, unless his duty or interest arises only because the resolution relates to one of the matters set out in the following sub-paragraphs, in which case he shall be entitled to vote and be counted in the quorum:

(a) the giving to him of any guarantee, security or indemnity in respect of money lent or obligations incurred by him at the request of or for the benefit of the Company or any of its subsidiaries;

(b) the giving by the Company to a third party of any guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiaries for which he himself has assumed responsibility in whole or in part, either alone or jointly with others, under a guarantee or indemnity or by the giving of security;

(c) the giving of any other indemnity where all other Directors are also being offered indemnities on substantially the same terms;

(d) where the Company or any of its subsidiaries is offering securities in which offer the Director is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which the Director is to participate;

(e) relating to another company in which he and any persons connected with him do not to his knowledge hold an interest in shares (as that term is used in Part 22 of the 2006 Act) representing one per cent. or more of either any class of the equity share capital, or the voting rights, in such company;

(f) relating to an arrangement for the benefit of the employees of the Company or any of its subsidiaries which does not award him any privilege or benefit not generally awarded to the employees to whom such arrangement relates;

(g) concerning insurance which the Company proposes to maintain or purchase for the benefit of Directors or for the benefit of persons, including Directors; or

(h) any proposal concerning the funding of expenditure by one or more Directors on defending proceedings against him or them, or doing anything to enable such Director or Directors to avoid incurring such expenditure.

An interest of a person who is, pursuant to section 252 of the IOM Act, connected with a Director shall be treated as an interest of the Director and, in relation to an alternate Director, an interest of his appointor shall be treated as an interest of the alternate Director without prejudice to any interest which the alternate Director otherwise has.

Borrowing powers

The Directors may exercise all the powers of the Company to borrow money, mortgage or charge all or any part or parts of its undertaking, property and uncalled capital and, subject to the IOM Act, issue debentures and other securities whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Powers of the Directors

The Board may delegate any of its powers, authorities and discretions (with power to sub-delegate) as it thinks fit to any committee consisting of one or more persons (who may or may not be Directors), provided that any such committee shall only meet and exercise its powers, authorities and discretions from outside the UK. Any committee so formed may exercise its power to sub-delegate by sub-delegating to any other committee. Committees shall be prohibited from holding meetings in the UK.

The Directors may entrust to and confer upon any Director holding office or employment any of the powers exercisable by them as Directors with power to sub-delegate as they think fit and may from time to time revoke, withdraw, alter or vary all or any of such powers, but no person dealing in good faith and without notice of the revocation or variation shall be affected by it. Any Director with such delegated powers shall be required to update the Board at Board meetings as to any developments arising in connection with the delegation of such powers.

Directors' liabilities

Subject to the provisions of the IOM Act, but without prejudice to any indemnity to which he may be otherwise entitled, every Director, alternate Director or officer of the Company (other than an Auditor) shall be entitled to be indemnified out of the assets of the Company against all costs, charges, losses, damages and liabilities incurred by him in the actual or purported execution or discharge of his duties or exercise of his powers or otherwise in relation to them, provided that the indemnity shall be void and of no effect unless the indemnified person acted honestly and in good faith and in what such person believed to be in the best interests of the Company and, in the case of criminal proceedings, which the indemnified person had no reasonable cause to believe that their conduct was unlawful.

Subject to the provisions of the IOM Act, the Board may purchase and maintain insurance at the expense of the Company for the benefit of any person who is or was at any time a Director or other officer or employee of the Company or of any other company which is a subsidiary, subsidiary undertaking or holding company of the Company in which the Company has an interest or which otherwise is in any way allied to or associated with the Company or of any subsidiary undertaking or holding company or of any such company or who is or was at any time a trustee of any pension fund or employee benefits trust in which any employee of the Company (or of any such other company or subsidiary undertaking) is or has been interested, indemnifying such person against any liability which may attach to him or loss or expenditure which he may incur in relation to anything done or alleged to have been done or omitted to be done as a Director, officer, employee or trustee.

Dividends

Subject to the provisions of the IOM Act and these Articles and to the rights of any persons entitled to shares with special rights as to dividend, the Company may, by ordinary resolution, declare and pay a dividend to members at such times and of such amounts as the Directors think fit if the Directors are satisfied, on reasonable grounds, that the Company will, immediately after payment of the dividend, satisfy a solvency test set out in the IOM Act ("Solvency Test"). The Board may, at its discretion, make provisions to enable such member(s) as the Board shall from time to time determine to receive dividends duly declared in a currency or currencies other than Sterling.

The Board may also by resolution declare and pay such interim dividends (including any dividend payable at a fixed rate) at such time and in such amount as the Directors think fit if the Directors are satisfied, on reasonable grounds, that the Company will, immediately after payment of the dividend, satisfy a Solvency Test. If at any time the share capital of the Company is divided into different classes, the Board may pay such interim dividends on shares which rank after shares conferring preferential rights with regard to dividend, as well as on shares conferring preferential rights, unless at the time of payment any preferential dividend is in arrears.

Except as otherwise provided by the rights attached to shares, all dividends shall be declared and paid according to the amounts paid up (otherwise than in advance of calls) on the shares on which the dividend is paid. If cheques, warrants or orders for dividends sent by the Company to the person entitled thereto by post are returned to the Company undelivered or left uncashed on two consecutive occasions, the Company shall not be obliged to send any further dividends or other moneys payable in respect of that share due to that person until he notifies the Company of an address to be used for the purpose.

All dividends, interest or other sum payable and unclaimed for 12 months after having become payable may be invested or otherwise made use of by the Board for the benefit of the Company until claimed, and the

Company shall not be constituted a trustee in respect thereof. All dividends unclaimed for a period of six years after having become due for payment shall (if the Board so resolves) be forfeited and shall revert to the Company.

The Directors may, if authorised by ordinary resolution and subject to various conditions set out in the Articles, offer to ordinary Shareholders the right to elect to receive, in lieu of a dividend, an allotment of new ordinary shares credited as fully paid.

Winding up

If the Company is wound up, the surplus assets remaining after payment of all creditors are to be divided among the members in proportion to the capital which at the commencement of the winding up is paid up on the shares held by them respectively, subject to any rights attached to shares.

Failure to supply an address

A Shareholder who has no registered address within the United Kingdom, the Isle of Man or the Channel Islands and has not supplied to the Company an address within the United Kingdom, the Isle of Man or the Channel Islands for the service of notices will not be entitled to receive notices from the Company.

Indemnity for officers

The Articles provide that subject to the provisions of the IOM Act and certain restrictions as set out in the Articles, that without prejudice to any indemnity to which he may be otherwise entitled, every Director, alternate Director or officer of the Company (other than an auditor) shall be entitled to be indemnified out of the assets of the Company against all costs, charges, losses, damages and liabilities incurred by him in the actual or purported execution or discharge of his duties or exercise of his powers or otherwise in relation to them including (without prejudice to the generality of the foregoing) any liability incurred defending any proceedings (whether civil or criminal) which relate to anything done or omitted or alleged to have been done or omitted by him as an officer or employee of the Company, provided that the indemnity shall be void and of no effect unless the indemnified person acted honestly and in good faith and in what such person believed to be in the best interests of the Company.

6. DIRECTORS' AND OTHER INTERESTS

6.1 The interests of the Directors and any person connected with a Director (within the meaning of section 252 to 254 of the 2006 Act) (all of which are beneficial unless otherwise stated), in the issued share capital of the Company, were as at 26 July 2017 (being the latest practicable date prior to the publication of this Document) and are expected to be immediately following Admission, to the extent that their existence is known to, or could with reasonable diligence be ascertained by, a Director, as follows:

	As at 26 July 2017		*Immediately following Admission*	
Director	*Number of Ordinary Shares*	*Percentage of issued ordinary share capital*	*Number of Ordinary Shares*	*Percentage of issued ordinary share capital*
Gary Lamb	Nil	Nil	500,000	0.26
Mark Bartlett	Nil	Nil	300,000	0.16
Raudres Wong[(1)]	Nil	Nil	300,000	0.16
Mark Kirkland	Nil	Nil	Nil	Nil

(1) These Ordinary Shares are held in the name of her husband, Wing Yip Fong.

6.2 Save as set out in paragraph 6.1 above, as at the date of this Document and immediately following Admission, no Director will, and no person so connected with a Director has, or is expected to have, any interest in the share capital of the Company or any of its subsidiaries or any options over the Company's shares.

6.3 As at 26 July 2017 (being the latest practicable date prior to publication of this Document) insofar as is known to the Company, no person or persons, other than as set out below, are or will, immediately following Admission, have an interest, directly or indirectly, in three per cent. or more of the share capital or voting rights of the Company.

	Before Admission		*Following Admission*	
Name	*Number of Ordinary Shares*	*Percentage of issued ordinary share capital*	*Number of Ordinary Shares*	*Percentage of issued ordinary share capital*
Strix Group Limited	1	100	Nil	Nil
Woodford Investment Management Limited	Nil	Nil	17,500,000	9.2
Schroder Investment Management Limited	Nil	Nil	14,238,000	7.5
Artemis Investment Management LLP	Nil	Nil	10,000,000	5.3
River and Mercantile Asset Management LLP	Nil	Nil	10,000,000	5.3
Premier Fund Managers Limited	Nil	Nil	9,500,000	5.0
Kames Capital	Nil	Nil	9,000,000	4.7
Miton Asset Management Plc	Nil	Nil	8,500,000	4.5
Funds and accounts under management by direct and indirect investment management subsidiaries of BlackRock, Inc	Nil	Nil	7,500,000	3.9
Hargreave Hale	Nil	Nil	6,856,136	3.6
Old Mutual Global Investors (UK) Limited	Nil	Nil	6,750,000	3.6
J O Hambro Capital Management Limited	Nil	Nil	5,900,000	3.1

6.4 The Company's major shareholders set out in paragraph 6.3 do not have different voting rights.

6.5 As at 26 July 2017 (being the latest practicable date prior to publication of this Document) save as disclosed in this paragraph 6, the Company is not aware of any person or persons who, directly or indirectly, controls the Company. The Company is not aware of any arrangements that may at a subsequent date to Admission, result in a change of control of the Company.

6.6 No Director or member of a Director's family has any financial product whose value in whole or in part is determined directly or indirectly by reference to the price of the Ordinary Shares.

7. ADDITIONAL INFORMATION ON THE DIRECTORS

7.1 Other than their directorships of the Company and members of its Group, directorships and partnerships currently held by the Directors and held over the five years preceding the date of this Document are as follows:

Director	*Current directorships/partnerships*	*Past directorships/partnerships*
Gary Lamb	Manx Telecom plc Trafford Shareholder Debtco Ltd Trafford Midco Ltd Manx Telecom Holdings Ltd Manx Telecom Trading Ltd Vannin Ventures Ltd Partitionware Ltd Goshawk Communications Ltd (IOM) VV Mobile Limited GEL Investments Limited Sula Notes Limited	Bladon Jets Holdings Limited Bladon Jets (UK) Limited Bladon Jets Ltd

Director	*Current directorships/partnerships*	*Past directorships/partnerships*
Mark Bartlett	Strix Investments Limited George Bond Limited George Mezz Limited Sterna Group Limited Strix Group Limited	N/A
Raudres Wong	Strix Investments Limited George Bond Limited George Mezz Limited Sterna Group Limited Strix Group Limited Team Will Investment Limited	N/A
Mark Kirkland	FR Jones and Son Limited FR Jones and Son (Holdings) Limited Future Technology Solutions Group Ltd	Marwyn Management Partners PLC De Facto 2008 Limited Le Chameau UK Limited Silvercloud Management Holdings Limited Le Chameau Holdings Limited Le Chameau Group PLC Metropolitan European Transport Limited

7.2 None of the Directors has:

7.2.1 any unspent convictions in relation to indictable offences;

7.2.2 had a bankruptcy order made against him or made an individual voluntary arrangement;

7.2.3 been a director of a company which has been placed in receivership, compulsory liquidation, creditors voluntary arrangement or made any composition or arrangement with its creditors generally or of any class of its creditors whilst he was a director of that company or within 12 months after he ceased to be a director of that company;

7.2.4 been a partner in a partnership which has been placed in compulsory liquidation, administration or made a partnership voluntary arrangement whilst he was a partner in that partnership or within 12 months after he ceased to be a partner in that partnership;

7.2.5 had any asset placed in receivership or any asset of a partnership in which he was a partner placed in receivership whilst he was a partner in that partnership or within 12 months after he ceased to be a partner in that partnership; or

7.2.6 been publicly criticised by any statutory or regulatory authority (including recognised professional bodies) or disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

8. DIRECTORS' AGREEMENTS

8.1 The Directors have entered into service agreements or letters of appointment with members of the Group as follows:

8.1.1 *Gary Lamb – Letter of Appointment*

Gary Lamb entered into a letter of appointment with the Company dated 27 July 2017. His appointment is for an initial term of 3 years, unless terminated earlier by either party giving to the other three months' prior written notice. Gary's fee for his services as acting Chairman and non-executive director is £70,000 per annum. This fee decreases to £45,000 once a new Chairman has been appointed. As part of his appointment, Gary has agreed to certain confidentiality obligations.

8.1.2 *Mark Bartlett – Service Agreement*

Mark Bartlett entered into two service agreements with the Company dated 27 July 2017, one governed by the law of Isle of Man and the other governed by the law of Hong Kong. Mark has entered into two service agreements to reflect that he will be spending one twelfth of the year in the Isle of Man, and the remaining eleven twelfths elsewhere. Mark is entitled to receive an annual salary of £300,000 per annum (subject to annual review by the Remuneration Committee) plus a discretionary bonus as determined by the Remuneration Committee which can pay up to 100 per cent. of his salary and any incentives awarded pursuant to the arrangements described in paragraph 9 of this Part V. Mark's employment can be terminated by either side by giving 12 prior written months' notice.

Mark is also entitled to participate in the Company's private medical insurance scheme (in place from time to time) and also receives 25 days' holiday (plus the usual public holidays when he is working in the Isle of Man or Hong Kong). Mark receives pension contributions from the Company which are equal to 20 per cent. of his salary, a car allowance of £15,000 per annum and a cost of living allowance of approximately £48,000 per annum.

As part of his service agreement, Mark has agreed to confidentiality obligations and by way of a separate deed entered into on 12 months non-competition, non-solicitation and non-dealing post termination restrictive covenants.

8.1.3 *Raudres Wong – Service Agreement*

Raudres Wong entered into two service agreements with the Company dated 27 July 2017, one governed by the law of Isle of Man and the other governed by the law of Hong Kong. Raudres is entitled to receive an annual salary of £261,182 per annum (subject to annual review by the Remuneration Committee) plus a discretionary bonus as determined by the Remuneration Committee, which can pay up to 100 per cent. of her salary and any incentives awarded pursuant to the arrangements described in paragraph 9 of this Part V. Raudres' employment can be terminated by either side by giving 12 months' prior written notice.

Raudres is also entitled to participate in the Company's medical insurance and permanent health insurance schemes (in place from time to time) and also receives 25 days' holiday (plus the usual public holidays in Hong Kong). Raudres receives pension contributions from the Company which are equal to 16 per cent. of her salary and a car allowance of £15,000 per annum.

As part of her service agreement, Raudres has agreed to confidentiality obligations and by way of a separate deed entered into on 12 months non-competition, non-solicitation and non-dealing post termination restrictive covenants.

8.1.4 *Mark Kirkland – Letter of Appointment*

Mark Kirkland entered into a letter of appointment with the Company dated 27 July 2017. His appointment is for an initial term of 3 years, unless terminated earlier by either party giving to the other three months' prior written notice. Mark's fee for his services as a non-executive director is £45,000 per annum. As part of his appointment, Mark has agreed to certain confidentiality obligations.

8.2 Save as set out in paragraph 8.1 above, there are no existing or proposed service agreements between any of the Directors and any member of the Group.

8.3 Other than payment of salary and benefits in lieu of notice the Directors' service agreements and letters of appointment do not provide for benefits upon termination of employment.

9. SHARE INCENTIVE PLANS

9.1 Overview of the Plan

Following Admission, the Company intends to operate a discretionary executive share plan: the Strix Group Plc Long Term Incentive Plan (the "**LTIP**").

A reference in this paragraph 9 to the Board includes any designated committee of the Board.

Information on certain awards to be made at or following Admission and the principal features of the LTIP is summarised below.

9.2 **The LTIP**

The LTIP was adopted by the Board on 27 July 2017.

9.2.1 ***Status***

The LTIP is a discretionary executive share plan. Under the LTIP, the Board may, within certain limits and subject to any applicable performance conditions, grant to eligible employees (i) nil cost options over Ordinary Shares (“**LTIP Options**”) and/or (ii) conditional awards (i.e. a conditional right to acquire Ordinary Shares), (together “**LTIP Awards**”).

9.2.2 ***Eligibility***

All employees (including the Executive Directors) are eligible for selection to participate in the LTIP at the discretion of the Board.

The Board intends to grant the first LTIP Awards on or shortly after Admission on the basis set out in the table below:

Name	*Number of Shares Under Option*	*Exercise Price*	*Performance Conditions*
Mark Bartlett	3,800,000	Nil	See paragraph 9.2.4
Raudres Wong	1,900,000	Nil	See paragraph 9.2.4

In addition, up to a further 4,500,000 LTIP Options are intended to be granted to senior employees of the Group on or shortly after Admission together with certain performance conditions.

9.2.3 ***Making of LTIP Awards***

The Board reserves the right to calculate market value by reference to the Placing Price. The initial grant of LTIP Awards following Admission shall be over Ordinary Shares.

LTIP Awards may be granted at any time subject to the Company not being in a closed period. However, no LTIP Awards may be granted more than 10 years from the date when the LTIP was adopted.

9.2.4 ***Performance and other conditions***

The Board may impose performance conditions on the vesting of LTIP Awards. Where performance conditions are specified for LTIP Awards, the underlying measurement period for such conditions will ordinarily be three years. The proposed performance conditions for the first grant of LTIP Awards are to be based on performance against earnings per share targets with a shareholder return underpin based on (i) the share price at the end of the measurement periods and (ii) the actual dividends paid over the measurement periods.

Earnings per share performance will be measured annually over the three financial years of the Company from the date of award to 31 December 2019 (“**Initial Performance Period**”).

The shareholder return underpin will be measured at the end of the Initial Performance Period based on the share price at the end of the Initial Performance Period and the average dividend yield over the duration of the Initial Performance Period.

Further grants of LTIP Awards are to be made annually subject to performance conditions set at the time of grant.

Any performance conditions applying to LTIP Awards may be varied, substituted or waived if the Board considers it appropriate, provided the Board considers that the new performance conditions are reasonably and are not materially less difficult to satisfy than the original conditions (except in the case of waiver).

The Board may also impose other conditions on the vesting of LTIP Awards.

9.2.5 ***Malus/Clawback***

The Board may decide, at the vesting of LTIP Awards or at any time before and in the two years following vesting, that the number of Ordinary Shares subject to an LTIP Award shall be reduced (including to nil) on such basis that the Board in its discretion considers to be fair and reasonable in the following circumstances:

(i) discovery of a material misstatement resulting an adjustment in the audited accounts of the Group or any Group company or

(ii) action or conduct of a participant which, in the reasonable opinion of the Board, amounts to employee misbehaviour, fraud or gross misconduct.

Clawback may be effected, among other means, by requiring the transfer of Ordinary Shares, payment of cash or reduction of awards.

9.2.6 ***Vesting and exercise***

In respect of the first grant of LTIP Awards on Admission, the LTIP Awards will vest as to one third on 31 December 2017, one third on 31 December 2018 and one third on 31 December 2019 and the LTIP Options will become exercisable at the end of the Initial Performance Period to the extent that the applicable performance conditions have been satisfied and to the extent permitted following any operation of malus or clawback.

Future LTIP Awards will normally vest, and LTIP Options will normally become exercisable, on the third anniversary of the date of grant of the LTIP Award to the extent that any applicable performance conditions have been satisfied and to the extent permitted following any operation of malus or clawback.

LTIP Options will normally remain exercisable for a period determined by the Board at grant which shall not exceed 10 years from grant.

9.2.7 ***Cessation of employment***

If a participant dies or ceases to be employed by the Group by reason of ill-health, injury, disability, redundancy, the sale out of the Group of the entity that employs him, retirement or any other reason at the discretion of the Board any unvested Option will vest to the extent determined by the Board, in its absolute discretion, taking into account (unless the Board determines otherwise) the extent to which any performance condition has been satisfied at the date of death or cessation of employment and the period of time that had elapsed from the date of grant to the date of death or cessation of employment.

9.2.8 ***Corporate events***

In the event of a takeover, scheme of arrangement, or winding-up of the Company, the LTIP Awards will vest early. The proportion of the LTIP Awards which vest shall be determined by the Board taking into account, among other factors, the period of time the LTIP Award has been held by the participant and the extent to which any applicable performance conditions have been satisfied at that time.

To the extent that LTIP Options vest in the event of a takeover, scheme of arrangement, or winding-up of the Company they may be exercised for a period of six months measured from the relevant event (or in the case of takeover such longer period as the Board determines) and will otherwise lapse at the end of that period.

In the event of a demerger, distribution or any other corporate event, the Board may determine that LTIP Awards shall vest. The proportion of the LTIP Awards which vest shall be determined by the Board taking into account, among other factors, the period of time the LTIP Award has been held by the participant and the extent to which any applicable performance conditions have been satisfied at that time. LTIP Options that vest in these circumstances may be exercised during such period as the Board determines and will otherwise lapse at the end of that period.

If there is a corporate event resulting in a new person or company acquiring control of the Company, the Board may (with the consent of the acquiring company) alternatively decide that LTIP Awards will not vest or lapse but will be replaced by equivalent new awards over shares in the new acquiring company.

9.2.9 ***Awards not transferable***

Awards granted under the LTIP are not transferable other than to the participant's personal representatives in the event of his death provided that awards and Ordinary Shares may be held by the trustees of an employee as nominee for the participants.

9.2.10 ***Overall Limits***

The LTIP may operate over new issue Ordinary Shares, treasury Ordinary Shares or Ordinary Shares purchased in the market. The rules of the LTIP provide that, in any period of 10 calendar years, not more than 10 per cent. of the Company's issued ordinary share capital may be issued under the LTIP and under any other employees' share scheme operated by the Company. Ordinary Shares issued out of treasury under the LTIP will count towards these limits for so long as this is required under institutional shareholder guidelines. Awards which are renounced or lapse shall be disregarded for the purposes of these limits.

9.2.11 ***Variation of capital***

If there is a variation of share capital of the Company or in the event of a demerger or other distribution, special dividend or distribution, the Board may make such adjustments to awards granted under the LTIP, including the number of Ordinary Shares subject to awards and the option exercise price (if any), as it considers to be fair and reasonable.

9.2.12 ***Dividend equivalents***

In respect of any award granted under the LTIP, the Board may decide that participants will receive a payment (in cash and/or additional Ordinary Shares) equal in value to any dividends that would have been paid on the Ordinary Shares which vest under that award by reference to the period between the time when the relevant award was granted and the time when the relevant award vested. This amount may assume the reinvestment of dividends and exclude or include special dividends or dividends in specie.

9.2.13 ***Alternative settlement***

At its discretion, the Board may decide to satisfy awards granted under the LTIP with a payment in cash or Ordinary Shares equal to any gain that a participant would have made had the relevant award been satisfied with Ordinary Shares.

9.2.14 ***Rights attaching to Shares***

Ordinary Shares issued and/or transferred under the LTIP will not confer any rights on any participant until the relevant award has vested or the relevant option has been exercised and the participant in question has received the underlying Ordinary Shares. Any Ordinary Shares allotted when an option is exercised or an award vests will rank equally with Ordinary Shares then in issue (except for rights arising by reference to a record date prior to their issue).

9.2.15 ***Amendments***

The Board may, at any time, amend the provisions of the LTIP in any respect. The prior approval of the Company in general meeting must be obtained in the case of any amendment to the advantage of participants which is made to the provisions relating to eligibility, individual or overall limits, the persons to whom an award can be made, the adjustments that may be made in the event of any variation to the share capital of the Company and/or the rule relating to such prior approval, save that there are exceptions for any minor amendment to benefit the administration of the LTIP, to take account of the provisions of any proposed or existing legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants, the Company and/or its other Group companies. Amendments may not normally adversely affect the rights of participants except where participants are notified of such amendment and the majority of participants approve such amendment.

9.2.16 ***Overseas plans***

The Board may, at any time, establish further plans based on the LTIP for overseas territories. Any such plan shall be similar to the LTIP but modified to take account of local tax, exchange control or securities laws. Any Ordinary Shares made available under such further overseas plans must be treated as counting against the limits on individual and overall participation under the relevant plan.

9.2.17 ***Benefits not pensionable***

The benefits received under the LTIP are not pensionable.

10. PRE-ADMISSION REORGANISATION

10.1 Immediately prior to Admission, the Company will be a wholly owned indirect subsidiary of Strix Investments Limited, a company controlled by AAC Capital Partners (Guernsey) Limited, the general partner of AAC UK Buy Out Fund LP. Strix Investments Limited controls its investment in the Company via (i) George Bond Limited, its wholly owned subsidiary; (ii) George Mezz Limited, a wholly owned subsidiary of George Bond Limited; (iii) Sterna Group Limited, a wholly owned subsidiary of George Mezz Limited; and (iv) Strix Group Limited, a wholly owned subsidiary of Sterna Group Limited. Strix Investments Limited, George Bond Limited, George Mezz Limited, Sterna Group Limited and Strix Group Limited, each of which is incorporated in Bermuda, are referred to collectively as the "**Bermuda Group**".

10.2 In connection with Placing and the Admission, the Bermuda Group, and certain other members of the Group are undertaking a reorganisation, the material steps of which are summarised in paragraph 10.3 below. The overall purpose of the Pre-Admission Reorganisation is to facilitate the repayment of existing bank debt and shareholder loans held in the Bermuda Group using the net proceeds of the Placing and an agreed level of surplus cash in the Operating Group, and to separate the Bermuda Group from the overall corporate structure, such that with effect from Admission, the Company is the ultimate parent company of the Group and the Ordinary Shares are the only class of share of the Company in issue.

10.3 The step described in paragraph 10.3.1 was undertaken prior to the publication of this Document. The steps described in paragraphs 10.3.2 and 10.3.3 will be undertaken pursuant to documentation that will be entered into prior to and conditional upon (and to take effect immediately prior to) Admission. The steps described in paragraphs 10.3.4 and 10.3.5 will be undertaken pursuant to documentation that will be entered into prior to and conditional upon (and to take effect immediately upon) Admission:

10.3.1 on 20 July 2017, Sula Limited and Strix Limited re-registered as companies under the IOM Act. Prior to re-registration, these companies were registered in the Isle of Man under the Isle of Man Companies Acts 1931 to 2004. The purpose of that re-registration was to facilitate the payment of certain dividends as part of the Pre-Admission Reorganisation;

10.3.2 Strix Limited and Strix Group Limited will enter into a sale and purchase agreement pursuant to which Strix Group Limited agrees to contribute the entire issued share capital of Strix Far East Limited to Strix Limited, for no consideration. Strix Limited and Strix Group Limited will also enter into a sale and purchase agreement pursuant to which Strix Group Limited agrees to sell all of the preference shares in the issued capital of Strix (U.K.) Limited to Strix Limited for £1. In addition, a resolution will be approved to convert all of the preference shares in Strix (U.K.) Limited into ordinary shares. The purpose of those steps is to simplify the group structure prior to Admission and to ensure that all of the shares of Strix Far East Limited, and the Strix (U.K.) Limited shares, are held by Strix Limited, at the time of Admission;

10.3.3 the Company and Strix Group Limited will enter into a sale and purchase agreement pursuant to which Strix Group Limited agrees to transfer the entire issued share capital of Sula Limited to the Company in consideration for the issue to Strix Group Limited of one A ordinary share in the capital of the Company, such share to be issued at a premium equal to the aggregate fair market value of the Operating Group. The purpose of this step is to insert the Company as the holding company of Sula Limited, and therefore of the Group, prior to Admission;

10.3.4 the directors of the Company will pass a resolution to, conditional upon Admission, reduce the Company's share capital. The purpose of that reduction of capital will be to reduce the share premium created by the step summarised in paragraph 10.3.3 above and the issue of the Placing Shares. The capital reduction will take effect upon Admission; and

10.3.5 the Company and Strix Group Limited will enter into a share buyback agreement, conditional on Admission, pursuant to which the Company agrees to repurchase and cancel all of the A ordinary shares in the capital of the Company held by Strix Group Limited (being the initial A ordinary share held by Darbara Limited on incorporation of the Company, which will be transferred to Strix Group Limited, prior to Admission together with the A ordinary share which will be issued to Strix Group Limited pursuant to the step summarised in paragraph 10.3.3 above), in consideration of the payment to Strix Group Limited of an amount equal to the net proceeds of the Placing and an agreed level of surplus cash in the Operating Group. The purpose of this step is to separate the Group from the Bermuda Group, such that, at Admission, the Ordinary Shares are the only class of share of the Company in issue.

11. TAXATION

An investment in the Company involves a number of complex tax considerations. Changes in tax legislation in the Isle of Man (or in any other country in which a subsidiary of the Company is located), or changes in tax treaties negotiated by those countries, could adversely affect the returns from the Company to investors.

Potential investors should consult their professional advisers on the potential tax consequences of subscribing for, purchasing, holding, converting or selling Ordinary Shares under the laws of their country and/or state of citizenship, domicile or residence.

11.1 Isle of Man Taxation

General

The standard rate of corporate tax in the Isle of Man is 0 per cent., with the exception of profits from licensed deposit-taking business (10 per cent.); income derived from Isle of Man situated land and property (20 per cent.); and profits from retailing activity carried on in the Island if the annual profits exceed £0.5 million (10 per cent.).

Shareholders resident in the Isle of Man will, depending upon their particular circumstances, be liable to income tax in the Isle of Man on dividends received from the Company. Furthermore, in the event of a buyback of shares by the Company or the receipt of proceeds on a winding-up of the Company, Isle of Man resident shareholders may, depending upon their circumstances, be liable to income tax in the Isle of Man on the income element of the proceeds received. No Isle of Man tax will be withheld from distributions to Shareholders and there are no current exchange control restrictions in the Isle of Man.

Shareholders resident outside the Isle of Man will have no liability to Isle of Man income tax on dividends received from the Company, or on the proceeds of any share buyback by the Company or any proceeds on any winding-up of the Company. There is no capital gains tax, inheritance tax, stamp duty or stamp duty reserve tax in the Isle of Man. A probate fee may be payable in respect of the estate of a deceased Shareholder; these fees currently range from £27 for an estate with a value not exceeding £10,000, up to £8,000 for estates valued in excess of £1 million.

11.2 UK Taxation

11.2.1 ***General***

The following statements are of a general and non-exhaustive nature based on the current UK tax law and published practice of HM Revenue & Customs, both of which are subject to change at any time (possibly with retrospective effect). The comments below are intended as a general guide and may not apply to certain classes of persons holding Ordinary Shares such as (but not limited to) dealers in securities, insurance companies, life assurance companies, collective investment schemes, any Ordinary Shares held through an individual savings account or a self-invested personal pension plan, or shareholders who have (or are deemed to have) acquired their Shares by virtue of an office or employment, who may be subject to special rules. In addition, except where the position of non-UK residents is expressly referred to, the following statements relate solely to persons who are resident (and, in the case of individuals, domiciled) in the UK for tax purposes, who hold their Ordinary Shares as an investment and who are the absolute beneficial owner of the Ordinary Shares and of any dividends paid on them. This summary does not therefore purport to be a complete analysis or listing of all of the potential tax consequences of acquiring and holding Ordinary Shares.

All potential investors, and in particular those who are in any doubt about their tax position, or who are resident or otherwise subject to taxation in a jurisdiction outside the UK, should consult their own professional advisers on the potential tax consequences of subscribing for, purchasing, holding or selling Shares under the laws of their country and/or state of citizenship, domicile or residence.

11.2.2 ***The Company***

The Directors intend to conduct the Company's affairs in such a manner as to minimise, by lawful means, taxation suffered by the Company. This will include conducting the Company's affairs so that it does not become resident in the UK for taxation purposes. Provided that the Company does not become UK resident by virtue of central management and control taking place in the UK and provided that the Company does not carry on a trade in the UK (whether or not through a permanent establishment situated therein or hold an interest (including off plan interest) in UK residential property), the Company will not be subject to UK corporation tax or UK income tax other than, potentially, UK income tax on UK source income.

11.2.3 ***The Shareholders***

Disposal of Shares

(a) UK resident individual Shareholders

A disposal or deemed disposal of Ordinary Shares by an individual Shareholder who is within the charge to United Kingdom tax may give rise to a chargeable gain or an allowable loss for the purposes of United Kingdom taxation on chargeable gains, depending on the Shareholder's circumstances The rate of capital gains tax is 10 per cent. (2017/2018) for individuals who are subject to income tax at the basic rate and 20 per cent. (2017/2018) for individuals who are subject to income tax at the higher or additional rates. An individual Shareholder is entitled to realise an annual exempt amount of gains (currently £11,300) for the year to 5 April 2018 without being liable to tax. The annual exempt amount for trusts is £5,650 for the year to 5 April 2018. The capital gains tax rate on share disposals is 20 per cent. (2017/2018) for trusts.

(b) UK resident corporate Shareholders

For a corporate Shareholder within the charge to UK corporation tax, a disposal (or deemed disposal) of Ordinary Shares may give rise to a chargeable gain or an allowable loss for the purposes of UK corporation tax. UK corporation tax is charged on chargeable gains at the rate of corporation tax applicable to that Shareholder (currently 19 per cent. for companies with effect from 1 April 2017). Indexation allowance may reduce the amount of chargeable gain that is subject to corporation tax by increasing the chargeable gains tax base cost of an asset in accordance with the rise in the retail prices index but indexation allowance cannot create or increase any allowable loss.

A gain accruing to a corporate Shareholder on a disposal of shares in the Company may qualify for the substantial shareholding exemption if certain conditions are fulfilled. If the substantial shareholding exemption applies, gains are exempt from tax and losses do not accrue.

(c) Non-UK resident Shareholders

A Shareholder who is not resident in the United Kingdom for tax purposes but who carries on a trade, profession or vocation in the United Kingdom through a branch or agency, or through a permanent establishment (where the Shareholder is a company), may be subject to United Kingdom taxation on chargeable gains on a disposal of Ordinary Shares which are situated in the UK and are used in, held or acquired for use by, or for the purposes of, such trade, profession or vocation or such permanent establishment, branch or agency (as appropriate). As registered shares are regarded as situated where they are registered, which, in the case of the Company, is the Isle of Man, the Ordinary Shares will not be situated in the United Kingdom.

A Shareholder who is an individual who has ceased to be resident or ordinarily resident in the United Kingdom for tax purposes for a period of less than five years of assessment and who disposes of Ordinary Shares during that period may also be liable, on his return to the United Kingdom, to United Kingdom taxation on chargeable gains (subject to any available exemption or relief).

Taxation of dividends

(a) Individual Shareholder

An individual Shareholder who is resident and domiciled in the United Kingdom for tax purposes may, depending on their circumstances, be liable to UK income tax in respect of dividends paid by the Company.

All dividends received from the Company by an individual Shareholder who is resident and domiciled in the UK will, except to the extent that they are earned through an ISA, self-invested pension plan or other regime which exempts the dividend from tax, form part of the Shareholder's total income for income tax purposes.

From 6 April 2016, a nil rate of income tax will apply to the first £5,000 of dividend income received by an individual shareholder in a tax year (the "Nil Rate Amount"), regardless of what tax rate would otherwise apply to that dividend income. Any dividend income received by an individual shareholder in a tax year in excess of the Nil Rate Amount will be subject to income tax at the following dividend rates for 2017/2018: 7.5 per cent. for basic rate taxpayers, 32.5 per cent. for higher rate taxpayers and 38.1 per cent. for additional rate taxpayers.

Dividend income that is within the Nil Rate Amount counts towards an individual's basic or higher rate limits – and will therefore affect the level of savings allowance to which they are entitled, and the rate of tax that is due on any dividend income in excess of the Nil Rate Amount. In calculating into which tax band any dividend income over the Nil Rate Amount falls, savings and dividend income are treated as the highest part of an individual's income. Where an individual has both savings and dividend income, the dividend income is treated as the top slice.

(b) Corporate Shareholder

A UK resident corporate Shareholder which is considered to be a "small company" for the purposes of Chapter 2 of Part 9A of the Corporation Tax Act 2009 will be liable to UK corporation tax on dividends received from the Company as the Company is not resident in the UK or resident in a qualifying territory. As such, small UK corporate shareholders receiving dividends from the Company will be liable to UK corporation tax (currently at a rate of 19 per cent. from 1 April 2017).

A UK resident corporate Shareholder which is not a "small company" for the purposes of the UK taxation of dividends legislation in Part 9A of the Corporation Tax Act 2009 will be liable to UK corporation tax (currently at a rate of 19 per cent. from 1 April 2017) unless the dividend falls within one of the exempt classes set out in Part 9A. Shareholders within the charge to UK corporation tax are advised to consult their professional advisers to determine the UK corporation tax treatment of such dividends.

Anti-avoidance

The attention of individuals resident in the United Kingdom is drawn to the provisions contained in Chapter 2 of Part 13 of the UK Income Tax Act 2007. These provisions are aimed at preventing the avoidance of income tax by individuals transferring income or income-producing assets through transactions resulting in the transfer of assets or income to persons (including companies) resident or domiciled abroad in circumstances which enable those individuals (or certain family members) to benefit from those assets either immediately or in the future. These provisions impose an annual income tax charge and the nature of the benefit is widely defined and can include undistributed income and profits of the Company on an annual basis.

More generally, the attention of Shareholders is also drawn to the provisions contained in Chapter 1 of Part 13 of the Income Tax Act 2007 (for individual shareholders) and Part 15 of the Corporation Tax Act 2010 (for corporate shareholders) which give powers to HM Revenue & Customs to cancel tax advantages derived from certain transactions in securities.

Stamp duty and stamp duty reserve tax

Under the arrangements made in connection with Admission, no United Kingdom *ad valorem* stamp duty or stamp duty reserve tax will be payable by a Shareholder in connection with the purchase of the Placing Shares.

No United Kingdom ad valorem stamp duty will be payable in connection with transfer of the Ordinary Shares executed outside the United Kingdom, unless it related to any property situated, or to any matter or thing done or to be done, in the United Kingdom and the transfer is brought into the United Kingdom. No United Kingdom stamp duty reserve tax will be payable in respect of any agreement to transfer Ordinary Shares, unless they are registered in a register kept in the United Kingdom by or on behalf of the Company. It is not intended that such a register will be kept in the United Kingdom.

12. WORKING CAPITAL

The Directors are of the opinion, having made due and careful enquiry and having regard to the New Debt Facilities and the net proceeds of the Placing, that the working capital available to the Company and the Group will, from Admission, be sufficient for their present requirements, that is for at least 12 months from the date of Admission.

13. LITIGATION

There are no governmental, legal or arbitration proceedings which may have or have had in the recent past a significant effect on the Company's or the Group's financial position or profitability (and the Company is not aware of any such proceedings which are pending or threatened).

14. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Group within the period of two years preceding the date of this Document which are or may be material or have been entered into by any member of the Group and contain any provision under which any member of the Group has any obligation or entitlement which is material to the Group at the date of this Document:

14.1 **Placing Agreement**

In connection with the Placing, the Company, the Directors, Zeus Capital and certain shareholders of Strix Investments Limited entered into the Placing Agreement on 27 July 2017. The Placing Agreement is conditional on, among others, Admission occurring on 8 August 2017 or such later date (not being later than 5.00 p.m. on 31 August 2017) as Zeus Capital and the Company may agree. Under the Placing Agreement, among others:

14.1.1 Zeus has agreed, as agent of the Company, to use its reasonable endeavours to procure placees to subscribe for the Placing Shares at the Placing Price;

14.1.2 the Company has agreed, provided the agreement becomes unconditional, to (a) pay to Zeus Capital a corporate finance fee of £250,000, (b) pay to Zeus Capital an aggregate commission of 4 per cent. of the aggregate value at the Placing Price of the Placing Shares (plus any applicable VAT) and (c) to issue the Warrants referred to in paragraph 14.4 of this Part V;

14.1.3 the Company has agreed to pay all of the costs and expenses of and incidental to the Placing and related arrangements together with any applicable VAT;

14.1.4 each of the Directors has undertaken to Zeus Capital not to dispose of any Ordinary Shares in which they are interested at Admission within the first 12 months after Admission, subject to certain customary exceptions;

14.1.5 the Company and the Directors have given certain warranties to Zeus Capital as to the accuracy of the information in this Document and as to other customary matters relating to the Group. The Company has given a customary indemnity to Zeus Capital against liabilities arising in connection with the Placing and Admission; and

14.1.6 Zeus Capital may terminate the Placing Agreement before Admission in certain circumstances, including for material breach of the warranties referred to above.

14.2 **Nominated Adviser and Broker Agreement**

The Company and the Directors entered into a Nominated Adviser and Broker Agreement dated 27 July 2017 with Zeus, pursuant to which Zeus agreed to act as the Company's nominated adviser and broker for an initial period of 12 months, terminable by either party on three months' notice after the expiry of the initial term. Zeus undertook to provide the services of a nominated adviser as required under the AIM Rules and the Company and the Directors agreed to comply with their obligations under the AIM Rules. The Company has agreed to pay Zeus a fee of £75,000 per annum (plus applicable VAT) under the terms of the agreement.

14.3 **New Debt Facilities**

On 27 July 2017 the Company, amongst others, entered into a revolving credit facility agreement with The Royal Bank of Scotland Plc (as agent), the Royal Bank of Scotland International Limited and HSBC Bank plc (as the original lenders) in respect of a revolving credit facility of £70,000,000. Pursuant to the agreement, the Company or Sula Limited, as borrowers can draw down individual loans in order to repay the Existing Facilities (as defined below), finance working capital and for general corporate purposes of the Group. Interest is payable on amounts drawn at the rate of 2.20 per cent. above LIBOR (or EURIBOR, for any loan in Euros). In addition, a commitment fee is payable of 35 per cent. per annum of the margin on the undrawn commitment. The term of the agreement is 5 years from the date of the agreement. 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 agreement contains representations and warranties which are usual for an agreement of this nature together with certain financial covenants. An arrangement fee of £700,000 is payable pursuant to the agreement. Strix Limited, the Company and Sula Limited have also entered into the agreement as guarantors, guaranteeing the obligations of the borrowers under the agreement. The agreement has been drafted on the basis of the Loan Market Association investment grade facility agreement.

Upon Admission, Sula Limited will draw down under the facilities agreement described above in order to repay in full the existing facilities of the Group, which is documented in a senior facilities agreement originally dated 22 April 2005 and most recently amended and restated on 23 May 2014 between, amongst others, George Mezz Limited as the borrower and The Royal Bank of Scotland PLC as the agent ("Existing Facilities"). All of the security granted by the Group in relation to the Existing Facilities will be released.

14.4 **Warrant Agreement**

The Company and Zeus entered into a Warrant Agreement dated 27 July 2017 pursuant to which the Company has granted Zeus warrants to subscribe for 3,800,000 Ordinary Shares at the Placing Price, exercisable at any time in the period commencing on the second anniversary of Admission and ending on the tenth anniversary of Admission. The warrants are not capable of exercise prior to the second anniversary of Admission, save in certain limited circumstances relating to a winding up, takeover, or scheme of arrangement of the Company.

15. MANDATORY BIDS AND SQUEEZE OUT

15.1 Mandatory bids

The Takeover Code applies to the Company. Under the Takeover Code, if an acquisition of Ordinary Shares were to increase the aggregate holding of the acquiror and its concert parties to shares carrying 30 per cent. or more of the voting rights in the Company, the acquiror (and, depending on the circumstances, its concert parties) would be required, except with the consent of the Takeover Panel, to make a cash offer for the outstanding shares in the Company at a price not less than the highest price paid for any interest in the Ordinary Shares by the acquiror or its concert parties during the previous 12 months. This requirement would also be triggered by a person holding (together with its concert parties) Ordinary Shares carrying between 30 and 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase that person's percentage of voting rights.

The Directors and the Company are not aware of the existence of any takeover offers by third parties in respect of the share capital of the Company.

15.2 Squeeze out

Section 160 of the IOM Act provides that if, within certain time limits, an offer is made for the issued shares of the Company, the offeror is entitled to acquire compulsorily any remaining shares if it has, by virtue of acceptances of the offer, acquired or unconditionally contracted to acquire not less than 90 per cent. in value of the shares to which the offer relates and in a case where the shares to which the offer relates are voting shares, not less than 90 per cent., of the voting rights carried by those shares. The offeror would effect the compulsory acquisition by sending a notice to outstanding shareholders telling them that it will compulsorily acquire their shares and then, the offeror shall, unless on an application made to the court by a dissenting shareholder within one month from the date on which the notice was given the court thinks fit to order otherwise, pay the consideration for the shares to the Company to hold on trust for the outstanding shareholders. The consideration offered to shareholders whose shares are compulsorily acquired under the IOM Act must, in general, be the same as the consideration available under the takeover offer.

16. NOTIFICATION OF SHAREHOLDINGS

The provisions of DTR 5, which do not apply directly as the Company is an Isle of Man company, shall be deemed to apply to the Company under the Articles. DTR 5 sets out the notification requirements for Shareholders and the Company where the voting rights of a Shareholder exceed, reach or fall below the threshold of 3 per cent. and each 1 per cent. thereafter up to 100 per cent. DTR 5 provides that disclosure by a Shareholder to the Company must be made within two trading days of the event giving rise to the notification requirement and the Company must release details to a Regulatory Information Service as soon as possible following receipt of a notification.

17. RELATED PARTY TRANSACTIONS

Save as disclosed in note 22 of the financial information contained in Section B of Part III there are no related party transactions during the period commencing on 1 January 2014 and ending on the date of this Document.

18. NO SIGNIFICANT CHANGE

There has been no significant change in the financial or trading position of the Operating Group since 31 December 2016, being the date to which the last audited historical financial information of the Operating Group was prepared.

There has been no significant change in the financial or trading position of the company, since 12 July 2017 being the date of its incorporation.

19. GENERAL

19.1 The Nominated Adviser and Broker to the Company is Zeus Capital Limited of 82 King Street, Manchester M2 4WQ, which is authorised and regulated by the Financial Conduct Authority. Zeus

Capital has given and has not withdrawn its written consent to references to its name in the form and content in which they are included.

19.2 Certain Strix employees (including the executive Directors) will receive bonus payments in relation to additional work undertaken by them in connection with Admission and the Placing. Those bonuses, which amount to £3.99 million (before tax), in aggregate, of which, Mark Bartlett and Raudres Wong will receive £1.1 million and £0.8 million respectively, will be paid to those persons after Admission but will be funded entirely by cash that will be held in the Group prior to Admission, and will not be funded by the net proceeds of the Placing.

19.3 The expenses of or incidental to the Placing and Admission are payable by the Company and are estimated to amount to £14.6 million (excluding value added tax).

19.4 The total proceeds of the Placing expected to be raised by the Company are £190,000,000 and the net proceeds, after deduction of the expenses, are estimated to be £175,400,000. As noted at paragraph 10 of Part I of this Document, as a result of the implementation of the Pre-Admission Reorganisation, the Company will not retain the net proceeds of the Placing for its own benefit.

19.5 The International Security Identification Number (ISIN) of the Ordinary Shares is IM00BF0FMG91.

19.6 Other than the intended application for Admission, the Ordinary Shares have not been admitted to dealings on any recognised investment exchange nor has any application for such admission been made, nor, except as stated below, are there intended to be any other arrangements for dealings in the Ordinary Shares.

19.7 The auditors of the entities comprising the Operating Group for the period covered by the historical financial information set out in Section B of Part III of this Document have been PricewaterhouseCoopers LLC, of Sixty Circular Road, Douglas, Isle of Man, IM1 1SA.

PricewaterhouseCoopers LLP of 101 Barbirolli Square, Lower Mosley Street, Manchester, M2 3PW is a member of the Institute of Chartered Accountants in England and Wales, has given and not withdrawn its written consent to the inclusion of its accountants report set out in Section A of Part III of this Document in the form and context in which it appears and has authorised its report for the purpose of Schedule Two of the AIM Rules for Companies.

19.8 PricewaterhouseCoopers LLC have been the Company's auditors since incorporation. As the Company was incorporated on 12 July 2017 it has not been required to prepare any audited financial statements prior to the date of this Document.

19.9 The following persons have received fees totalling ten thousand pounds (£10,000) or more, from Strix within the last 12 months:

- Dehns LLP
- Bennett Brooks & Co Ltd.
- Oliver Wyman (a business unit of Marsh & McLennan Companies, Inc.)

19.10 Save as disclosed in paragraph 19.9, no person (other than professional advisers otherwise disclosed in this Document and trade suppliers) has received, directly or indirectly, from the Company within the 12 months preceding the date of this Document; or entered into contractual arrangements (not otherwise disclosed in this Document) to receive, directly or indirectly, from the Company on or after completion of the Placing any of the following:

19.10.1 fees totalling ten thousand pounds (£10,000) or more;

19.10.2 securities in the Company with a value of ten thousand pounds (£10,000) or more calculated by reference to the Placing Price; or

19.10.3 any other benefit with a value of ten thousand (£10,000) or more at the date of completion of the Placing.

19.11 The Ordinary Shares are in registered form and will, following Admission, be capable of being held in uncertificated form. Prior to the despatch of share certificates following the Placing, transfers will be certified against the register of members. The Company has applied to Euroclear UK & Ireland Limited, the operator of CREST, for the ordinary shares to be admitted to CREST with effect from Admission. CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by certificate and transferred otherwise than by written instrument, The Articles permit the holding of ordinary shares under CREST. CREST is a voluntary system and holders of Ordinary Shares who wish to retain share certificates will be able to do so.

19.12 Save as disclosed in this Document, there have been no principal investments made by the Company during the last three financial years, the Company has no investments in progress which are significant and has made no firm commitments regarding future investments.

19.13 Save as disclosed in this Document, there are no environmental issues that the Directors have determined may affect the Company's utilisation of tangible fixed assets and the Directors have not identified any environmental events that have occurred since the end of the last financial year which are considered to be likely to have a material effect on the Company's prospects for the current financial year.

19.14 Certain information in this Document has been sourced from third parties. The Company confirms that all third-party information contained in this Document has been accurately reproduced and, so far as the Company is aware, and able to ascertain from information published by that third party, no facts have been omitted that would render the reproduced information inaccurate or misleading.

Where third-party information has been used in this Document, the source of such information has been identified.

20. DOCUMENTS AVAILABLE FOR INSPECTION

20.1 Copies of the following documents are available for inspection during normal business hours on any weekday (except Saturdays, Sundays and public holidays) free of charge from the Company's registered office and shall remain available for at least one month after Admission:

(a) the Memorandum and Articles of the Company;

(b) the report from PricewaterhouseCoopers LLP which is set out in Section A of Part III of this Document; and

(c) this Document.

Date: 27 July 2017

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