23 March 2021

LUCECO PLC
2020 FULL YEAR RESULTS

Record 2020 results underline our potential

Luceco plc ("Luceco", or the "Group" or the "Company"), a manufacturer and distributor of high quality and innovative wiring accessories, LED lighting , and portable power products, today announces its audited results for the year ended 31 December 2020 ("FY 2020" or "the period").

	Reported results				Adjusted[1] results			
Year ended 31 December (£m)	**2020**	**2019**	**Change (%)**	**Change at constant FX rate[2]**	**2020**	**2019**	**Change (%)**	**Change at constant FX rate[2]**
Revenue	**176.2**	172.1	2.4%	2.1%	**176.2**	172.1	2.4%	2.1%
Gross margin %	**39.8%**	37.5%	2.3ppts		**39.8%**	36.2%	3.6ppts	2.7ppts
Operating profit	**29.6**	20.2	46.5%		**30.0**	18.0	66.7%	59.4%
Operating margin %	**16.8%**	11.7%	5.1ppts		**17.0%**	10.5%	6.5ppts	5.8ppts
Profit before tax	**33.6**	17.1	96.5%		**28.7**	15.8	81.6%	
Profit after tax	**27.9**	13.1	113.0%		**24.0**	12.1	98.3%	
Basic earnings per share	**18.0p**	8.3p	116.9%		**15.5p**	7.7p	101.3%	
Net debt	**18.3**	27.4	(33.2%)					
Net debt : EBITDA[1]					**0.5**	1.1	(51.8%)	
Free cash flow	**17.7**	13.0	36.2%		**22.7**	18.9	20.1%	
Return on capital invested					**35.7%**	21.8%	13.9ppts	
Dividend per share (pence)	**6.2p**	2.3p[3]	168.6%					

1. The definitions of the adjustments made and reconciliations to the reported figures can be found in note 1 of the consolidated financial statements
2. 2020 translated at 2019 exchange rates. These were 1.28 for £: US dollar and 8.80 for £: RMB. Further details in note 10 of the consolidated financial statements
3. Restated to include a dividend of 1.7 pence per share paid during 2020 in lieu of the 2019 final dividend that was suspended due to COVID-19

Financial highlights

- Revenue increased by 2.4% to £176.2m:
  - Ground lost to COVID-19 in H1 (-13.4%) more than compensated by strong growth in H2 (+17.0%)
  - Outperformed the UK market
- Adjusted Gross Margin increased by 3.6 percentage points to 39.8%:
  - 10.9 percentage point increase over the last three years
  - Primarily driven by manufacturing efficiency gains, better sourcing and improved sales mix
  - The foundation of improved Group profitability
- Adjusted Operating Profit increased by £12.0m to £30.0m:
  - Strong profit growth in a low revenue growth environment
  - Driven by gross margin expansion and diligent overhead control
- Adjusted Free Cash Flow increased by £3.8m to £22.7m, another year of double-digit free cash flow margin
- Net debt reduced by £9.1m to £18.3m and leverage by 0.6x to 0.5x Adjusted EBITDA, providing capacity for future investment in growth
- Record Adjusted EPS of 15.5p (2019: 7.7p), double last year
- Dividend payout increased to 40%, with 4.7p final dividend proposed, in addition to the 1.5p interim dividend, in line with revised dividend policy of 40-60% of earnings

Business highlights

- Early and comprehensive response to COVID-19:
  - Primary focus on employee wellbeing
  - Actions taken to reduce costs and maximise liquidity
  - UK furlough monies fully repaid, with no further government support required
- Business model and strategy provides a clear advantage during the pandemic
- Strong contribution from our own manufacturing facility providing operational agility throughout the year
- Well positioned to benefit from the move to a net zero economy:
  - Already selling energy efficient products
  - Electrification of energy and transport presents significant opportunities
  - Clear priorities set for 2021

Commenting on the results, Chief Executive Officer, John Hornby said:

"Our record-breaking performance in 2020 is a testament to our structural resilience, operational agility and our committed, hard working employees. I would like to take this opportunity to thank my Luceco colleagues for their contribution and support during this most challenging of years.

"We have started 2021 with strong momentum despite tighter social distancing measures in some markets. Revenue growth has accelerated from the high levels achieved at the end of last year as new business wins, increased home improvement spending, superior access to high growth channels and product availability combine to sustain further market share gains.

"We have seen inflation in raw material and freight costs in 2021 as economies recover from COVID-19. These can be expected to create some temporary gross margin pressures for all manufacturers until they are passed through the value chain or otherwise subside. However, we expect our strong sales momentum and tight control of overheads to mitigate the impact of inflation on operating margins, which should be similar to those achieved in 2020. We therefore remain confident of further revenue and profit progression in 2021."

There will be a conference call on the results at 9:30am today for analysts and investors. Please contact Florence Mayo at MHP Communications on 020 3128 8572 or email luceco@mhpc.com for details.

Luceco will also be presenting via the Shares and AJ Bell investor evening webinar on 24th March 2021 at 18:00 GMT. If you would like to register to join the webinar, please use this link: https://www.sharesmagazine.co.uk/events/event/shares-investor-evening--webinar-240321.

Luceco is also pleased to announce that management will make a presentation on the Company's full year results for the year ended 31 December 2020 on 29 March 2021 at 11:00 GMT on the Investor Meet Company ("IMC") platform. This online presentation is freely available to all existing and potential shareholders. They can sign up to the IMC platform free of charge via https://www.investormeetcompany.com/luceco-plc/register-investor.

Questions can be submitted prior to the event using the IMC 'dashboard', or at any time during the presentation using the IMC 'Ask a Question' function. Please note regulatory constraints may prevent the Company from answering every question it receives. The questions and answers from the event will be published on the IMC platform at the earliest opportunity. Investors may also submit feedback directly to management after the presentation using the IMC platform.

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Business summary

Luceco is a manufacturer and distributor of high quality and innovative wiring accessories, LED lighting and portable power products for a global customer base.

The Group supplies trade distributors, retailers, wholesalers and project developers with a wide range of products which broadly fall into the following market recognised brands:

- British General ("BG"): wiring devices including switches and sockets, circuit protection and cable management products;
- Luceco and Kingfisher Lighting: energy efficient internal and external LED lighting products and accessories; and
- Masterplug: cable reels, extension leads, surge protection, timers and adaptor products;

Luceco's long-established BG brand commands a loyal following amongst professional electrical contractors in both the UK and overseas. It is synonymous with quality, safety, innovation and value for money. The production of BG wiring accessories is the main focus of the Group's Chinese manufacturing facility, allowing it to control product quality, cost and availability.

The Luceco and Kingfisher LED lighting brands combine to present a comprehensive range of indoor and outdoor LED lighting solutions that is well positioned to benefit from growth in the net zero economy. The range focuses largely on professionally installed products with an emphasis on performance and quality. The Group is able to support these products by offering customers access to its in-house installation design team.

Masterplug is the market leading brand in the UK Portable Power category. It is sold largely to consumers through retail distribution and online. Its products are offered in a wide range of global electrical standards and they are sold in every territory in which the Group operates.

Forward-looking statements

This announcement contains forward-looking statements that are subject to risk factors associated with, among other things, the economic and business circumstances occurring from time to time in the countries, sectors and markets in which the Group operates. It is believed that the expectations reflected in these statements are reasonable, but they may be affected by a wide range of variables which could cause actual results to differ materially from those currently anticipated. No assurances can be given that the forward-looking statements in this announcement will be realised.

The forward-looking statements reflect the knowledge and information available at the date of preparation of this announcement and the Company undertakes no obligation to update these forward-looking statements. Nothing in this announcement should be construed as a profit forecast.

CHAIRMAN'S STATEMENT

2020 saw a record performance that suggests greater long-term potential

I am pleased to introduce the Company's results for the year ended 31 December 2020, a year in which Luceco overcame the challenges of COVID-19 to deliver record profits. 2020 saw a significant step forward in performance and marks an important step towards realising Luceco's long-term potential.

Performance

The Group's record performance was delivered against a challenging market backdrop which served to highlight Luceco's key competitive advantages.

An early and agile response to COVID-19 from our experienced management team allowed the Group to safeguard its employees, minimise disruption and maximise performance throughout the year.

Control of its own manufacturing meant the Group could closely match product supply to rapidly changing demand, maximising efficiency and gaining market share.

The Group's diverse range of products and routes to market insulated it from COVID-19's uneven effect across the economy and actions taken to improve profitability, both before and throughout the year, ensured strong earnings momentum in a low growth environment.

These key advantages resulted in revenue growth in the year of 2.4%, outperforming the market, which was converted into Adjusted Operating Profit growth of 66.7%. Adjusted Operating Profit for the year was £30.0m whilst statutory operating profit was £29.6m.

People

I am pleased to report that COVID-19 has not caused any serious illness amongst the Group's c.1,650 strong workforce. I would like to thank both the Group's management team for their operational preparedness for the pandemic and the wider workforce for their diligent application of our safeguarding arrangements.

I am proud that Luceco was able to contribute to the wider communal COVID-19 response by continually supplying customers providing essential electrical services and participating in the fit-out of UK NHS Nightingale hospitals.

In a period in which COVID-19 has forced many companies to take difficult decisions, I am pleased to report that the Group made no COVID-19 related headcount or full-year pay reductions. Since the year end the Group repaid in full amounts initially received under the UK Government's Coronavirus Job Retention Scheme ("CJRS"). It received no other forms of UK Government support.

The Group saw improved employee engagement and satisfaction scores following a concerted effort to closely monitor employee feedback and communicate openly during the pandemic.

We welcomed Pim Vervaat as the incoming Senior Independent Director in September 2020. I am sure his extensive international manufacturing experience gained in public companies will prove invaluable in these uncertain times.

Pim succeeded John Barton, who left the Board to devote more time to his wider business interests. I would like to thank John for four years of wise counsel during an important time in the Group's development.

Strategy

Luceco made good progress strategically despite some inevitable COVID-19 disruption.

We saw another year of notable improvement at the Group's Chinese manufacturing facility. The facility's new senior management team, brought in during 2019, delivered improved efficiency and record production output in difficult circumstances.

The responsiveness of the China facility, combined with new business wins, allowed the Group to significantly increase its sales of Wiring Accessories to professional installers in the year – a key strategic priority for the Group.

The Group delivered healthy growth in sales and profits in key international markets despite generally tougher social distancing measures overseas.

The Group made further investments in its UK fulfilment capabilities to improve service levels and lower cost.

Strong cash generation in the year freed up additional capacity for potential future acquisitions, for which the management team has a clear and compelling strategy.

Environment, Social and Governance ("ESG")

The Group already contributes significantly to carbon reduction through its sale of energy efficient products. LED lighting is on average 70% more energy efficient than the lighting method it replaces, avoiding carbon emissions. The Group estimates that the greenhouse gas emissions (“GHG”) thereby avoided by the LED products it sells each year are approximately ten times greater than the emissions it produces.

The Group is well positioned to make an increasing contribution to society’s climate objectives as the inevitable electrification of energy presents new business opportunities.

Luceco’s ESG priorities for 2021, appropriately reflected in Executive compensation plans, are as follows:

- Eliminate or offset Scope 1 and 2 GHG emissions by year end
- Quantify Scope 3 GHG emissions
- Commence participation in the Carbon Disclosure Project
- Launch a comprehensive ESG strategy
- Commit to science-based climate targets

The Board looks forward to reporting the Group’s progress in this area.

Dividend

The last few years have proven the Group’s cash-generating credentials. It has the means to support an increased dividend whilst investing in its ongoing growth strategy.

As previously announced, the Board has therefore approved a new dividend policy with the payout ratio increased from 20-30% to 40-60% of Adjusted Profit After Tax. It is recommending a final dividend of 4.7p per share, which with the interim dividend of 1.5p, is consistent with a 40% payout, payable on 28 May 2021 to shareholders on the register on 23 April 2021. The final date for elections under the Company’s dividend reinvestment plan will be 7 May 2021.

Conclusion

My last Chairman’s Statement at the start of the pandemic explained my belief that the Group’s business model, performance and balance sheet would allow it to withstand the forthcoming challenges of COVID-19.

The past year has shown that my confidence was, and indeed remains, well-founded, thanks in large measure to an outstanding contribution from the Group’s employees.

The pandemic has demonstrated the advantages of Luceco’s business model and accentuated its key qualities of experience, relationships, teamwork, and execution. These attributes will outlast the pandemic and I am confident that they will continue to sustain the Group’s progress as the world gets to grips with COVID-19 and as Luceco continues to realise its potential.

GILES BRAND
Chairman
23 March 2021

CHIEF EXECUTIVE OFFICER'S REVIEW

2020 has vindicated our long-term strategy and highlighted our short-term agility and decisiveness

COVID-19 response
COVID-19 impacted our supply chain in China at an early stage in the pandemic and offered a forewarning of its potential impact on the Group. We prepared early and in earnest.

Supply-side disruption was quickly overcome by swift implementation of social distancing measures in both our China production facility and those of our key suppliers.

The protocols used successfully by our China team were implemented across the rest of the Group ahead of the arrival of the coronavirus.

As COVID-19 arrived in our sales markets, we quickly ensured our distribution operations were COVID-19 secure. We took swift action to protect our financial position by reducing our costs and maximising our liquidity whilst ringfencing long-term initiatives such as product development. As demand recovered, we eased cost constraints gradually whilst preserving the more efficient ways of working introduced during the pandemic.

The COVID-19 driven slowdown in the first half gave way to very strong demand in the second half. I am very proud of the way in which the Luceco team pulled together to ensure customers' needs were met. Colleagues at both our Chinese manufacturing facility and UK distribution centre worked tirelessly to maximise product flow. We served the market better than the competition and consequently gained market share.

I am pleased that our strong second half performance and healthy liquidity allowed us to rightly refund amounts initially received under the UK furlough scheme, meaning we are now not in receipt of any UK Government support.

2020 has been a year like no other. I would like to thank my colleagues for their professionalism, stoicism, and adaptability in a challenging and fast-moving environment. These traits will stand us in equally good stead as we look forward to a period with hopefully less COVID-19 disruption.

Business performance
We entered the year with strong profit momentum and high confidence. Actions taken to lower product cost throughout 2019 resulted in increased margins and good profit growth at the start of 2020.

COVID-19 began to impact us in the middle of the first quarter.

A national lockdown temporarily closed our Chinese factory in mid-February and severely limited its output until March due to displaced workers. Production capacity had returned to normal by April thanks to the professionalism of our factory management team.

The first UK national lockdown at the end of March had a dramatic initial impact on demand as many customers cancelled orders and cautiously closed their branch networks to implement social distancing measures. However, the impact was short-lived.

Whilst COVID-19 undoubtedly dampened commercial construction, it was pleasantly surprising to see residential demand remain strong as consumers spent an increased share of their income on home improvement. We were very well placed to meet this demand.

Multi-channel distributors, particularly those serving the professional installer, continued to service residential demand throughout the pandemic when more traditional "bricks and mortar" channels closed. Our disproportionate share with such distributors, built strategically over many years allowed us to gain market share as they did. COVID-19 has merely accelerated a pre-existing market shift towards multi-channel service and as such, I believe we will retain much of the gains we have made in the year as we emerge from the pandemic.

The gradual reopening in the second half of traditional wholesale channels and the economy more generally also benefited us. It released additional pent-up demand for product which the industry struggled to meet, particularly in the fourth quarter. Our vertically integrated manufacturing and distribution model meant that we could add capacity quicker than those reliant on outsourced models, adding to our market share gains. We were also helped by new business wins negotiated before COVID-19, particularly in the circuit protection category.

As encouraging as our performance has been during COVID-19, the pandemic has created both bright and dark spots. Project-driven LED sales, typically made into commercial or institutional settings, remained understandably lacklustre throughout the year. We were also held back by generally tougher lockdown measures overseas. The resulting Group revenue growth of 2.4% outperformed the market but was lower than our expected range of 5-10%. I am therefore confident that we can continue to grow, perhaps at an accelerated rate, as the world emerges from the pandemic. COVID-19 has also highlighted the relative resilience offered by the Group's diversified product portfolio and sales channel access, even during a global economic shock.

The most pleasing aspect of our performance was the way in which we delivered another year of strong growth in profit and cash in a relatively low revenue growth environment.

We have worked hard over the last three years to improve gross margins, by 10.9 percentage points to 39.8% for the year. We updated selling prices in early 2018 in response to industry-wide cost inflation but have kept prices stable since. We have consistently lowered product costs by improving the efficiency of our own factory and designing and procuring lower cost versions of high quality outsourced products. Continuing momentum in this area will help us as we enter a period in which a combination of pandemic recovery and monetary policy is spurring renewed cost inflation.

Our early and robust response to COVID-19 allowed us to reduce overheads by £3.2m in the first half, of which £1.0m was retained in the second half, despite the pressure of high activity levels, as we embraced more efficient ways of working.

The product of these efforts was a 66.7% increase in Adjusted Operating Profit to £30.0m (2019: £18.0m) and operating profit increased from £20.2m to £29.6m. We also grew our Adjusted Free Cash Flow by 20.1% to £22.7m (2019: £18.9m).

Strong cash generation allowed us to reduce net debt to 0.5x Adjusted EBITDA (2019: 1.1x), below our capital structure target of 1.0-2.0x. This provides us with significant balance sheet capacity for investment in future growth, both organically and by acquisition. Kingfisher Lighting has proven to be a valuable addition to the Group since its purchase in 2017 and I am excited by the role that acquisitions can play in the next phase of the Group's development.

Progress against priorities

Professional sales

One of our key priorities has been to increase our sales to customers serving professional installers. Professionals value the high quality, design and value for money offered by our products. 16.0% revenue growth in Wiring Accessories, typically a professionally installed product, underlines the progress we have made. I am confident this will continue as demand returns to commercial construction.

International sales

Our strategy over recent years has been to maximise the sale of existing products, particularly in the lighting category, by selling them into attractive international markets.

Our strategy delivered another year of revenue growth of 4.5% and 55.8% in Europe and the Americas respectively, despite COVID-19 disruption. Progress in the Middle East was held back as COVID-19 had a particularly disruptive impact on oil-based economies.

We continually review the allocation of resources between markets. This resulted in the merger of our French operations into Spain and the closure of our Hong Kong office in the year without any meaningful loss of sales.

Manufacturing efficiency and effectiveness

I have prefaced above the critical role our manufacturing had in the year. Our Chinese facility was able to increase its output 20 fold from a COVID-19 disrupted trough in February to a record high in December. Cost savings through manufacturing efficiencies were in part offset by increases in raw material cost.

Fulfilment

We continued to invest in our UK distribution centre. We upgraded warehouse equipment and will launch our new warehouse management IT system in the first half of 2021.

Outlook

We have started 2021 with strong momentum despite tighter social distancing measures in some markets. Revenue growth has accelerated from the high levels achieved at the end last year as new business wins, increased home improvement spending, superior channel access and product availability combine to sustain further market share gains.

We have seen inflation in raw material and freight costs in 2021 as economies recover from COVID. These can be expected to create some temporary gross margin pressures for all manufacturers until they are passed through the value chain or otherwise subside. However, we expect our strong sales momentum and tight control of overheads to mitigate the impact of inflation on operating margins, which should be similar to those achieved in 2020. We therefore remain confident of further revenue and profit progression in 2021.

JOHN HORNBY
Chief Executive Officer
23 March 2021

CHIEF FINANCIAL OFFICER'S REVIEW

Strong progress this year, despite tough conditions, means we are able to aim higher

Use of alternative performance measures

The commentary in the Chief Financial Officer's Review uses alternative performance measures, which are described as "Adjusted". Definitions of these measures can be found in note 1 of these financial statements and in the 2020 Annual Report And Accounts. The measures provide additional information for users on the underlying performance of the business, enabling consistent year-on-year comparisons.

Overview

My last Chief Financial Officer's Review explained my firm belief in the Group's attractive market positioning and advantaged business model. I outlined that these attributes had the potential to support a sustainable improvement in the Group's financial performance over time. I quantified the potential by setting a series of near-term financial goals.

The following table summarises our 2020 performance versus my original goals. It also serves as a summary of the Group's financial performance for the year.

I am pleased to report that the Group's excellent progress in 2020 has meant that some of our key targets have already been exceeded despite COVID-19 and have been reset accordingly:

Component	Metric	Original goal[1]	2020 results	**New target[1]**
Revenue	Total revenue growth	5 to 10%	2.4%	**5 to 10%**
Profit	Adjusted Operating Margin %	10 to 15%	17.0%	**15 to 20%**
Cash	Adjusted Operating Cash Conversion %	>100%	113.7%	**>100%**
	Adjusted Free Cash Flow Margin %	5 to 10%	12.9%	**10 to 15%**
Dividends	Earnings payout ratio	20 to 30%	40.0%	**40 to 60%**
Capex	Net capital expenditure as % revenue	3 to 4%	2.5%	**3 to 4%**
Capital structure and returns	Return on Capital Invested %	20 to 30%	35.7%	**30 to 40%**
	Net Debt : Adjusted EBITDA	1.0 to 2.0x	0.5x	**1.0 to 2.0x**
	Adjusted Net Cash Flow as % revenue	5.0%	8.6%	**5.0%**

1. Expected performance range through the economic cycle for the existing business excluding the impact of acquisitions.

COVID-19 resulted in 2020 revenue growth falling slightly short of our normal expectations, as can be seen. However, I am confident that we will return to our targeted range of 5 to 10% in normal market conditions, supported by our acquisition strategy.

This year's step change in profitability has allowed us to target higher "through the cycle" operating margin, free cash flow margin and return on capital.

Income Statement

Revenue

Group revenue increased by £4.1m (2.4%) to £176.2m. The primary drivers are shown below:

Group revenue bridge:	£m	Change %
2019 revenue	172.1	
Currency movements[1]	(0.5)	(0.3%)
Like-for-like increase	4.6	2.7%
Total movement	4.1	2.4%
2020 revenue	**176.2**	

1. Year ended 31 December 2019 translated at 2020 exchange rates to calculate constant exchange rates impact.

Like-for-like growth of 2.7% was heavily influenced by the pandemic. Tight restrictions during the first European lockdowns resulted in a like-for-like revenue decline of 14.4% in the first half. A gradual easing of lockdown restrictions, superior sales channel access, new business wins and rapidly increasing manufacturing output allowed us to outperform the market increasingly as the year progressed, resulting in like-for-like growth of 18.5% in the second half.

We group our customers into the following sales channels:

- Retail: Distributors serving consumers only, including DIY sheds, pure-play online retailers and grocers
- Hybrid: Distributors serving both consumers and professionals, typically with multi-channel service options
- Professional Wholesale: Distributors serving professionals only, largely via a branch network
- Professional Projects: Sale agreed by Luceco direct with professionals, but fulfilled via Professional Wholesale

The uneven impact of COVID-19 on economic activity and customer behaviour resulted in a disparate performance by channel, as shown below. Our diverse channel access offered insulation from this uneven effect.

	2020	2019	Change

Revenue by channel:	£m	£m	%
Retail	**59.9**	60.1	(0.3%)
Hybrid	**42.6**	34.3	24.2%
Professional Wholesale	**46.9**	46.9	0.0%
Professional Projects	**26.8**	30.8	(13.0%)
Total revenue	**176.2**	172.1	2.4%

The Hybrid channel performed well throughout the year, with sales growth of 24.2% contributing significantly to the Group's overall result. The advanced multi-channel capabilities of Hybrid customers provided a continuous distribution point for the professional electrician when the first UK lockdown temporarily closed more traditional Professional Wholesalers.

The Professional Wholesale channel consequently experienced a difficult first half but recovered strongly in the second once branch networks were reconfigured to provide COVID-19 security. The Wiring Accessories industry struggled to meet the pent-up demand this released, but we provided an enhanced service due to our agile vertically integrated model. The Professional Wholesale channel carried good sales momentum into 2021.

Professional Projects revenue declined by 23.9% in the first half as LED project activity was reduced by a combination of economic uncertainty in commercial and institutional markets and limited construction site access. Market conditions improved thereafter, with second half revenue broadly in line with the prior year.

Retail revenue was similar to the prior year as strong demand from DIY and pure-play online customers replaced reduced lower margin grocer business.

	2020	2019[1]	Change
Revenue by geographical location of customer:	**£m**	£m	%
UK	**140.3**	135.1	3.8%
Europe	**18.4**	17.6	4.5%
Middle East and Africa	**7.0**	9.0	(22.2%)
Americas	**6.7**	4.3	55.8%
Asia Pacific	**3.8**	6.1	(37.7%)
Total revenue	**176.2**	172.1	2.4%

1. Prior year comparatives have been updated to fully reflect the drop-ship location of each order.

UK growth of 3.8% was underpinned by progress in the Hybrid channel as detailed above.

European markets were hampered by generally more stringent lockdown conditions than the UK, however, we maintained our recent record of continuous growth in the region via new business wins in the Retail channel.

Sales to Middle East and Africa customers declined by 22% as regional construction projects were delayed by COVID-19 and the economic uncertainty created by low oil prices.

Strong growth in the Americas was driven by our developing LED project business in Mexico and increased sales of Portable Power products to US retailers.

Sales in the Asia Pacific region were heavily disrupted by a COVID-19 impact that started early and lasted throughout the year.

Gross margin

At the end of 2017, we set out to deliver a material improvement in the Group's gross margin. The initial objective was to overcome prevailing currency and commodity inflation, which was achieved quickly. Thereafter, the Group targeted and successively delivered further sustained reductions in product cost from improved sourcing and manufacturing. The outcome to date has been a near 11 percentage points improvement in gross margin over three years, which has been a key driver of improved Group profitability.

The table below illustrates that the Group delivered continuous margin improvement throughout 2019, with some initiatives annualising benefit into 2020. This allowed the Group to deliver improved margins in the first half of 2020 despite COVID-19 disruption creating under-used manufacturing capacity. Margins improved significantly in the second half as strong high margin Wiring Accessories sales drove high factory utilisation.

	H1 2019	H2 2019	**FY 2019**	H1 2020	H2 2020	**FY 2020**
Adjusted Gross Margin %	35.0%	37.4%	**36.2%**	38.4%	40.8%	**39.8%**
Applicable currency rates:						
USD : GBP	1.29	1.26	**1.28**	1.26	1.31	**1.28**
RMB : GBP	8.76	8.85	**8.80**	9.04	8.79	**8.92**
Applicable copper price RMB (tonne)	48,226	48,270	**48,248**	48,000	50,000	**49,000**

The second half gross margin improvement was achieved despite input cost inflation. Inflation has continued in 2021 driven by economic recovery and monetary stimulus. At current prices, it is expected to add approximately £10m to our annual cost base in 2021 and a further £5m thereafter as hedging arrangements are renewed. We have robust plans in place to offset the cost increase in full through various means, albeit that there may be a timing difference in 2021 as our plans are put in place. Industry-wide increases such as these are typically distributed appropriately within the value chain.

Operating costs
Adjusted Operating Costs were £40.2m, a 9.3% reduction over the prior year and operating costs were £40.6m. The Group acted swiftly to reduce costs and preserve cash as COVID-19 took hold at the end of the first quarter of the year. Overheads were gradually reintroduced in the second half as demand recovered, but the Group maintained lower discretionary spending in areas such as travel and entertainment and will continue to do so in 2021. The result for the year was achieved without recourse to mitigating actions such as government-funded COVID-19 support, redundancies or pay reductions. In the first half of the year, the Group received £1.0m from the UK Government's CJRS. The Group's strong second half performance allowed this to be repaid in early 2021, with the associated cost accrued in 2020.

Operating margin
Strong progress on gross margins and tight control of overheads throughout the year allowed the Group to grow Adjusted Operating Profit in a low revenue growth environment by 66.7% to £30.0m (2019: £18.0m). This resulted in record Adjusted Operating Margin of 17.0% (2019: 10.5%) and an increase in our targeted margin performance range to 15-20%. Operating margin was 23.0%.

Net finance expense
Another year of strong cash generation from increased profitability helped reduce net debt from £27.4m to £18.3m. Reduced borrowing and lower interest rates resulted in a reduction in Adjusted Net Finance Expense to £1.3m (2019: £2.2m).

Taxation
The effective tax rate on Adjusted Profit Before Tax reduced from 23.4% in 2019 to 16.4% in 2020 due to better tax planning and a greater proportion of Group profits being taxed at lower rates in the UK. The effective tax rate on profit before tax reduced from 23.4% to 17.0%.

Adjusted Free Cash Flow

£m	**Adjusted[1] 2020**	Adjusted[1] 2019
Operating Profit	**30.0**	18.0
Depreciation and Amortisation	**6.1**	7.9
EBITDA	**36.1**	25.9
Changes in working capital	**(3.1)**	1.0
Other items	**1.1**	0.3
Operating Cash Flow	**34.1**	27.2
Operating Cash Conversion[2]	**113.7%**	151.1%
Net capital expenditure	**(4.4)**	(3.6)
Interest paid	**(1.3)**	(2.1)
Tax paid	**(5.7)**	(2.6)
Free Cash Flow	**22.7**	18.9
Free Cash Flow as % Revenue	**12.9%**	11.0%

1. A reconciliation of the reported to Adjusted results is shown within note 1 of the consolidated financial statements.
2. Adjusted Operating Cash Conversion is defined as Adjusted Operating Cash Flow divided by Adjusted Operating Profit.

The Group once again converted all its Adjusted Operating Profit into Adjusted Operating Cash Flow. Rapid sales growth and associated industry-wide supply chain constraints in the fourth quarter resulted in a temporary increase in working capital towards the end of the year. Widely reported port delays in China and in the UK due to Brexit meant some finished goods were not delivered until early 2021 and there were delays in the issuance of port documents required to collect payments from customers. This temporarily increased year-end inventory days to 107 days (2019: 105 days) and receivable days to 105 (2019: 89 days). Port delays are now reducing, and I expect working capital levels to normalise in 2021. Trade payable days also increased, due to the increased activity in Q4, from 75 days to 95 days.

The Group delivered strong Adjusted Free Cash Flow of £22.7m (2019: £18.9m), representing 12.9% of revenue (2019: 11.0%).

Capital expenditure
The Group's net capital expenditure consists of capitalised product development costs and the purchase of physical assets. It increased by £0.8m to £4.4m (2019: £3.6m). It equalled 2.5% of revenue (2019: 2.1%), below our targeted range of 3-4%. COVID-19 inevitably slowed the delivery of planned investment in automation at the Group's manufacturing facility and in new enabling IT projects, such as our new warehouse management system and B2B website. They remain a priority in 2021. I therefore expect capex to return to the targeted range from 2021 onwards.

Capital structure and returns
Return on capital
Return on Capital Invested improved from 21.8% in 2019 to 35.7% in 2020 thanks to improved profitability and tight control of capex and working capital.

The Group continually reviews the deployment of its capital to ensure it is invested in areas with the greatest opportunity for future returns. It has set clear investment criteria for the deployment of additional capital. Its investment in product development activities is focused on the low-risk expansion of ranges sold through existing distribution channels. It continually invests in projects that improve internal efficiency and deliver a quick, relatively assured payback. Through these means, it aims to improve its return on capital over time.

Capital structure
Adjusted Free Cash Flow of £22.7m (2019: £18.9m) was used to repay all remaining non-recourse debt factoring of £5.0m in the year, consistent with the Group's previously stated objective, and fund the Group's increased dividend policy. Cash income remaining thereafter of £9.1m (2019: £4.8m), equal to 5.2% of revenue, was used to pay down debt but similar surpluses expected in future years could be used to acquire additional revenue growth now that the Group's balance sheet is adequately de-levered.

The table below illustrates the underlying progress made if the prior year position is normalised for non-recourse debt factoring. It shows that normalised net debt reduced by £14.1m and leverage reduced by 0.8x in comparable terms.

	Reported		
	2020	2019	Change
Reported net debt	**£18.3m**	£27.4m	(£9.1m)
Add: Non-recourse debt factoring	**—**	£5.0m	(£5.0m)
Normalised net debt	**£18.3m**	£32.4m	(£14.1m)
Normalised net debt : Adjusted EBITDA	**0.5**	1.3	(0.8)

At 31 December 2020, the Group's non-utilised facilities totalled £27.8m. They are committed until 31 March 2023. The Group has significant capacity to fund future mergers and acquisitions activity. It has not made use of any government-funded debt facilities, despite being eligible.

The Company's covenants and headroom are summarised as follows:

2020 full-year covenant	Covenant	Actual	Headroom
Net debt : Adjusted EBITDA	2.5 : 1	0.5	Net debt headroom: £72.0[1]m Adjusted EBITDA headroom: £28.8m
Adjusted EBITDA : Net finance expense	4.0 : 1	27.8	Adjusted EBITDA headroom: £30.9m Net finance expense headroom: £7.7m

1. Headroom with increased facility. Current facility headroom is £27.8m.

The key measures which management use to evaluate the Group's use of its financial resources and capital management are set out below:

	Adjusted 31 December 2020	Adjusted 31 December 2019
Earnings Per Share (pence)	**15.5**	7.7
Net debt : Adjusted EBITDA (times)	**0.5**	1.1
Free Cash Flow (£m)	**22.7**	18.9

Note 1 in the notes to the consolidated financial statements provides an explanation of the Group's alternative performance measures.

The Group complied with its covenant requirements throughout the year with significant headroom on all metrics. The Group has conducted a full going concern review and this is outlined in note 1 of the consolidated financial statements. The Group has a very strong balance sheet and significant facility headroom under even a realistic worst case downside scenario. No covenant breaches occur in any of our realistic downside cases, all of which are before any mitigating actions, illustrating our financial resilience.

Dividends
Improved profitability and consistently strong cash generation mean that the Group can support a higher dividend payout whilst fully funding its unchanged growth strategy and capital structure policy. As previously announced, the Board has therefore approved a new dividend policy, with the payout ratio increased from 20-30% to 40-60% of Adjusted Profit After Tax. It is proposing a final dividend of 4.7p per share which, with the interim dividend of 1.5p per share, is consistent with a 40% payout.

Operating segment review
The revenue and profit generated by the Group's operating segments are shown below. Operating profits are stated after the proportional allocation of fixed central overheads. The profit contribution for each segment, before fixed central overheads, is also shown to illustrate the likely profit impact of future growth.

Wiring Accessories

	Adjusted[1]			Reported		
	2020	2019	Change	**2020**	2019	Change
Revenue	**£81.3m**	£70.1m	16.0%	**£81.3m**	£70.1m	16.0%

Contribution profit	**£29.5m**	£19.6m	50.5%	**£29.5m**	£21.1m	39.8%
Contribution margin %	**36.3%**	28.0%	8.3ppts	**36.3%**	30.1%	6.2ppts
Operating profit	**£23.0m**	£12.7m	81.1%	**£23.0m**	£14.3m	60.8%
Operating margin %	**28.3%**	18.1%	10.2ppts	**28.3%**	20.4%	7.9ppts

1. Further details of adjustments are in note 1 of the consolidated financial statements.

Wiring Accessories is the Group's largest and most profitable segment.

COVID-19 disruption meant that the UK Wiring Accessories market, into which nearly all this segment's sales are made, contracted by 6.0% in the year. We significantly outperformed this market contraction by delivering segmental revenue growth of 16.0% in the year in tough conditions.

We have gained an increasing share of this market over an extended period thanks to our advantaged business model. However, the accelerated out performance this year was particularly driven by: our high share of the successful Hybrid channel, business wins in the circuit protection category and superior product availability, principally thanks to our vertical integration, in the second half's recovering market.

We expect market share gains to continue in 2021.

LED Lighting

	Adjusted[1]			Reported		
	2020	2019	Change	**2020**	2019	Change
Revenue	**£49.5m**	£54.2m	(8.7%)	**£49.5m**	£54.2m	(8.7%)
Contribution profit	**£5.7m**	£5.1m	11.8%	**£5.3m**	£5.7m	(7.0%)
Contribution margin %	**11.5%**	9.4%	2.1ppts	**10.7%**	10.5%	0.2ppts
Operating profit	**£2.8m**	£1.2m	133.3%	**£2.4m**	£1.7m	41.2%
Operating margin %	**5.7%**	2.2%	3.5ppts	**4.8%**	3.1%	1.7ppts

1. Further details of adjustments are in note 1 of the consolidated financial statements.

The Group entered the lighting market in 2013 as the industry adopted LED technology.

The Group has developed a wide range of products which it sold initially through UK channels and subsequently through its wider overseas network. It has built a circa £50m revenue business in seven years, largely organically but bolstered by the acquisition of Kingfisher Lighting in 2017.

It continues to invest in both its product line and in the sales resources necessary to grow the business. The focus for future growth in this segment is on professional-grade products and expansion in international markets.

This investment inevitably takes time to mature, which holds back margins in the short term.

The segment reached a significant milestone in 2020 by achieving a double-digit contribution margin despite reduced activity levels. As COVID-19 disruption diminishes and LED project activity returns to Commercial and Institutional markets, we are confident that further improvements in profitability can be made.

Portable Power[2]

	Adjusted[1,2]			Reported		
	2020	2019	Change	**2020**	2019	Change
Revenue	**£45.4m**	£47.8m	(5.0%)	**£45.4m**	£47.8m	(5.0%)
Contribution profit	**£7.5m**	£8.7m	(13.8%)	**£7.5m**	£8.9m	(15.7%)
Contribution margin %	**16.5%**	18.2%	(1.7ppts)	**16.5%**	18.6%	(2.1ppts)
Operating profit	**£4.2m**	£4.1m	2.4%	**£4.2m**	£4.2m	nil%
Operating margin %	**9.3%**	8.6%	0.7ppts	**9.3%**	8.8%	0.5ppts

1. Further details of adjustments are in note 1 of the consolidated financial statements.
2. The Ross/Other business was merged into Portable Power in 2020. Segmental comparatives for 2019 have been restated accordingly.

The Group enjoys a leading position in the UK portable power market.

The Group exited some low margin UK business in the year, which was replaced by rapid expansion in Europe and into the nascent US cable reel market. The latter represents a significant growth opportunity, into which the Group invested some margin in the period.

Impact of foreign exchange movements

A summary of the consolidated income statement on a constant currency basis is shown below. Current period balances have been translated at the prior year's average exchange rates and demonstrate the impact of the movement in exchange rates during the period (see note 19 of the consolidated financial statements in the 2020 Annual Report and Accounts).

	Adjusted 2020 actual[1]	Currency impact		Adjusted 2020 at Constant currency[2]	Constant currency variance to 2019		Adjusted 2019 actual
	£m	£m	%	£m	£m	%	£m
Revenue	176.2	0.5	0.3%	175.7	3.6	2.1%	172.1
Cost of sales	(106.0)	0.8	0.7%	(106.8)	3.0	2.7%	(109.8)
Gross profit	**70.2**	**1.3**	**2.1%**	**68.9**	**6.6**	**10.6%**	**62.3**
Gross margin %	39.8%		0.9ppts	38.9%		2.7ppts	36.2%
Operating costs	(40.2)	—	—	(40.2)	4.1	(9.3%)	(44.3)
Operating profit	**30.0**	**1.3**	**4.5%**	**28.7**	**10.7**	**59.4%**	**18.0**
Operating margin %	17.0%		0.7ppts	16.3%		5.8ppts	10.5%

1. Year ended 31 December 2020 translated at 2020 average exchange rates.
2. Year ended 31 December 2020 translated at 2019 average exchange rates.

The Group's main currency exposures are with the US dollar ("USD") and Chinese Renminbi ("RMB"). The average USD rate experienced by the Group was unchanged from last year. The RMB weakened slightly against sterling, lowering the cost of our products and improving margins.

The commentary above focuses on Adjusted metrics (see note 1) which, the Board believes are a better indicator of performance. Our Reported performance surpassed our Adjusted performance thanks largely to an increase in the fair value of currency hedging. The following table summarises Reported key lines from the Consolidated Income Statement:

Summary of results (£m)	**Reported 2020**	Reported 2019
Revenue	**176.2**	172.1
Operating profit	**29.6**	20.2
Profit before tax	**33.6**	17.1
Taxation	**(5.7)**	(4.0)
Profit for the year	**27.9**	13.1

Going concern and viability statement

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and as such have applied the going concern principle in preparing the 2020 Annual Report and Accounts. This is considered in more detail in note 1. The Group's Viability Statement can be found on pages 42 to 44 and the Group's Going Concern Statement can be found on page 107 of the 2020 Annual Report and Accounts.

MATT WEBB
Chief Financial Officer
23 March 2021

PRINCIPAL RISKS AND UNCERTAINTIES

The Board is responsible for identifying, reviewing and managing business and operational risk. It is also responsible for determining the level of risk appetite it is prepared to take in the ordinary course of business to achieve the Group's strategic objectives and to ensure that appropriate and sufficient resource is allocated to the management and mitigation of risk.

In addition to the risk management framework, the Board has delegated responsibility to the Audit Committee for reviewing the overall process of assessing business risks and managing the impact on the Group. The Group's risk management process is set out below.

The principal risks identified, and actions taken to minimise their potential impact are included below. This is not an exhaustive list but those the Board believes may have an adverse effect on the Group's cash flow and profitability.

See also pages 36 to 41 in the 2020 Annual Report and Accounts.

In determining whether it is appropriate to adopt the going concern basis in the preparation of the financial statements, the Directors have considered these principal risks and uncertainties. The Viability Statement on pages 42 to 44 of the 2020 Annual Report and Accounts considers the prospects of the Group should a number of these risks crystallise together.

Risk management process

The senior management team maintains a register of identified business risks (financial and non-financial) which it categorises in terms of probability of occurrence and the potential impact on the Group should the risk crystallise. Mitigating actions undertaken and recommendations for further reduction of risk are also included. Recommended actions are put forward to the Executive Directors for consideration.

The Executive Directors review and challenge the content of the risk register and the recommendations. Risk mitigation actions are agreed, and a plan is created. Each action is assigned an owner who is responsible for carrying out the required action within an agreed timescale. The Executive Directors review the progress made against any actions that have been carried forward.

The Audit Committee regularly reviews risk management and is provided an update in respect of progress made in the reduction of existing risks, summary of newly identified risks and the actions agreed to reduce them to an acceptable level.

These risks are reviewed in conjunction with the Audit Committee's other responsibilities including the internal control framework, external audit process and financial reporting.

The Audit Committee provides an update and appropriate recommendation to the Board, where required, for the Board to consider in conjunction with the strategic objectives of the Group.

Independent assurance is provided through the annual statutory audit and the periodic internal control reviews and the monitoring of', and adherence to, policies and procedures by an external assurance provider.

Senior management	***Executive Directors***	***Audit Committee***	***The Board***	***Independent assurance***
Reviews and updates the risk register for new risks, identifies mitigations in place and recommends actions to reduce risk.	Review and challenge the risks identified and the actions proposed to mitigate them; approve and monitor agreed actions.	Monitors and reviews the risks in conjunction with the internal control framework, audit process and financial reporting.	Holds overall responsibility for effective internal control, risk management and the risk appetite of the Group.	Periodic internal control reviews and monitoring of adherence to policies and procedures by an external audit and assurance provider. Statutory audit by a registered auditor.

Principal risks

Risks associated with the coronavirus

Risk and impact:	**Mitigation**
• Risk of unexpected changes in product demand • Operational disruption limits the rate of product supply • Communication and corporate alignment are compromised by remote working and/or inability to travel to international operating sites	Regular review of local virus case data to respond to emerging threats to operations COVID-19-secure protocols are in place at all key sites and Government guidance is followed in full Sales order book and access to customer sales data gives visibility of changing demand patterns Virtual communication tools ensure close collaboration Increased communication with team members during the pandemic

Concentration risks associated with operations

Risk and impact:	Mitigation
• The Group's products are overwhelmingly sourced from one country (China) and a large proportion are made in one location (Jiaxing) • Disruption to our Jiaxing facility could compromise our ability to serve our customers • General disruption to trading between China and our selling markets (particularly UK) could increase our costs or limit our ability to serve our markets	UK buffer stock is held in the event of supply disruption in China All suppliers are provided with visibility of forward orders and supply issues are discussed upfront Production facilities in China are spread across multiple buildings on the same site to mitigate risk The Group owns its product designs and production tooling, allowing manufacturing to be moved between suppliers more easily Business Continuity Plans are in place for Jiaxing site Business Interruption Insurance is in place for the Jiaxing site and our OEM supplier of Portable Power products

Concentration risks associated with customers and products:

Risk and impact:	Mitigation
• The Group has a number of key customers representing circa 50% of Group revenue. Loss of a key customer could result in reduced sales and profits • The Group's committed order book extends 2-3 months forward. Orders thereafter are uncommitted • The Group has a material exposure to movements in the USD:RMB FX rate. An adverse move could reduce short term profits and/or long-term competitiveness • The Group has a material exposure to the purchase price of copper. An adverse move could reduce profits and/or price competitiveness	Key customers typically follow a tender process, providing visibility of business wins and losses Large customers typically take 6-12 months to implement a large range change throughout their networks, giving us time to react The cost of range changes for large customers is high, reducing the likelihood of occurrence Relationships with the Group's large customers are particularly established Capacity at our factory and at our OEM partners in China can be changed quickly and cost effectively The Group hedges its USD:RMB and copper exposures according to a Board-approved policy. The hedging matches the duration of any fixed selling price commitment offered to customers Application of the hedging policy is reviewed by the Board

Macroeconomic, political and environmental:

Risk and impact:	Mitigation
• The Group has a concentrated exposure to the UK market • Macroeconomic headwinds in the UK could reduce profits • A deterioration in trade relations between the UK and China could disrupt product supply and/or increase costs • A failure to adequately respond to changes in customers' and/or investors' ESG requirements could result in reduced profits or a reduced share price	The Group is diversified by market segment within the UK, reducing risk The Group is largely exposed to the RMI cycle, which is less susceptible to macroeconomic forces The Group's overseas businesses are expected to grow faster than the UK, diluting the UK exposure UK buffer stock is held in the event of supply disruption in China Airfreight can be used to expedite deliveries if required Management liaises closely with investors and customers to understand their future ESG needs and responds accordingly

Loss of IT / data:

Risk and impact:	Mitigation
• Loss of IT functionality would compromise operations, leading to increased costs or lost sales • Loss of sensitive data from our IT environment would expose the Group to regulatory, legal or reputational risk	Market-leading cyber security tools are in place Market-leading data backup tools are in place IT disaster recovery plans are in place throughout the Group We conduct regular penetration testing IT incidents are reported to the Board

Loss of key employees:

Risk and impact:	Mitigation
• Loss of key employees could damage business relationships or result in a loss of knowledge	Key relationships are typically shared between more than one employee The Group's service offering is multi-faceted, reducing the risk that the loss of an employee would result in lost sales Retention of key employees is driven by long-term personal development and incentive plans. These plans are reviewed by the Nomination and Remuneration Committees Workforce engagement surveys ensure employee needs are identified and addressed, promoting retention

Acquisitions:

Risk and impact:	Mitigation
• An ill-judged acquisition could destroy shareholder value • The Group's acquisition strategy could compromise/distract the execution of strategy in other areas	Our acquisition strategy is set by the Board Board members possess significant M&A experience The acquisition strategy is implemented by an experienced in-house team The Group's key markets are relatively stable, meaning acquisition targets typically have an established track record Individual acquisitions are typically small relative to the size of the Group, reducing the impact of each deal and reducing potential distraction The Group conducts extensive due diligence prior to acquisition All acquisitions are approved by the Board

Legal and Regulatory

Risk and impact:	Mitigation
• The Group could infringe upon the IP of others, leading to legal claims • The Group's products could fail to meet regulatory requirements or experience quality failures, resulting in legal claims and/or reputational damage • The Group's businesses could fail to meet regulatory requirements in their countries of operation • The Group could fail to comply with local tax laws, particularly regarding transfer pricing	The Group receives IP advice from external experts The Group's products are certified for use prior to launch by external experts The Group has extensive quality assurance resources in the UK and China Suppliers are required to adhere to a strict Code of Conduct Supplier compliance with the Code of Conduct is audited by our in-house teams Product liability claims are reported to the Board Product liability insurance is in place globally The Group's transfer pricing policies are reviewed regularly with the help of external experts

Finance and treasury

Risk and impact:	Mitigation
• The Group could fail to provide sufficient funding liquidity for its operations • The Group could fail to report its financial performance accurately, leading to inappropriate decision-making and regulatory breaches • The Group could suffer fraud across its widespread operations	The Group has a clear Capital Structure policy that is designed to provide sufficient liquidity The Capital Structure policy is implemented by Treasury experts and monitored by the Board The Treasury team prepares regular cash flow forecasts The Group's financial statements require relatively few judgements or estimates, reducing the risk of misstatement The Group's accounting policies and internal accounting manual are approved by the Board The Group operates two main accounting centres in the UK and China, which are overseen closely by the Group Finance team The Group has invested in market-leading financial accounting and reporting software

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The following statement will be contained in the 2020 Annual Report and Accounts.

We confirm that to the best of our knowledge:

The financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and

The Strategic Report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation, taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

JOHN HORNBY
Chief Executive Officer

MATT WEBB
Chief Financial Officer
23 March 2021

CONSOLIDATED INCOME STATEMENT
for the year ended 31 December 2020

£m	Note	**Adjusted**	**Adjustments[1]**	**2020**	Adjusted	Adjustments[1]	2019
Revenue	2	**176.2**	**—**	**176.2**	172.1	—	172.1
Cost of sales		**(106.0)**	**—**	**(106.0)**	(109.8)	2.3	(107.5)
Gross profit		**70.2**	**—**	**70.2**	62.3	2.3	64.6
Distribution expenses		**(8.6)**	**—**	**(8.6)**	(8.5)	—	(8.5)
Administrative expenses		**(31.6)**	**(0.4)**	**(32.0)**	(35.8)	(0.1)	(35.9)
Operating profit		**30.0**	**(0.4)**	**29.6**	18.0	2.2	20.2
Finance income		**—**	**5.3**	**5.3**	—	—	—
Finance expense		**(1.3)**	**—**	**(1.3)**	(2.2)	(0.9)	(3.1)
Net finance income/ (expense)		**(1.3)**	**5.3**	**4.0**	(2.2)	(0.9)	(3.1)
Profit before tax		**28.7**	**4.9**	**33.6**	15.8	1.3	17.1
Taxation	4	**(4.7)**	**(1.0)**	**(5.7)**	(3.7)	(0.3)	(4.0)
Profit for the year	3	**24.0**	**3.9**	**27.9**	12.1	1.0	13.1
Earnings per share (pence)							
Basic	5	**15.5p**	**2.5p**	**18.0p**	7.7p	0.6p	8.3p
Fully diluted	5	**15.2p**	**2.5p**	**17.7p**	7.7p	0.6p	8.3p

1. Definition of the adjustments made and reconciliations to the reported figures can be found in note 1 of the consolidated statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2020

£m	**2020**	2019
Profit for the year	**27.9**	13.1
Other comprehensive income – amounts that may be reclassified to profit or loss in the future:		
Foreign exchange translation differences – foreign operations	**0.8**	(2.3)
Total comprehensive income for the year	**28.7**	10.8

All results are from continuing operations.

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET
at 31 December 2020

£m	Note	**2020**	2019
Non-current assets			
Property, plant and equipment	7	**17.8**	17.0
Right-of-use assets		**2.7**	3.0
Intangible assets	8	**21.5**	22.6
Financial assets held for trading		**1.4**	—
Deferred tax asset		**0.5**	—
		43.9	42.6
Current assets			
Inventories		**37.2**	32.2
Trade and other receivables		**71.8**	43.6
Financial assets held for trading		**4.1**	—
Cash and cash equivalents		**6.7**	1.4
		119.8	77.2
Total assets		**163.7**	119.8
Current liabilities			
Trade and other payables		**63.6**	39.0
Current tax liabilities		**3.1**	2.8
Financial assets held for trading		**0.5**	0.3
Other financial liabilities		**1.2**	1.1
		68.4	43.2
Non-current liabilities			
Interest-bearing loans and borrowings	9	**22.2**	26.0
Other financial liabilities		**1.6**	1.7
Deferred tax liability		**—**	1.0
Provisions		**1.1**	0.8
		24.9	29.5
Total liabilities		**93.3**	72.7
Net assets		**70.4**	47.1
Equity attributable to equity holders of the parent			
Share capital		**0.1**	0.1
Share premium		**24.8**	24.8
Translation reserve		**(0.1)**	(0.9)
Treasury reserve		**(6.8)**	(4.1)
Retained earnings		**52.4**	27.2
Total equity		**70.4**	47.1

The accompanying notes form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 23 March 2021 and were signed on its behalf by:

JOHN HORNBY
Chief Executive Officer

MATT WEBB
Chief Financial Officer

Company registered number: 05254883

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2020

£m	Share capital	Share premium	Translation reserve	Retained earnings	Treasury reserve	Total equity
Balance at 1 January 2019	0.1	24.8	1.4	15.8	(1.2)	40.9
Total comprehensive income						
Profit for the year	—	—	—	13.1	—	13.1
Foreign currency translation differences on investments in the year	—					
overseas entities	—	—	(1.4)	—	—	(1.4)
Currency translation differences	—	—	(0.9)	—	—	(0.9)
Total comprehensive income for	—	—	(2.3)	13.1	—	10.8
Transactions with owners in their capacity as owners						
Dividends	—	—	—	(1.9)	—	(1.9)
Purchase of own shares	—	—	—	—	(2.9)	(2.9)
Share-based payments charge	—	—	—	0.2	—	0.2
Total transactions with owners in their capacity as owners	—	—	—	(1.7)	(2.9)	(4.6)
Balance at 31 December 2019	0.1	24.8	(0.9)	27.2	(4.1)	47.1
Total comprehensive income						
Profit for the year	**—**	**—**	**—**	**27.9**	**—**	**27.9**
Foreign currency translation differences on investments in overseas entities	**—**	**—**	**0.3**	**—**	**—**	**0.3**
Currency translation differences	**—**	**—**	**0.5**	**—**	**—**	**0.5**
Total comprehensive income for the year	**—**	**—**	**0.8**	**27.9**	**—**	**28.7**
Transactions with owners in their capacity as owners						
Dividends	**—**	**—**	**—**	**(4.9)**	**—**	**(4.9)**
Purchase of own shares	**—**	**—**	**—**	**—**	**(2.7)**	**(2.7)**
Deferred tax on share-based payment transactions	**—**	**—**	**—**	**1.2**	**—**	**1.2**
Share-based payments charge	**—**	**—**	**—**	**1.0**	**—**	**1.0**
Total transactions with owners in their capacity as owners	**—**	**—**	**—**	**(2.7)**	**(2.7)**	**(5.4)**
Balance at 31 December 2020	**0.1**	**24.8**	**(0.1)**	**52.4**	**(6.8)**	**70.4**

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 December 2020

£m	Note	**Adjusted**	**Adjustments[1]**	**2020**	Adjusted	Adjustments[1]	2019
Cash flows from operating activities							
Profit for the year		**24.0**	**3.9**	**27.9**	12.1	1.0	13.1
Adjustments for:							
Depreciation and amortisation		**6.1**	**0.4**	**6.5**	7.9	0.4	8.3
Financial income		**—**	**(5.3)**	**(5.3)**	—	—	—
Financial expense		**1.3**	**—**	**1.3**	2.2	0.9	3.1
Taxation		**4.7**	**1.0**	**5.7**	3.7	0.3	4.0
Loss on disposal of tangible assets		**0.1**	**—**	**0.1**	0.1	—	0.1
Share-based payments charge		**1.0**	**—**	**1.0**	0.2	—	0.2
Operating cash flow before movement in working capital		**37.2**	**—**	**37.2**	26.2	2.6	28.8
(Increase)/decrease in trade and other receivables		**(23.5)**	**(5.0)**	**(28.5)**	4.7	(7.4)	(2.7)
(Increase)/decrease in inventories		**(4.8)**	**—**	**(4.8)**	—	—	—
Increase/(decrease) in trade and other payables		**25.2**	**—**	**25.2**	(3.7)	(1.1)	(4.8)
Cash from operations		**34.1**	**(5.0)**	**29.1**	27.2	(5.9)	21.3
Tax paid		**(5.7)**	**—**	**(5.7)**	(2.6)	—	(2.6)
Net cash from operating activities		**28.4**	**(5.0)**	**23.4**	24.6	(5.9)	18.7
Cash flows from investing activities							
Acquisition of property, plant and equipment		**(3.3)**	**—**	**(3.3)**	(2.0)	—	(2.0)
Acquisition of other intangible assets		**(1.1)**	**—**	**(1.1)**	(1.6)	—	(1.6)
Disposal of tangible assets		**—**	**—**	**—**	—	—	—
Net cash used in investing activities		**(4.4)**	**—**	**(4.4)**	(3.6)	—	(3.6)
Cash flows from financing activities							
Proceeds from new loans		**—**	**—**	**—**	5.0	—	5.0
Repayment of borrowings		**(3.8)**	**—**	**(3.8)**	(14.6)	—	(14.6)
Interest paid		**(1.3)**	**—**	**(1.3)**	(2.1)	—	(2.1)
Dividends paid		**(4.9)**	**—**	**(4.9)**	(1.9)	—	(1.9)
Finance lease liabilities		**(1.1)**	**—**	**(1.1)**	(1.3)	—	(1.3)
Purchase of treasury shares		**(2.7)**	**—**	**(2.7)**	(2.9)	—	(2.9)
Net cash used in financing activities		**(13.8)**	**—**	**(13.8)**	(17.8)	—	(17.8)
Net increase/(decrease) in cash and cash equivalents		**10.2**	**(5.0)**	**5.2**	3.2	(5.9)	(2.7)
Cash and cash equivalents at 1 January				**1.4**			4.2
Effect of exchange rate fluctuations on cash held				**0.1**			(0.1)
Cash and cash equivalents at 31 December				**6.7**			1.4

1. Definition of the adjustments made and reconciliations to the reported figures can be found in note 1 of the consolidated statements.

The Group has adjusted trade receivables by £5.0m (2019: £7.4m) reflecting the repayment of non-recourse debt factoring. There was no non-recourse debt factoring at 31 December 2020.

The accompanying notes form an integral part of these financial statements.

Notes to the Consolidated Financial Statements
for the year ended 31 December 2020

1 Basis of preparation
Luceco plc (the 'Company') is a company incorporated and domiciled in the United Kingdom. These consolidated financial statements for the year ended 31 December 2020 comprise the Company and its subsidiaries (together referred to as the 'Group'). The Group is primarily involved in the manufacturing and distribution of high quality and innovative LED lighting and wiring accessories to global markets (see note 2).

The financial information is derived from the Group's consolidated financial statements for the year ended 31 December 2020, which have been prepared on the going concern basis in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The financial statements have been prepared on the historical cost basis except for certain financial instruments which are carried at fair value.

The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 December 2020 and 31 December 2019 but is derived from those accounts. Statutory accounts for 2019 have been delivered to the Registrar of Companies, and those for 2020 will be delivered in due course. The Auditors have reported on the 2020 statutory accounts; their report was (i) unqualified and (ii) did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006. The text of the Auditors' report can be found in the Company's full 2020 Annual Report and Accounts on pages 95 to 102.

The 2020 Annual Report and Accounts and the Notice of the 2020 Annual General Meeting will be published on the Company's website at http://www.lucecoplc.com as soon as practicable. They will also be submitted to the National Storage Mechanism where they will be available for inspection at https://data.fca.org.uk/#/nsm/nationalstoragemechanism.

The Group's accounting policies can be referred to in note 1 of the consolidated financial statements in the 2020 Annual Report and Accounts.

Going concern
The Directors have concluded that it is reasonable to adopt a going concern basis in preparing the financial statements. This is based on an expectation that the Company and the Group have adequate resources to continue in operational existence for 15 months from the date of signing these accounts. The Group has reported a profit before tax of £33.6m for the year to 31 December 2020 (2019: £17.1m), has net current assets of £51.4m (2019: £34.0m) and net assets of £70.4m (2019: £47.1m), net debt of £18.3m (2019: £27.4m) and cash generated from operations of £23.4 (2019: £18.7m). Both bank facilities mature on 31 March 2023 as detailed below:

The capital resources at the Group's disposal at 31 December 2020 and 28 February 2021 were as follows:

- A revolving credit facility of £30.0m, £13.6m drawn at 31 December 2020 and £13.9m drawn at 28 February 2021
- An invoice financing facility of £20.0m, £8.6m was drawn at 31 December 2020 and £6.3m drawn at 28 February 2021

The revolving credit facility requires the Group to comply with the following quarterly financial covenants:

- Closing net debt of no more than 2.5 times Adjusted EBITDA for the preceding 12-month period
- Adjusted EBITDA of no less than 4.0 times Adjusted Net Finance Expense, both for the preceding 12-month period

The Directors ran scenario tests on the severe but plausible downside case. The assumptions in this scenario were as follows: Concentration risks with associated operations (25% reduction in revenue for 3 months followed by 50% reduction for 3 months and 20% increase in shipping costs during the period) and macroeconomic, political and environmental risks (18-month recession with a 10% reduction in revenue and gross profit). This severe but plausible downside scenarios do not lead to any breach in covenants nor any breach in facility. All modelling has been conducted without any mitigation activity. There have been no changes to post balance sheet liquidity positions.

The Directors are confident that the Group and Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 15 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Statutory and non-statutory measures of performance

The financial statements contain all the information and disclosures required by the relevant accounting standards and regulatory obligations that apply to the Group.

The Group's performance is assessed using a number of financial measures which are not defined under IFRS (the financial reporting framework applied by the Group). Management uses the adjusted or alternative performance measures (APMs) as a part of their internal financial performance monitoring and when assessing the future impact of operating decisions. The APMs disclose the adjusted performance of the Group excluding specific items. The measures allow a more effective year-on-year comparison and identification of core business trends by removing the impact of items occurring either outside the normal course of operations or as a result of intermittent activities such as a corporate acquisition. The Group separately reports acquisition costs, other exceptional items and other specific items in the Consolidated Income Statement which, in the Directors' judgement, need to be disclosed separately by virtue of their nature, size and incidence in order for users of the financial statements to obtain a balanced view of the financial information and the underlying performance of the business.

In following the guidelines on Alternative Performance Measures (APMs) issued by the European Securities and Markets Authorities, the Group has included a Consolidated Income Statement and Consolidated Cash Flow Statement that have both Statutory and Adjusted performance measures. The definitions of the measures used in this results are below. The definition of EBITDA used in the net debt : EBITDA measure on the Highlights page is shown in note 20 of the consolidated financial statements in the 2020 Annual Report and Accounts.

Nature of measure	**Related IFRS measure**	**Related IFRS source**	**Definition**	**Use/relevance**
Adjusted Gross Profit Margin	Gross Profit Margin	Consolidated Income Statement	Based on the related IFRS measure but excluding the adjusting items. A breakdown of the adjusting items from 2020 and 2019, which reconciles the adjusted measures to statutory figures, can be found on the following page	Allows management to assess the performance of the business after removing large/unusual items or transactions that are not reflective of the underlying business operations
Adjusted Operating Costs	Operating Gross profit less Operating profit	Consolidated Income Statement		
Adjusted Operating Profit	Operating profit	Consolidated Income Statement		
Adjusted Basic EPS	Basic EPS	Consolidated Income Statement		
Constant Currency				Allows management to identify the relative year-on-year performance of the business by removing the impact of currency movements that are outside of management's control
EBITDA	Operating profit	Consolidated Income Statement	Consolidated earnings before interest, tax, depreciation and amortisation	Provides management with an approximation of cash generation from the Group's operational activities
Adjusted EBITDA	Operating profit	Consolidated Income Statement	Consolidated earnings before interest, tax, depreciation and amortisation and the adjusting items excluded from Adjusted Operating Profit aside from the amortisation of acquired intangibles	Provides management with an approximation of cash generation from the Group's underlying activities
Contribution profit	Operating profit and operating costs	Consolidated Income Statement	Contribution profit is after allocation of adjusted operating expenses for each operating segment	Provides management with an assessment of profitability by operating segment
Contribution margin	Operating profit and operating costs	Consolidated Income Statement	Contribution margin is contribution profit, as above, divided by revenue for each operating segment	Provides management with an assessment of margin by operating segment
Adjusted Operating Cash Flow	Cash flow from operations	Consolidated Income Statement	Adjusted Operating Cash Flow is the cash from operations but excluding the cash impact of the adjusting items excluded	Provides management with an indication of the amount of cash available for discretionary investment

			from Adjusted Operating Profit	
Adjusted Free Cash Flow	Net increase/(decrease) in cash and cash equivalents	Consolidated Income Statement	Adjusted Free Cash Flow is calculated as Adjusted Operating Cash Flow less cash flows in respect of investing activities, interest and taxes paid	Provides management with an indication of the free cash generated by the business for return to shareholders or reinvestment in M&A activity
Adjusted Operating Cash Conversion	None	Consolidated Cash Flow Statement and Consolidated Income Statement	Operating Cash Conversion is defined as Adjusted Cash from operations divided by Adjusted Operating Profit	Allows management to monitor the conversion of operating profit into cash
Return on Capital Invested ("ROCI")	None	Operating profit and Net assets	Adjusted Operating Profit divided into the sum of net assets, net debt and non-recourse debt factoring (average for the last two years) expressed as a percentage	To provide an assessment of how profitability capital is being deployed in the bsuiness

The following tables indicate how alternative performance measures are calculated:

Adjusted EBITDA	**2020** **£m**	2019 £m
Adjusted Operating Profit	**30.0**	18.0
Adjusted Depreciation and Amortisation	**6.1**	7.9
Adjusted EBITDA	**36.1**	25.9

Adjusted Operating Cash Conversion	**2020** **£m**	2019 £m
Cash from operations (from Consolidated Cash Flow Statement)	**29.1**	21.3
Adjustments to operating cash flow (from Consolidated Cash Flow Statement)	**5.0**	5.9
Adjusted Operating Cash Flow	**34.1**	27.2
Adjusted Operating Profit	**30.0**	18.0
Adjusted Operating Cash Conversion	**113.7%**	151.1%

Adjusted Free Cash Flow	**2020** **£m**	2019 £m
Adjusted Operating Cash Flow (see table above)	**34.1**	27.2
Net Cash used in investing activities (from Consolidated Cash Flow Statement)	**(4.4)**	(3.6)
Interest paid (from Consolidated Cash Flow Statement)	**(1.3)**	(2.1)
Tax paid (from Consolidated Cash Flow Statement)	**(5.7)**	(2.6)
Adjusted Free Cash Flow	**22.7**	18.9
Revenue	**176.2**	172.1
Adjusted Free Cash Flow as % revenue	**12.9%**	11.0%

Return on Capital Investment	**2020** **£m**	2019 £m
Net assets	**70.4**	47.1
Net debt	**18.3**	27.4
Non-recourse debt factoring	**-**	5.0
Capital invested	**88.7**	79.5
Average capital invested (from last two years)	**84.1**	82.6
Adjusted Operating Profit (from above)	**30.0**	18.0
Return on Capital Invested (Adjusted Operating Profit/average capital invested)	**35.7%**	21.8%

The following table reconciles all adjustments from the reported to the adjusted figures in the income statement:

Amortisation

£m	2020	of acquired intangibles and related acquisition costs[2]	Re-measurement to fair value of hedging portfolio[3]	2020 Adjustments	2020 Adjusted
Revenue	**176.2**	**—**	**—**	**—**	**176.2**
Cost of sales	**(106.0)**	**—**	**—**	**—**	**(106.0)**
Gross profit	**70.2**	**—**	**—**	**—**	**70.2**
Distribution expenses	**(8.6)**	**—**	**—**	**—**	**(8.6)**
Administrative expenses	**(32.0)**	**0.4**	**—**	**0.4**	**(31.6)**
Operating profit	**29.6**	**0.4**	**—**	**0.4**	**30.0**
Finance income	**5.3**	**—**	**(5.3)**	**(5.3)**	**—**
Finance expense	**(1.3)**	**—**	**—**	**—**	**(1.3)**
Net finance (expense)/income	**4.0**	**—**	**(5.3)**	**(5.3)**	**(1.3)**
Profit before tax	**33.6**	**0.4**	**(5.3)**	**(4.9)**	**28.7**
Taxation	**(5.7)**	**—**	**1.0**	**1.0**	**(4.7)**
Profit for the year	**27.9**	**0.4**	**(4.3)**	**(3.9)**	**24.0**
Gross margin % (gross profit/revenue)	**39.8%**				**39.8%**

£m	2019	Closure of US operations[1]	Amortisation of acquired intangibles and related acquisition costs[2]	Re-measurement to fair value of hedging portfolio[3]	Cost recovery[4]	VAT repayment[5]	2019 Adjustments	2019 Adjusted
Revenue	172.1	—	—	—	—	—	—	172.1
Cost of sales	(107.5)	—	—	—	(1.4)	(0.9)	(2.3)	(109.8)
Gross profit	64.6	—	—	—	(1.4)	(0.9)	(2.3)	62.3
Distribution expenses	(8.5)	—	—	—	—	—	—	(8.5)
Administrative expenses	(35.9)	(0.3)	0.4	—	—	—	0.1	(35.8)
Operating profit	20.2	(0.3)	0.4	—	(1.4)	(0.9)	(2.2)	18.0
Finance income	—	—	—	—	—	—	—	—
Finance expense	(3.1)	—	—	0.9	—	—	0.9	(2.2)
Net finance (expense)/income	(3.1)	—	—	0.9	—	—	0.9	(2.2)
Profit before tax	17.1	(0.3)	0.4	0.9	(1.4)	(0.9)	(1.3)	15.8
Taxation	(4.0)	—	(0.1)	(0.2)	0.4	0.2	0.3	(3.7)
Profit for the year	13.1	(0.3)	0.3	0.7	(1.0)	(0.7)	(1.0)	12.1
Gross margin % (gross profit/revenue)	37.5%							36.2%

1. Costs of closing US operations comprising inventory provisions, severance costs, asset write-downs and onerous lease costs (partially released in 2019).
2. Relating to Kingfisher Lighting.
3. Relating to currency hedges.
4. The recovery of amounts owed to the Group's Chinese subsidiary by two former employees. These amounts relate to the historic overpayment of salary and under-recovery of asset sale proceeds from third parties.
5. HMRC VAT repayment of overpaid output tax arising from settlement discounts taken by customers.

Standards and interpretations issued

Standards that are effective from 1 January 2020:

- Amendment to IFRS 3 Business Combinations – Definition of a business
- Amendments to IFRS 9, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures – Interest rate benchmark reform
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of material
- Revised Conceptual Framework for Financial Reporting

IASB effective for annual periods beginning on or after 1 June 2020:

- Amendment to IFRS 16 Leases

IASB effective for annual periods beginning on or after 1 January 2021:
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2

IASB effective for annual periods beginning on or after 1 January 2022:
- Amendments to IFRS 3 Business combinations
- Amendments to IAS 16 Property, plant and equipment Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets Annual improvements – cycle 2018-2020

IASB effective for annual periods beginning on or after 1 January 2023:
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current

Based on their initial assessments, the Directors anticipate that adoption of these Standards and Interpretations in future periods will not have a material impact on the financial statements of the Group.

Critical accounting judgements and estimates
The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. The following are the judgements and key estimates used in these financial statements.

Other judgements
The Directors do not consider there to be any key judgements in preparing the financial statements. The judgements outlined below formed the main areas of focus for the Directors throughout the year. The other judgement considered by the directors is development capitalisation.

Other Estimates
The Directors do not consider there to be any key estimates in preparing the financial statements. The estimates outlined below formed the main areas of focus for the Directors throughout the year. The other estimate considered by the directors is inventory valuation.

2 Operating segments

The Group's principal activities are in the manufacturing and supply of wiring accessories, LED lighting, and portable power equipment. For the purposes of management reporting to the Chief Operating Decision-Maker (the Board), the Group consists of three operating segments which are the product categories that the Group manufactures and distributes. In previous years Ross's home entertainment products have been shown as a separate segment. In 2020 the Group combined its Ross business with Portable Power and these operating segments have now been merged into one. This has been reflected in both the current and prior year segmental results. A reconciliation of Ross before and after this change is included in note 2 of the 2020 Annual Report and Accounts.

The Board does not review the Group's assets and liabilities on a segmental basis and, therefore, no segmental disclosure is included. Inter-segment sales are not material. Revenue and operating profit are reported under IFRS 8 Operating Segments.

	Adjusted 2020 £m	**Adjustment £m**	**Reported 2020 £m**	Adjusted 2019 £m	Adjustment £m	Reported 2019 £m
Revenue						
Wiring Accessories	**81.3**	**-**	**81.3**	70.1	-	70.1
LED Lighting	**49.5**	**-**	**49.5**	54.2	-	54.2
Portable Power	**45.4**	**-**	**45.4**	47.8	-	47.8
	176.2	**-**	**176.2**	172.1	-	172.1

	Adjusted 2020 £m	**Adjustment £m**	**Reported 2020 £m**	Adjusted 2019 £m	Adjustment £m	Reported 2019 £m
Operating profit						
Wiring Accessories	**23.0**	**-**	**23.0**	12.7	1.6	14.3
LED Lighting	**2.8**	**(0.4)**	**2.4**	1.2	0.5	1.7
Portable Power	**4.2**	**-**	**4.2**	4.1	0.1	4.2
Operating profit	**30.0**	**(0.4)**	**29.6**	18.0	2.2	20.2

The following table provides an analysis of adjustments made to each segment.

Analysis of adjustments	2020 Total £m	2020 Amortisation of acquired intangibles and related costs[2] £m	2019 Total £m	2019 Closure of US business[1] £m	2019 Amortisation of acquired intangibles and related costs[2] £m	2019 Cost recovery[3] £m	2019 VAT Repayment[4] £m
Cost of sales							
Wiring Accessories	-	-	1.6	-	-	1.0	0.6
LED lighting	-	-	0.6	-	-	0.3	0.3
Portable Power	-	-	0.1	-	-	0.1	-
Gross profit	-	-	2.3	-	-	1.4	0.9
Administrative expenses							
Wiring Accessories	-	-	-	-	-	-	-
LED lighting	**(0.4)**	**(0.4)**	(0.1)	0.3	(0.4)	-	-
Portable Power	-	-	-	-	-	-	-
Total	**(0.4)**	**(0.4)**	(0.1)	0.3	(0.4)	-	-
Operating profit	**(0.4)**	**(0.4)**	2.2	0.3	(0.4)	1.4	0.9
Operating profit:							
Wiring Accessories	-	-	1.6	-	-	1.0	0.6
LED lighting	**(0.4)**	**(0.4)**	0.5	0.3	(0.4)	0.3	0.3
Portable Power	-	-	0.1	-	-	0.1	-
Operating profit	**(0.4)**	**(0.4)**	2.2	0.3	(0.4)	1.4	0.9

1. Costs of closing US operations comprising inventory provisions, severance costs and asset write-downs and onerous lease costs (partially released in 2019).
2. Relating to Kingfisher Lighting.
3. The recovery of amounts owed to the Group's Chinese subsidiary by two former employees. These amounts relate to the historic overpayment of salary and under-recovery of asset sale proceeds from third parties.
4. HMRC VAT repayment of overpaid output tax arising from settlement discounts taken by customers.

Revenue by location of customer	2020 £m	2019 £m
UK	**140.3**	135.1
Europe	**18.4**	17.6
Middle East and Africa	**7.0**	9.0
Asia Pacific	**6.7**	4.3
Americas	**3.8**	6.1
Total revenue	**176.2**	172.1

The prior year comparatives have been restated to fully reflect the drop-ship location of each order. Revenues exceeded 10% or more of total revenue for one customer. This customer's revenue represents 31%% (2019: 29%) of total revenue and is across all operating segments.

Non-current assets by location	2020 £m	2019 £m
UK	**29.2**	26.9
China	**14.1**	13.9
Other	**0.6**	1.8
Total non-current assets	**43.9**	42.6

3 Expenses

Included in the Consolidated Income Statement are the following:

	2020 £m	2019 £m
Research and development costs expensed as incurred	**2.2**	2.4
Depreciation of property, plant and equipment	**4.3**	6.0
Amortisation of intangible assets	**2.2**	2.3

During the first half of the year the Group received £1.0m from the UK Government's CJRS. The Group's strong second half performance allowed this to be repaid in early 2021, with the associated costs accrued in 2020.

4 Taxation

	2020 £m	2019 £m
Current tax expense		
Current year – UK	**5.4**	2.8
Current year – overseas	**1.0**	1.6
Adjustment in respect of prior years	**(0.4)**	(0.5)
Current tax expense	**6.0**	3.9
Deferred tax expense/(credit)		
Origination and reversal of temporary differences	**(0.1)**	(0.1)
Adjustment in respect of prior years	**(0.2)**	0.2
Deferred tax expense/(credit)	**(0.3)**	0.1
Total tax expense	**5.7**	4.0

Reconciliation of effective tax rate	2020 £m	2019 £m
Profit for the year	**27.9**	13.1
Total tax expense	**5.7**	4.0
Profit before tax	**33.6**	17.1
Tax using the UK corporation tax rate of 19.0% (2019: 19.0%)	**6.4**	3.2
Effect of tax rates in foreign jurisdictions	**0.1**	1.1
Non-deductible expenses	**0.3**	0.5
Income not taxable	**-**	(0.4)
Adjustment in respect of previous periods	**(0.6)**	(0.2)
Recognition of previously not recognised deferred tax	**-**	(0.2)
Deferred tax on share-based payments	**(0.3)**	-
Utilisation of unrecognised overseas brought forward tax losses	**(0.2)**	-
Total tax expense	**5.7**	4.0

A tax reduction of £0.2m within overseas tax occurred in the period due to the utilisation of brought forward overseas trading losses previously not recognised as a deferred tax asset due to it being deemed unlikely that they could be utilised. The adjustment in respect of previous periods of £0.6m relates to differences between the Group's tax provisions at the date of the accounts being signed and the completion of the final Group's tax returns.

Factors which may affect future current and total tax charges
In the 3 March 2021 Budget it was announced that the UK tax rate will increase to 25% from 1 April 2023. This will have a consequential effect on the group's future tax charge. If this rate change had been substantively enacted at the current balance sheet date the deferred tax asset would have increased by £0.2m to £0.7m

5 Earnings per share

Earnings per share is calculated based on the profit for the year attributable to the owners of the Group. Adjusted earnings per share is calculated based on the adjusted profit for the year, as detailed below, attributable to the owners of the Group. These measures are divided by the weighted average number of shares outstanding during the period.

	2020 £m	2019 £m
Earnings for calculating basic earnings per share	**27.9**	**13.1**
Adjusted for:		
VAT repayment	**-**	**(0.9)**
Cost recovery in Chinese subsidiary	**-**	**(1.4)**
Closure of US operations	**-**	**(0.3)**
Amortisation of acquired intangibles and related acquisition costs	**0.4**	**0.4**
Remeasurement to fair value of hedging portfolio	**(5.3)**	**0.9**
Income tax on above items	**1.0**	**0.3**
Adjusted earnings for calculating adjusted basic earnings per share	**24.0**	**12.1**

Weighted average number of ordinary shares	**2020 Number Million**	2019 Number million
Basic	**154.7**	**156.9**
Dilutive effect of share options on potential ordinary shares	**2.7**	**1.1**
Diluted	**157.4**	**158.0**

	2020 Pence	2019 Pence
Basic earnings per share	**18.0**	**8.3**
Diluted earnings per share	**17.7**	**8.3**
Adjusted basic earnings per share	**15.5**	**7.7**
Adjusted diluted earnings per share	**15.2**	**7.7**

6 Dividends

Amounts were recognised in the financial statements as distributions to equity shareholders as follows:

	2020 £m	2019 £m
Interim dividend in lieu of the final dividend for the year ended 31 December 2019 1.7p (2018: 0.6 pence) per ordinary share	**2.6**	0.9
Interim dividend for the year ended 31 December 2020 of 1.5p (2019: 0.6 pence) per ordinary share	**2.3**	1.0
Total dividend recognised during the year	**4.9**	1.9

The Board is proposing a final dividend for the year ended 31 December 2020 of 4.7p which is a £7.2m cash payment (2019: £nil).

7 Property, plant and equipment

During the year, the Group purchased assets at a cost of £3.3m (2019: £2.0m). The majority of the expenditure related to plant and equipment and tooling at the manufacturing facility in China. Total depreciation for the year was £3.1m (2019: £5.1m). Assets with net book value of £0.1m (2019: £0.1m) were disposed of in the year for net proceeds of £nil (2019: £nil). Net book value at 31 December 2020 was £17.8m (31 December 2019: £17.0m).

The Group has a carrying value of £2.7m for right-of-use assets (2019: £3.0m).

The Group has not included any borrowing costs within additions in 2020 (2019: £nil). There were no funds specifically borrowed for the assets and the amount eligible as part of the general debt instruments pool (after applying the appropriate capitalisation rate) is not considered material.

For further information refer to note 9 of the consolidated financial statements in the 2020 Annual Report and Accounts.

8 Intangible assets and goodwill

Development expenditure is capitalised and included in intangible assets when it meets the criteria laid out in IAS 38, "Intangible Assets". During the year, the Group incurred internally generated development costs of £1.1m (2019: £1.6m). The Group has not included any borrowing costs within capitalised development costs. There were no funds specifically borrowed for this asset and the amount eligible as part of the general debt instruments pool (after applying the appropriate capitalisation rate) is not considered material. Amortisation totalled £2.2m (2019: £2.3m) with the increase arising from Development cost charges . Fully amortised development costs totalling £4.5m were written-off during the year. Net book value at 31 December 2020 was £21.5m (31 December 2019: £22.6m).

Goodwill impairment is reviewed annually. Further details on the review conducted at 31 December 2020 can be found in note 10 to the 2020 Annual Report and Accounts. No impairment charge was recorded in either 2020 or 2019.

9 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate and foreign currency risk, see note 19 in the 2020 Annual Report and Accounts.

	2020	2019
	£m	£m
Non-current liabilities		
Revolving credit facility	**13.6**	24.8
Secured bank loans – Invoice financing	**8.6**	1.2
	22.2	26.0

Bank loans and overdrafts are secured by a fixed and floating charge over the assets of the Group. Bank loans and overdrafts include funds advanced under invoice financing arrangements from HSBC Finance (UK) Limited of £8.6m (2019: £1.2m), which are secured by legal charges over the Group's book debts.

10 Exchange rates

The following significant exchange rates were applied during the year:

	Average rate		Reporting date spot rate	
	2020	2019	**2020**	2019
USD	**1.28**	1.28	**1.36**	1.32
EUR	**1.12**	1.14	**1.11**	1.18
RMB	**8.92**	8.80	**8.91**	9.19

11 Related party transactions

The Group has a related party relationship with its subsidiaries and its Directors. Transactions between Group companies, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Transactions with key personnel

Key personnel include executive and non-executive Board members and the senior management team. The compensation of key management personnel, including executive Directors, is as follows:

	2020	2019
	£m	£m
Remuneration (including benefits in kind)	**7.2**	3.6
Element of share-based payments expense	**1.0**	0.2
	8.2	3.8

Defined contribution pension scheme retirement benefits are accruing to one Director at the year-end (2019: one).

12 Annual General Meeting

The 2021 AGM will take place on 13 May 2021 at the Group's registered office. The notice of AGM and any related documents will be sent to shareholders within the prescribed timescales. Under the UK Government's current guidance on social distancing and prohibiting gatherings it will not be possible for shareholders to attend the AGM in person. Shareholders will be encouraged to submit their proxy votes online.

13 Date of approval of financial information

The financial information covers the year 1 January 2020 to 31 December 2020 and was approved by the Board on 23 March 2021. A copy of the 2020 Annual Report and Accounts will be published on the Luceco plc investor relations website, www.lucecoplc.com as soon as practicable.