9 September 2019

Luceco plc

"Operational improvements deliver sustained progress. Full year profit in-line with expectations"

Luceco plc, ("Luceco" or the "Group" or the "Company") today announces its unaudited results for the six months ended 30 June 2019 ("H1 2019" or "the period"). Luceco is a leading manufacturer and distributor of high quality and innovative wiring accessories, LED lighting and portable power products for a global customer base.

Six months ended 30 June (£m)	Reported results				Adjusted[1] results			
	2019	2018	Change (%)	Change at constant FX rate[2]	2019	2018	Change (%)	Change at constant FX rate[2]
Revenue	82.7	75.1	10.1%	7.0%	82.7	75.1	10.1%	7.0%
Gross margin %	35.0%	26.0%	9.0 ppts		35.0%	27.3%	7.7 ppts	6.2 ppts
Operating profit/(loss)	7.0	(3.1)	325.8%		7.2	-		
Operating margin %	8.5%	(4.1%)	12.6 ppts		8.7%	-	8.7 ppts	6.4 ppts
Profit/(loss) before tax	5.3	(4.1)	229.3%		6.1	(1.0)	710.0%	
Profit/(loss) for the period	4.1	(4.4)	193.2%		4.9	(1.4)	450.0%	
Basic earnings per share (pence)	2.6p	(2.7)p	196.3%		3.1p	(0.9)p	444.4%	
Net Debt					36.4[3]	41.4	(12.1%)	
Net Debt : LTM EBITDA[4]					1.5	2.5	(40.0%)	
Free cash flow					2.1	(4.0)	152.5%	
Return on Capital Invested					18.3%	7.3%	11.0 ppts	
Dividend per share (pence)					0.6	-		

Notes:
1. The definitions of the adjustments made to the statutory figures can be found in note 1 in the Notes to the Condensed Consolidated Financial Statements.
2. 2019 translated at 2018 average exchange rates. These were 1.37 for £: USD and 8.74 for £: RMB. Further details can be found in note 10 in the Notes to the Condensed Consolidated Financial Statements.
3. Includes the adoption of *IFRS 16 Leases*. Further details can be found in note 1 in the Notes to the Condensed Consolidated Financial Statements.
4. Last 12 months earnings before interest, taxation, depreciation and amortisation.

Financial highlights
- Operational improvements deliver sustained progress in challenging market conditions
- Strong revenue growth of 10.1% (8.1% like-for-like)
- Continued gross margin expansion: 35.0% versus H2 2018 of 33.9%
- Disciplined control of overheads
- Excellent conversion of revenue growth into adjusted operating profit growth
- Return to target leverage: Net debt reduced to 1.5 times LTM adjusted EBITDA
- Dividend payout ratio increased from 20% to 25% - interim dividend of 0.6 pence per share

Strategic progress
- UK: Rebound in UK Retail and operational improvements contribute to sustained progress
- Europe: Previous investments yield further expansion in both revenue and profitability
- Rest of the World: Improved profitability despite some challenging economic conditions
- China: Manufacturing efficiency gains and investment in management
- Product development: product cost reductions and successful launch of Smart devices
- Strengthened balance sheet gives increased capacity for investment in future growth

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

"I am pleased to report a good first half performance that reflects the operational improvements implemented across the Group over the last 12 months. I expect these actions to sustain profit growth into the second half despite slower revenue growth as we face tougher comparatives. The Group continues to trade well and has started the second half ahead of expectations. However, we remain conscious of the risks to the wider UK economy posed by a potentially disruptive Brexit and so consider it prudent to maintain our current guidance for the full year."

Further enquiries:

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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 accessories (including switches, sockets), circuit protection and cable management products;
- Luceco and Kingfisher Lighting: energy efficient LED lighting products and associated accessories;
- Masterplug: cable reels, extension leads, surge protection, timers and adaptor products; and
- Ross: television wall mounts, audio visual accessories and other items.

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. 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.

CHIEF EXECUTIVE OFFICER'S REVIEW

Overview
Revenue for the six months to 30 June 2019 was £82.7m, 10.1% higher than a relatively weak comparable period in 2018. This growth reflects more normal UK Retail sales orders following destocking by customers at the beginning of 2018, favourable foreign exchange movements and price updates.

The recovery in Group revenue in 2019 has largely been driven by UK Retail and Europe. Demand from UK Professional customers was more hesitant in an uncertain market. Growth in the Rest of the World was varied, with market share gains in Mexico offset by tough market conditions amid geopolitical tensions in the Middle East. All product segments performed well. In particular Portable Power revenue grew by 22.0% against a weak comparative, whilst Wiring Accessories and LED Lighting grew by 9.3% and 1.6% respectively.

Adjusted gross margin increased by 7.7 percentage points to 35.0% (H1 2018: 27.3%). The improvement in gross margin achieved in the second half of 2018 strengthened further in the first half of 2019, reflecting the positive impact from manufacturing efficiency gains, lower product costs, selling price updates and favourable currency / commodity price movements. Currency and commodity benefits were secured by our improved hedging arrangements.

The combination of healthy top-line growth and a strong rebound in gross margin resulted in adjusted operating profit of £7.2m, at an adjusted operating margin of 8.7%, contrasting starkly with last year's break-even result. It should be noted that the seasonality of the business generates operating margins that are typically weaker in the first half of the year compared to the second half. This sustained margin progress gives the Board confidence that the Group will in due course return to the double-digit operating margins it has achieved in the past.

Strategic priorities
We have continued to make progress with our strategy during 2019 and our key priorities remain:

- Increase sales to professionals, particularly LED;
- Increase sales to international customers and improve profitability;
- Enter new product segments that are synergistic with our existing business;
- Maximise manufacturing efficiency and effectiveness and maximise return on capital;
- Seek targeted acquisitions; and
- Maintain best practice corporate governance.

A sound platform for future growth
In addition to restoring the Group's profitability we continued to strengthen the Group's balance sheet. Net debt at 30 June 2019 of £36.4m equalled 1.5 times adjusted last 12 months EBITDA (30 June 2018: 2.5 times; 31 December 2018: 2.0 times). We expect to reduce net debt and leverage further during the remainder of 2019.

Non-recourse (i.e. off-balance sheet) debt factoring reduced from £12.4m at 31 December 2018 to £9.4m at 30 June 2019, consistent with our previously stated aim to reduce this form of financing in favour of bilateral bank lending.

Outlook
I am pleased to report a good first half performance that reflects the operational improvements implemented across the Group over the last 12 months. I expect these actions to sustain profit growth into the second half despite slower revenue growth as we face tougher comparatives. The Group continues to trade well and has started the second half ahead of expectations. However, we remain conscious of the risks to the wider UK economy posed by a potentially disruptive Brexit and so consider it prudent to maintain our current guidance for the full year.

John Hornby
Chief Executive Officer
9 September 2019

FINANCIAL REVIEW

Use of alternative performance measures

The commentary in the Financial Review uses alternative performance measures, which are described as "adjusted". Definitions of these measures can be found in note 1 in the Condensed Consolidated Financial Statements. The measures provide additional information for users on the underlying performance of the business, enabling consistent year-on-year comparisons.

Overview

Group revenue grew year-on-year by £7.6m (10.1%) to £82.7m. Currency benefits accounted for £2.3m of this, meaning constant currency growth was £5.3m or 7.0%. This growth was constrained by the closure of our US operations in late 2018, with like-for-like sales growth higher at 8.1%.

UK revenue, which accounts for 80% of Group revenue, increased on the comparable period last year by 12.0% driven by a return to normal ordering patterns after retailer destocking in early 2018, and the impact of the stronger USD on Free on Board ("FOB") sales. The overall growth in UK revenue was slightly held back by slower sales to professional customers, albeit at improved margins.

International revenues increased by 3.1% and reflects mixed fortunes in our overseas markets. Strong growth in Europe was offset by revenue declines in the Rest of the World. Sales to the Middle East and Africa were flat against a backdrop of economic challenges and political tensions across the region. Sales to the Americas declined year-on-year, despite double-digit growth in Mexico, and reflects the closure of the US operation in 2018. Asia Pacific struggled to keep pace with a particularly buoyant prior period comparative but remains an attractive growth opportunity for the Group.

Revenue by geographical location of customer

	Unaudited 30 June 2019 £m	**% total revenue**	Unaudited 30 June 2018 £m	% total revenue	Growth %
UK	**66.2**	**80.0**	59.1	78.7	12.0%
Europe	**8.9**	**10.7**	7.1	9.5	25.4%
Rest of the World:					
Middle East and Africa	***4.2***	***5.1***	*4.2*	*5.6*	-
Asia Pacific	***1.2***	***1.5***	*1.9*	*2.5*	*(36.8%)*
Americas	***2.2***	***2.7***	*2.8*	*3.7*	*(21.4%)*
Total Rest of the World	**7.6**	**9.3**	8.9	11.8	(14.6%)
Total revenue	**82.7**	**100.0**	75.1	100.0	10.1%

Note: The methodology for revenue allocation has changed to reflect the geographical destination of the final customer. 2018 comparatives have been restated using this revised methodology.

Adjusted gross margin increased by 7.7 percentage points to 35.0% from 27.3%, due largely to manufacturing efficiency gains, lower product costs, price updates and favourable currency / commodity price movements.

	H1 2019	H1 2018	H2 2018
Adjusted Gross Margin %	35.0%	27.3%	33.9%
Hedged currency rates:			
USD:GBP	1.31	1.37	1.31
RMB:GBP	8.89	8.74	8.88
Average copper price $ (tonne)	6,165	6,919	6,258

Adjusted operating expenses increased year-on-year by £1.2m to £21.7m. This increase included wage inflation and higher variable pay driven by the improved financial performance plus some one-off restructuring costs incurred in China. Adjusted operating costs as a percentage of revenue improved from 27.3% in the comparable period last year to 26.3% this year. The Group continues to exert tight control over discretionary expenditure.

Impact of foreign exchange movements

A summary of the Condensed Consolidated Income Statement on a constant currency basis is included in the table below. Current period balances have been translated at the prior year's average exchange rates and demonstrate the impact of movement in exchange rates during the period.

	Adjusted Unaudited 2019 Actual[1]	Currency impact		Adjusted 2019 at constant currency[2]	Constant currency variance to 2018		Adjusted Unaudited 2018 Actual
	£m	£m	%[3]	£m	£m	%	£m
Revenue	82.7	2.3	*3.1 %*	80.4	5.3	*7.0%*	75.1
Cost of sales	(53.8)	(0.3)	*0.5 %*	(53.5)	1.1	*(2.0%)*	(54.6)
Gross profit	**28.9**	**2.0**	*9.8%*	**26.9**	**6.4**	*31.4%*	**20.5**
Gross margin %	*35.0%*		*1.5 ppts*	*33.5%*		*6.2 ppts*	*27.3%*
Operating costs	(21.7)	-	-	(21.7)	(1.2)	*5.9%*	(20.5)
Operating profit	**7.2**	**2.0**		**5.2**	5.2		**-**
Operating margin %	*8.7%*		*2.3 ppts*	*6.4%*		*6.4 ppts*	-

Notes:

1. Six months ended 30 June 2019 translated at average exchange rates for the period. These were 1.31 for £: USD and 8.89 for £: RMB.
2. Six months ended 30 June 2019 translated at six months ended 30 June 2018 average exchange rates. These were 1.37 for £: USD and 8.74 for £: RMB.
3. Expressed as a percentage of prior period actual.

US Dollar (“USD”) and Chinese Renminbi (“RMB”) are the major currencies that the Group is exposed to. Approximately 40% of Group revenue is denominated in USD and almost 75% of the cost of sales is in RMB. The Group manages these exposures by fixing the price at which it will buy or sell currency up to 12 months in advance and setting product selling prices accordingly.

The average rate for the USD against Sterling decreased by 4.4% from $1.37 in H1 2018 to $1.31 in H1 2019, resulting in an increase in the Sterling value of the Group’s USD-denominated revenue. The average rate for the RMB against Sterling increased by 1.7% from RMB 8.74 in H1 2018 to RMB 8.89 in H1 2019, resulting in a reduction in the Sterling value of the Group’s RMB-denominated costs. The Group’s hedging programme sheltered the Group from the adverse impact of Sterling depreciation at the end of the period.

The Group has taken advantage of the recent beneficial appreciation of USD versus RMB by buying forward 80% of its currency needs for 2020.

Operating segment review

The segmental review has been made using Adjusted financial metrics denoted by the “1” superscript. The definitions of these adjustments to the statutory figures can be found in note 1 in the Notes to the Condensed Consolidated Financial Statements. The methodology used to segment the business was changed in the 2018 Annual Report and Financial Statements and consequently the six months to 30 June 2018 have been restated in the numbers below to reflect the new methodology.

Wiring Accessories (British General)

	Adjusted[1] Unaudited 30 June 2019	Adjusted[1] Unaudited 30 June 2018	Growth
	£m	£m	%
Revenue	**34.1**	31.2	9.3%
Operating profit	**5.9**	1.1	436.4%
Operating margin %	**17.3%**	3.5%	13.8 ppts

Wiring Accessories revenue grew by 9.3%. This was driven by sales to UK retail customers and reflected the de-stocking seen in the comparable period last year. Sales to UK professional customers were in line with prior year, albeit at improved margins thanks to lower commodity prices and manufacturing costs. Whilst a relatively small part of this segment, progress overseas was more mixed. A reduction in sales amid difficult market conditions in the Middle East was largely offset by market share gains in Europe. Revenue growth and lower product costs resulted in a significant improvement in operating margin to 17.3% (H1 2018: 3.5%). It remains the Group’s most profitable line of business.

LED Lighting (Luceco and Kingfisher Lighting)

	Adjusted[1] Unaudited 30 June 2019 £m	Adjusted[1] Unaudited 30 June 2018 £m	Growth %
Revenue	**25.6**	25.2	1.6%
Operating profit	**0.4**	(0.9)	144.4%
Operating margin %	**1.6%**	(3.6%)	5.2 ppts

LED Lighting revenue grew by 1.6%, which is slower than previous periods due largely to lower UK LED project sales. UK LED demand was generally more hesitant, with evidence of project work being temporarily deferred amid political and economic uncertainty. Growth was also limited by the Group's progressive exit from low margin commodity product lines in favour of a higher margin professional-grade offering. This improvement in margin mix, combined with better product sourcing, helped the segment to return to profit in the period despite modest top-line growth. Further improvements should be attainable as political stability yields better UK demand and as previous investment in our overseas LED businesses delivers progressively better returns.

Portable Power (Masterplug)

	Adjusted[1] Unaudited 30 June 2019 £m	Adjusted[1] Unaudited 30 June 2018 £m	Growth %
Revenue	**20.5**	16.8	22.0%
Operating profit/(loss)	**0.9**	(0.1)	1000.0%
Operating margin %	**4.4%**	(0.6%)	5.0 ppts

The Group continues to enjoy market leadership in the UK Portable Power segment. The business experienced strong growth in sales to UK retail customers with the market recovering from the de-stocking in the comparable period last year. Sales to online customers grew rapidly at attractive margins. Profitability improved significantly due to strong top-line growth, lower hedged copper purchase prices and a strengthening of the USD.

Ross and other

	Adjusted[1] Unaudited 30 June 2019 £m	Adjusted[1] Unaudited 30 June 2018 £m	Growth %
Revenue	**2.5**	1.9	31.6
Operating profit/(loss)	**-**	(0.1)	100.0%
Operating margin %	**-**	(5.3%)	5.3 ppts

Ross revenues grew by 31.6% thanks to strong demand from international retailers. Whilst the segment shows a break-even result after allocation of overheads, the business continues to contribute positively toward the payment of those overheads and is an attractive product range extension for existing customers.

Net finance expense

Adjusted net finance expense for the first half was £1.1m (H1 2018: £1.0m). Interest costs were reduced by less borrowing than the comparable period last year. These savings were offset by a higher interest rate on USD debt, due to a higher Federal Funds rate and a stronger USD, as well as the first-time adoption of IFRS 16. The Group aims to reduce its USD borrowing to minimise future interest costs.

Funding and banking covenants

Net debt at 30 June 2019 was £36.4m (30 June 2018: £41.4m) representing a £5.0m decrease since 30 June 2018. The decrease absent the adoption of *IFRS 16* in the period would have been £2.6m greater at £7.6m. Improved trading during the half has generated operating cash flow at £10.6m which has been used to fund working capital (£4.2m), fund the purchases of shares by the Employee Benefit Trust (£2.3m) and pay a final dividend (£0.9m). Cash spent on working capital includes £3.0m arising from the decreased use of non-recourse debt factoring, with the underlying increase in working capital therefore relatively modest at £1.1m.

At 30 June 2019 the Group's non-utilised facilities totalled £16.7m. These are committed until 31 December 2021.

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

2019 Half-year end covenant	Covenant	Actual	Headroom
Net Debt : Adjusted LTM EBITDA	2.75 : 1	1.5	Debt Headroom: £29.4m Adjusted EBITDA Headroom: £10.7m
Adjusted LTM EBITDA : LTM Net Finance Expense	4.00 : 1	10.9	Adjusted EBITDA Headroom: £15.1m Net Finance Expense Headroom: £3.8m

Note: Adjusted LTM EBITDA is calculated adding back US losses totalling £0.5m.

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

	30 June 2019	30 June 2018
Adjusted Earnings Per Share (pence)	**3.1**	(0.9)
Adjusted Net Debt : LTM EBITDA (times)	**1.5**	2.5
Free Cash Flow (£m)	**2.1**	(4.0)

Net debt at £36.4m represented 1.5x (H1 2018: 2.5x) adjusted Last 12 Months Earnings Before Interest Tax Depreciation and Amortisation (“LTM EBITDA”).

Note 1 in the Notes to the Condensed Consolidated Financial Statements provides an explanation of the Group’s alternative performance measures. EBITDA reflects certain adjustments required by the Company’s loan agreements, including proforma adjustments for acquisitions and business closures. The Group complied with its covenant requirements throughout the year and it expects to continue to have adequate funding liquidity to support its growth goals.

Income tax expense
A tax charge for the six-month period has been included in the Condensed Consolidated Income Statement at £1.2m (H1 2018: £0.3m) and has been calculated using the anticipated effective tax rate of the Group. This continues to assume that no relief will be granted on the losses arising in the Group’s overseas businesses. The anticipated effective tax rate for the year ended 31 December 2019 was calculated at 22.3% (H1 2018: 33.3%).

Balance sheet
Non-current assets
Non-current assets during the six-month period since the year end increased by £0.6m to £45.4m and since 30 June 2018 has decreased by £2.2m:

	Six months to 30 June 2019 £m	12 months to 30 June 2019 £m
Property, Plant and Equipment	(2.0)	(3.3)
Right-of-use assets[1]	2.8	2.8
Intangible assets	(0.2)	(0.7)
Non-current assets	**0.6**	**(2.2)**
Movement represented by:		
Depreciation and amortisation	(3.6)	(7.7)
Additions	1.6	3.2
Disposals	(0.2)	(0.2)
IFRS 16 Leases right-of-use assets[1]	2.7	2.3
Exchange rate fluctuation on assets held	0.1	0.2
Net movement	**0.6**	**(2.2)**

Note: 1. The right-of-use assets is shown after additions £0.2m and charging £0.4m depreciation, see note 1 in the Notes to the Condensed Consolidated Financial Statements

Working capital

Net working capital at £48.2m (H1 2018: £43.5m) has increased by £3.0m since the year-end position at £45.2m. This was driven by a £3.0m reduction in non-recourse debt factoring which brought an equal amount of trade debtors back onto the Group balance sheet. Absent this effect, net working capital would have been £0.6m lower than the year-end position.

		Six months to 30 June 2019 £m	Six months to 30 June 2018 £m	12 months to 31 December 2018 £m
Inventories		34.5	41.5	32.3
	Stock cover	*114 days*	*142 days*	*112 days*
Trade debtors		38.3	34.7	39.6
	Debtor days[1]	*95 days*	*95 days*	*91 days*
Trade creditors		(24.6)	(32.7)	(26.7)
	Creditor days	*79 days*	*100 days*	*88 days*
Net working capital		**48.2**	**43.5**	**45.2**

Note: 1. Including all non-recourse debt factoring to aid comparability.

Cash flow

Free cash flow	**Unaudited 30 June 2019 £m**	Unaudited 30 June 2018 £m	Audited 31 December 2018 £m
Adjusted[1] operating profit	**7.2**	-	8.5
Adjusted[1] depreciation and amortisation	**3.4**	2.4	6.5
Adjusted[1] EBITDA	**10.6**	2.4	15.0
Changes in adjusted[1] working capital	**(4.2)**	(0.1)	1.3
Other items	**-**	(0.2)	(0.4)
Adjusted[1] **cash generated from operations**	**6.4**	2.1	15.9
Adjusted[1] operating cash conversion[2]	**60%**	88%	106%
Cash flow from Adjustments	**-**	(0.8)	(2.3)
Net capital expenditure	**(1.4)**	(3.1)	(4.7)
Interest paid	**(1.2)**	(0.8)	(2.2)
Tax paid	**(1.7)**	(1.4)	(1.3)
Free cash flow	**2.1**	(4.0)	5.4

Notes:
1. The definitions of the adjustments made to the statutory figures can be found in note 1 in the Notes to the Condensed Consolidated Financial Statements.
2. Operating cash conversion is defined as operating cash flow divided by EBITDA.

£3.0m of cash generated from operations was absorbed repaying non-recourse debt factoring in the period to reduce the Group's use of this form of financing. Excluding this one-off impact, cash generated from operations would therefore have been £9.4m and operating cash conversion 89%.

Dividend

The Group's policy is to pay a progressive dividend equal to between 20% and 30% of Group earnings. Historic dividends have been paid at the 20% rate. The Board has elected to increase the rate to 25%, starting with the interim 2019 dividend, to underline both its confidence in the Group's future earnings potential and its focus on delivering shareholder returns. The Group will therefore pay an interim dividend of 0.6 pence on 25 October 2019 to shareholders on the register at 20 September 2019.

Going concern

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and as such has applied the going concern principle in preparing the Condensed Consolidated Financial Statements. The Group's Viability Statement can be found on page 29 of the 2018 Annual Report and Financial Statements.

Principal risks and uncertainties

The Group is subject to risk factors both internal and external to its business and has a well-established set of risk management procedures. The following risks and uncertainties are those that the Directors believe could have the most significant impact on the Group's business; disruption to operating operations; information technology systems; business relationships; loss of key employees; acquisition strategy; impact of macroeconomic, political and environmental factors; legal and regulatory non-compliance and risks associated with funding and treasury management.

For further detail of these risks and uncertainties, please refer to pages 24 to 28 of the Luceco plc 2018 Annual Report and Financial Statements, which is available on request from the Group's head office or through the Group website **www.lucecoplc.com**

STATEMENT OF DIRECTORS' RESPONSIBILITIES

We confirm that to the best of our knowledge:

- The condensed 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 Group and the undertakings included in the consolidation taken as a whole.

- The Strategic Report, comprising the Chief Executive Officer's Review and Financial Review, 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 that the condensed financial statements, 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

9 September 2019

Condensed Consolidated Income Statement

for the period ended 30 June 2019 (Unaudited)

	Note	**Unaudited Adjusted 30 June 2019 £m**	**Unaudited Adjustments[1] 30 June 2019 £m**	**Unaudited Reported 30 June 2019 £m**	Unaudited Adjusted 30 June 2018 £m	Unaudited Adjustments[1] 30 June 2018 £m	Unaudited Reported 30 June 2018 £m	Audited Reported 31 December 2018 £m
Revenue	2	**82.7**	**-**	**82.7**	75.1	-	75.1	163.9
Cost of sales		**(53.8)**	**-**	**(53.8)**	(54.6)	(1.0)	(55.6)	(114.3)
Gross profit		**28.9**	**-**	**28.9**	20.5	(1.0)	19.5	49.6
Distribution expenses		**(4.0)**	**-**	**(4.0)**	(4.1)	-	(4.1)	(9.4)
Administrative expenses		**(17.7)**	**(0.2)**	**(17.9)**	(16.4)	(2.1)	(18.5)	(35.3)
Operating profit/(loss)	2,3	**7.2**	**(0.2)**	**7.0**	-	(3.1)	(3.1)	4.9
Finance income		**-**	**-**	**-**	-	-	-	0.3
Finance expense		**(1.1)**	**(0.6)**	**(1.7)**	(1.0)	-	(1.0)	(2.2)
Net financing expense		**(1.1)**	**(0.6)**	**(1.7)**	(1.0)	-	(1.0)	(1.9)
Profit/(loss) before tax		**6.1**	**(0.8)**	**5.3**	(1.0)	(3.1)	(4.1)	3.0
Taxation	4	**(1.2)**	**-**	**(1.2)**	(0.4)	0.1	(0.3)	(1.5)
Profit/(loss) for the period		**4.9**	**(0.8)**	**4.1**	(1.4)	(3.0)	(4.4)	1.5
Earnings per share (pence)								
Basic	5	**3.1p**	**(0.5)p**	**2.6p**	(0.9)p	(1.8)p	(2.7)p	0.9p
Fully diluted	5	**3.1p**	**(0.5)p**	**2.6p**	(0.9)p	(1.8)p	(2.7)p	0.9p

Note:

1. Definition of the adjustments made to the reported figures can be found in note 1 in the Notes to the Condensed Consolidated Financial Statements

Condensed Consolidated Statement of Comprehensive Income

for the period ended 30 June 2019 (Unaudited)

	Unaudited Reported 30 June 2019 £m	Unaudited Reported 30 June 2018 £m	Audited Reported 31 December 2018 £m
Profit/(loss) for the period	**4.1**	(4.4)	1.5
Other comprehensive income – amounts that may be reclassified to profit or loss in the future:			
Foreign exchange translation differences – foreign operations	**(0.1)**	0.1	0.1
Total comprehensive income/(expense) for the period	**4.0**	(4.3)	1.6

All results are from continuing operations.

Condensed Consolidated Statement of Financial Position

at 30 June 2019 (Unaudited)

	Note	**Unaudited Reported 30 June 2019 £m**	Unaudited Reported 30 June 2018 £m	Audited Reported 31 December 2018 £m
Non-current assets				
Property, plant and equipment	7	**19.5**	23.8	21.5
Right-of-use assets	1	**2.8**	-	-
Intangible assets	8	**23.1**	23.8	23.3
		45.4	47.6	44.8
Current assets				
Inventories		**34.5**	41.5	32.8
Trade and other receivables		**41.2**	33.8	41.3
Financial assets held for trading		**-**	-	0.5
Cash and cash equivalents		**5.2**	4.1	4.2
		80.9	79.4	78.8
Total assets		**126.3**	127.0	123.6
Current liabilities				
Interest-bearing loans and borrowings	9	**-**	40.8	15.8
Lease liabilities	1	**0.6**	-	-
Trade and other payables		**40.6**	46.2	43.6
Current tax liabilities		**1.4**	-	1.5
Other financial liabilities		**-**	0.1	0.2
		42.6	87.1	61.1
Non-current liabilities				
Other interest-bearing loans and borrowings	9	**38.5**	4.0	20.0
Lease liabilities	1	**2.5**	-	-
Other financial liabilities		**-**	0.6	0.4
Deferred tax liability		**1.0**	-	0.9
		42.0	4.6	21.3
Total liabilities		**84.6**	91.7	82.4
Net assets		**41.7**	35.3	41.2
Equity attributable to equity holders of the parent				
Share capital		**0.1**	0.1	0.1
Share premium		**24.8**	24.8	24.8
Translation reserve		**1.3**	1.4	1.4
Treasury reserve		**(3.5)**	(1.2)	(1.2)
Retained earnings		**19.0**	10.2	16.1
Total equity		**41.7**	35.3	41.2

Condensed Consolidated Statement of Changes in Equity

for the period ended 30 June 2019 (Unaudited)

	Share capital £m	Share premium £m	Translation reserve £m	Retained earnings £m	Treasury reserve £m	Total equity £m
Balance at 1 January 2018	0.1	24.8	1.3	15.0	(1.2)	40.0
Adjustment on initial application of *IFRS 9*, net of tax[1]	-	-	-	(0.5)	-	(0.5)
Restated balance at 1 January 2018	0.1	24.8	1.3	14.5	(1.2)	39.5
Total comprehensive income						
Loss for the period	-	-	-	(4.4)	-	(4.4)
Currency translation differences	-	-	0.1	-	-	0.1
Total comprehensive income	-	-	0.1	(4.4)	-	(4.3)
Transactions with owners in their capacity as owners:						
Share-based payments charge	-	-	-	0.1	-	0.1
Total transactions with owners in their capacity as owners	-	-	-	0.1	-	0.1
Balance at 30 June 2018	0.1	24.8	1.4	10.2	(1.2)	35.3
Balance at 1 January 2019	**0.1**	**24.8**	**1.4**	**16.1**	**(1.2)**	**41.2**
Adjustment on initial application of *IFRS 16*[2] net of tax	**-**	**-**	**-**	**(0.3)**	**-**	**(0.3)**
Restated balance at 1 January 2019	**0.1**	**24.8**	**1.4**	**15.8**	**(1.2)**	**40.9**
Total comprehensive income						
Profit for the period	**-**	**-**	**-**	**4.1**	**-**	**4.1**
Currency translation differences	**-**	**-**	**(0.1)**	**-**	**-**	**(0.1)**
Total comprehensive income	**-**	**-**	**(0.1)**	**4.1**	**-**	**4.0**
Transactions with owners in their capacity as owners:						
Dividend paid	**-**	**-**	**-**	**(0.9)**	**-**	**(0.9)**
Purchase of own shares	**-**	**-**	**-**	**-**	**(2.3)**	**(2.3)**
Share-based payments charge[3]	**-**	**-**	**-**	**-**	**-**	**-**
Total transactions with owners in their capacity as owners	**-**	**-**	**-**	**(0.9)**	**(2.3)**	**(3.2)**
Balance at 30 June 2019	**0.1**	**24.8**	**1.3**	**19.0**	**(3.5)**	**41.7**

Notes:
1. Impact of *IFRS 9 Financial Instruments.*
2. *S*ee note 1 in the Notes to the Condensed Consolidated Financial Statements.
3. The share-based payment charge in the period ended 30 June 2019 was £41,000.

Condensed Consolidated Cash Flow Statement

for the period ended 30 June 2019 (Unaudited)

	Note	**Unaudited Adjusted 30 June 2019**	**Unaudited Adjustments[1] 30 June 2019**	**Unaudited Reported 30 June 2019**	Unaudited Adjusted 30 June 2018	Unaudited Adjustments[1] 30 June 2018	Unaudited Reported 30 June 2018	Audited Reported 31 December 2018
		£m	**£m**	**£m**	£m	£m	£m	£m
Cash flows from operating activities								
Profit/(loss) for the period		**4.9**	**(0.8)**	**4.1**	(1.4)	(3.0)	(4.4)	1.5
Impairment provision for credit losses		**-**	**-**	**-**	(0.5)	-	(0.5)	(0.5)
Adjustments for:								
Depreciation and amortisation	7,8	**3.4**	**0.2**	**3.6**	2.4	0.3	2.7	7.2
Financial derivatives		**-**	**0.6**	**0.6**	0.2	-	0.2	-
Financial income		**-**	**-**	**-**	-	-	-	(0.3)
Financial expense		**1.1**	**-**	**1.1**	1.0	-	1.0	2.2
Taxation	4	**1.2**	**-**	**1.2**	0.4	(0.1)	0.3	1.5
Share-based payments charge		**-**	**-**	**-**	0.1	-	0.1	0.1
Operating cash flow before movement in working capital		**10.6**	**-**	**10.6**	2.2	(2.8)	(0.6)	11.7
Decrease in trade and other receivables		**0.1**	**-**	**0.1**	11.5	-	11.5	4.2
(Increase) / Decrease in inventories		**(1.5)**	**-**	**(1.5)**	1.7	1.0	2.7	11.8
Decrease in trade and other payables		**(2.8)**	**-**	**(2.8)**	(13.3)	1.0	(12.3)	(14.1)
Cash from operations		**6.4**	**-**	**6.4**	2.1	(0.8)	1.3	13.6
Income taxes paid		**(1.7)**	**-**	**(1.7)**	(1.4)	-	(1.4)	(1.3)
Net cash from operating activities		**4.7**	**-**	**4.7**	0.7	(0.8)	(0.1)	12.3
Cash flows from investing activities								
Acquisition of property, plant and equipment	7	**(0.6)**	**-**	**(0.6)**	(1.9)	-	(1.9)	(3.2)
Acquisition of other intangible assets	8	**(1.0)**	**-**	**(1.0)**	(1.2)	-	(1.2)	(1.7)
Disposal of tangible assets	7	**0.2**	**-**	**0.2**	-	-	-	0.2
Net cash used in investing activities		**(1.4)**	**-**	**(1.4)**	(3.1)	-	(3.1)	(4.7)
Cash flows from financing activities								
Proceeds from new loans		**2.7**	**-**	**2.7**	2.5	-	2.5	20.0
Repayment of borrowings		**-**	**-**	**-**	-	-	-	(25.9)
Interest paid		**(1.2)**	**-**	**(1.2)**	(0.8)	-	(0.8)	(2.2)
Dividends paid		**(0.9)**	**-**	**(0.9)**	-	-	-	-
Lease liabilities		**(0.6)**	**-**	**(0.6)**	0.2	-	0.2	0.1
Purchase of treasury shares		**(2.3)**	**-**	**(2.3)**	-	-	-	-
Net cash from financing activities		**(2.3)**	**-**	**(2.3)**	1.9	-	1.9	(8.0)
Net increase/(decrease) in cash and cash equivalents		**1.0**	**-**	**1.0**			(1.3)	(0.4)
Cash and cash equivalents at 1 January				**4.2**			5.6	5.6
Effect of exchange rate fluctuations on cash held				**-**			(0.2)	(1.0)
Cash and cash equivalents at 30 June/31 December				**5.2**			4.1	4.2

Notes

1. The definitions of the adjustments made to the statutory figures can be found in note 1 in the Notes to the Condensed Consolidated Financial Statements.

Notes to the Condensed Consolidated Financial Statements

for the period ended 30 June 2019 (Unaudited)

1. Basis of preparation

Luceco plc (the 'Company') is a company incorporated and domiciled in the United Kingdom. These condensed consolidated interim financial statements ("interim financial statements") for the period ended 30 June 2019 comprise the Company and its subsidiaries (together referred to as the "Group"). The Group is primarily involved in the manufacturing and distributing of high quality and innovative wiring accessories, LED lighting and portable power products to global markets (see note 2).

The annual financial statements of Luceco plc are prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) interpretations as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRS. The condensed consolidated interim financial statements included in this half-yearly financial report has been prepared in accordance with *IAS 34 Interim Financial Reporting* as adopted by the European Union.

The accounting policies adopted in the preparation of the condensed consolidated interim financial information are consistent with those followed in the preparation of the Group's financial statements for the year ended 31 December 2018 other than the impact of the new standards adopted in the period, as described below.

The condensed consolidated interim financial statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2018 were approved by the Board of Directors and have been delivered to the Registrar of Companies. The audit report on those accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain any statement under section 498(2) or (3) of the Companies Act 2006.

This condensed consolidated interim financial information has been reviewed, not audited.

Risks and uncertainties

An outline of the key risks and uncertainties faced by the Group is described in the 2018 Annual Report and Financial Statements. Risk is an inherent part of doing business and the Directors believe that the Group is well placed to manage the key risks it faces.

Going concern

The condensed consolidated interim financial statements have been prepared on a going concern basis. The Directors of the Company are confident, based on current financial projections and facilities available and after considering sensitivities, that the Group has sufficient resources for its operational needs and will remain in compliance with the financial covenants for its bank facilities for at least the next 12 months.

Standards and interpretations issued

At the date of the approval of these financial statements, the following standards and interpretations, which have not yet been applied in these financial statements, were in issue, but not yet effective:

- Amendments to *IAS 28 Long-term Interests in Associates and Joint Ventures*
- Annual improvements to IFRS standards 2015-17 cycle

The Directors are currently analysing the impact that these standards will have on the Group's financial statements.

Impact on the adoption of new standards, interpretations and amendments for 2019

The Group has changed its accounting policies and made modified retrospective adjustments as a result of adopting *IFRS 16 Leases* ("the Standard"). The impact of adopting the Standard and the new accounting policies is disclosed below.

Adjustments made on adoption of *IFRS 16 Leases*

The Group has adopted the Standard from 1 January 2019 using the modified retrospective approach. As permitted under the Standard's transitional provisions the comparatives for the year ended 31 December 2018 have not been restated with the adjustments instead recognised in the opening balance sheet.

The Group has recognised liabilities in relation to leases previously classified as 'operating leases' under *IAS 17 Leases*. These equal the remaining lease payments discounted to present value at the lessee's weighted average incremental borrowing rate as at 1 January 2019 of 2.5%.

	£m
Operating lease commitments disclosed as at 31 December 2018	2.7
Leases identified not included at year end	0.3
	3.0
Discounted using the lessee's incremental borrowing rate at 1 January 2019	(0.2)
Adjustments as a result of a different treatment of extension and termination options	-
Lease liability recognised as at 1 January 2019	2.8
Comprising:	
Current lease liabilities	0.7
Non-current lease liabilities	2.1

Right-of-use assets
The associated right-of-use assets were assessed on a lease-by-lease basis. They were measured on a retrospective measurement basis (i.e. as if the new rules had always been applied) adjusted by any prepaid or accrued lease payments relating to that lease recognised in the balance sheet at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

Adjustments to opening balance sheet
The impact of the change in accounting policy to the balance sheet at 1 January 2019:

Right-of-use assets - increase by £2.5m
Lease liabilities - increase by £2.8m
Retained earnings - decrease by £0.3m

Impact on current year income statement
The impact of the change in accounting policy to the income statement for the six months period to 30 June 2019:

Operating lease rentals - decrease £0.5m
Depreciation - increase £0.4m

The interest element is included in net financing expense and amounted to £34k.

There is no material impact on earnings per share for the six months to 30 June 2019.

Practical expedients applied as part of transitioning to the Standard
In applying the Standard for the first time, the Group has used the following permitted expedients:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application;
- the use of hindsight in determining the lease term where the contract contains options to extend the lease; and
- the exclusion of underlying assets at low value.

The Group has also elected not to reassess whether a contract is, or contains, a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying *IAS 17* and *IFRIC 4 Determining whether an Arrangement contains a Lease*.

The Group's leasing activities and how these are accounted for
The Group leases various properties, motor vehicles, offices and equipment. Rental contracts are typically for fixed periods but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the end of the 2018 financial year, all leases were classified as either finance or operating leases. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities, where applicable, include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets, where applicable, are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Extension and termination options
Extension options are included in a number of property and equipment leases across the Group. These terms are used to maximise operational flexibility. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option. Extension options are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the Group as a lessee.

Critical accounting judgements and estimates
The preparation of these condensed consolidated interim 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. Actual results may differ from these estimates.

The significant judgements made by management in preparing these interim financial statements and applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended 31 December 2018.

Statutory and non-statutory measures of performance - adjusted measures
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 because of intermittent activities such as a corporate acquisition. The Group separately reports items in the Condensed Consolidated Income Statement which, in the Directors' judgement, need to be disclosed separately by virtue of their nature, size and incidence 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 Condensed Consolidated Income Statement and Condensed Consolidated Cash Flow Statement that have both Statutory and Adjusted performance measures.

The measures used in these interim financial statements are defined in the table on page 92 of the 2018 Annual Report and Financial Statements and the principles to identify adjusting items have been applied on a consistent basis.

The unaudited measures used in this interim results announcement and adjustments made are summarised in the table below:

	Unaudited 30 June 2019					Unaudited 30 June 2018	Audited 31 December 2018
	Adjusted £m	**Remeasurement to fair value of hedging portfolio[3] £m**	**Amortisation of acquired intangibles and related acquisition costs[2] £m**	**Total adjustments £m**	**Reported £m**	Total adjustments[1] £m	Total adjustments[1] £m
Revenue	**82.7**	**-**	**-**	**-**	**82.7**	-	-
Cost of sales	**(53.8)**	**-**	**-**	**-**	**(53.8)**	(1.0)	(1.0)
Gross profit	**28.9**	**-**	**-**	**-**	**28.9**	(1.0)	(1.0)
Distribution expenses	**(4.0)**	**-**	**-**	**-**	**(4.0)**	-	-
Administrative expenses	**(17.7)**	**-**	**(0.2)**	**(0.2)**	**(17.9)**	(2.1)	(2.6)
Operating profit	**7.2**	**-**	**(0.2)**	**(0.2)**	**7.0**	(3.1)	(3.6)
Net finance expense	**(1.1)**	**(0.6)**	**-**	**(0.6)**	**(1.7)**	-	0.3
Profit before tax	**6.1**	**(0.6)**	**(0.2)**	**(0.8)**	**5.3**	(3.1)	(3.3)
Taxation	**(1.2)**	**-**	**-**	**-**	**(1.2)**	0.1	0.2
Profit for the year	**4.9**	**(0.6)**	**(0.2)**	**(0.8)**	**4.1**	(3.0)	(3.1)
Gross margin % (Gross profit/Revenue)	**35.0%**				**35.0%**		

Notes:

1. The adjustments made during 2018 were in respect of the following:

	30 June 2018 £m	31 December 2018 £m
Closure of US business	(2.0)	(2.0)
Restructuring costs	(0.7)	(0.7)
Amortisation of acquired intangibles and related acquisition costs	(0.3)	(0.7)
Remeasurement to fair value of hedging portfolio	-	0.3
Total adjustments	(3.0)	(3.1)

2. Relating to Kingfisher Lighting.
3. Relating to currency hedges.

2. Operating segments

The Group's principal activities are in the manufacturing and supply of wiring accessories, LED lighting, portable power equipment and Ross (home entertainment products). For the purposes of management reporting to the Chief Operating Decision-Maker (the Board), the Group consists of four operating segments which are the product categories that the Group manufactures and distributes. 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[1] 30 June 2019 £m	**Reported 30 June 2019 £m**	Adjusted 30 June 2018[2] £m
Revenue			
Wiring Accessories	**34.1**	**34.1**	31.2
Portable Power	**20.5**	**20.5**	16.8
LED Lighting	**25.6**	**25.6**	25.2
Ross and other	**2.5**	**2.5**	1.9
	82.7	**82.7**	75.1
Operating profit/(loss)			
Wiring Accessories	**5.9**	**5.9**	1.1
Portable Power	**0.9**	**0.9**	(0.1)
LED Lighting	**0.4**	**0.2**	(0.9)
Ross and other	**-**	**-**	(0.1)
Operating profit/(loss)	**7.2**	**7.0**	-

Notes:
1. For details of the 2019 adjustment refer to note 1 in the Notes to the Condensed Consolidated Financial Statements.
2. The methodology used to segment the business was changed in the 2018 Annual Report and Financial Statements. Prior period comparatives have been restated using this methodology.

Revenue by location of customer

	Unaudited Reported 30 June 2019 £m	Unaudited Reported 30 June 2018 £m
UK	**66.2**	59.1
Europe	**8.9**	7.1
Middle East and Africa	**4.2**	4.2
Asia Pacific	**1.2**	1.9
Americas	**2.2**	2.8
Total revenue	**82.7**	75.1

Note: The methodology for revenue allocation has changed to reflect the geographical destination of the final customer. 2018 comparatives have been restated using this revised methodology.

3. Expenses recognised in the Condensed Consolidated Income Statement

Included in the Condensed Consolidated Income Statement are the following:

	Unaudited Reported 30 June 2019 £m	Unaudited Reported 30 June 2018 £m	**Audited Reported 31 December 2018 £m**
Research and development costs expensed as incurred	**0.7**	0.4	**2.9**
Depreciation of property, plant and equipment	**2.2**	1.6	**5.1**
Amortisation of acquired intangible assets	**0.2**	0.3	**0.7**
Amortisation of patents	**-**	-	**0.1**
Amortisation of internally developed intangible assets	**1.2**	0.8	**1.3**

4. Income tax expense

A tax charge for the six-month period has been included in the Condensed Consolidated Income Statement at £1.2m (H1 2018: £0.3m) and has been calculated using the anticipated effective tax rate on the taxable profit of the Group. It is not expected that any relief will be granted on the losses arising in the Group's overseas businesses. The anticipated effective tax rate for the year ended 31 December 2019 was calculated at 22.3% (H1 2018: 33.3%).

5. Earnings per share

Earnings per share is calculated based on the profit for the period attributable to the owners of the Group. Adjusted earnings per share is calculated based on the adjusted profit for the period, 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.

	Unaudited 30 June 2019 £m	Unaudited 30 June 2018 £m	**Audited 31 December 2018 £m**
Reported earnings for calculating basic earnings per share	**4.1**	(4.4)	1.5
Adjusted for:			
Restructuring costs	**-**	0.7	0.8
Closure of US operations	**-**	2.0	2.0
Amortisation of acquired intangibles and related acquisition costs	**0.2**	0.3	0.8
Loss/(gain) on remeasurement to fair value of hedging portfolio	**0.6**	-	(0.3)
Income tax credit arising from restructuring costs	**-**	-	(0.2)
Adjusted earnings for calculating adjusted basic earnings per share	**4.9**	(1.4)	4.6

	H1 2019 Number million	H1 2018 Number million	FY 2018 Number million
Weighted average number of ordinary shares			
Basic	**157.8**	160.3	160.3
Dilutive effect of share options on potential ordinary shares	**0.9**	0.5	0.5
Diluted	**158.7**	160.8	160.8

	H1 2019 Pence	H1 2018 Pence	FY 2018 Pence
Basic earnings per share	2.6	(2.7)	0.9
Diluted earnings per share	2.6	(2.7)	0.9
Adjusted basic earnings per share	**3.1**	(0.9)	2.9
Adjusted diluted earnings per share	**3.1**	(0.9)	2.9

6. Dividend

The Group's policy is to pay a progressive dividend of between 20% and 30% of Group earnings. Historic dividends have been paid at the 20% rate. The Board has elected to increase the rate to 25%, starting with the interim 2019 dividend, to underline both its confidence in the Group's future earnings potential and its focus on delivering shareholder returns. The Group will therefore pay an interim dividend of 0.6 pence on 25 October 2019 to shareholders on the register at 20 September 2019.

7. Property, plant and equipment

During the six months ended 30 June 2019, the Group purchased assets, net of disposals, at a cost of £0.4m (30 June 2018: £1.9m, 31 December 2018: £3.2m). Capital expenditure totalled £0.6m; including plant and equipment £0.3m, tooling £0.1m and £0.1m relating to the manufacturing facility in China. Asset disposals totalled £0.2m and related to plant and equipment at the Chinese factory. Total depreciation for the period was £1.8m (30 June 2018: £1.6m; 31 December 2018 £5.1m).

Following the Group's adoption of *IFRS 16 Leases*, £2.5m of right-of-use assets have been capitalised at 1 January 2019. During the period there were lease additions totalling £0.2m and a depreciation charge of £0.4m. In addition, under the Standard, £0.5m of finance leases that had been included in property, plant and equipment has been reclassified as right-of-use assets. The net book value of right-of-use assets at 30 June 2019 was £2.8m.

The Group has not included any borrowing costs in additions for either 2019 or 2018. 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.

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 six months ended 30 June 2019, the Group incurred internally generated development costs of £1.0m (30 June 2018: £1.2m, 31 December 2018: £1.7m). Amortisation for the period on development costs was £1.2m (30 June 2018: £0.8m; 31 December 2018 £2.1m). There were no capitalised borrowing costs.

The Group recognised an amortisation charge of £0.2m in the first half year (six months to 30 June 2018: £0.3m; 31 December 2018: £0.7m) in respect of acquired intangible assets from Kingfisher Lighting. The charge in the period is £0.1m lower than the comparable period last year due to the absence this year of amortisation on the order backlog (included in customer relationships) that had a useful life of less than one year when acquired in September 2017 (refer to note 22 of the 2017 Annual Report and Accounts). In the Condensed Consolidated Income Statement these amounts have been included within "adjustments" in calculating the adjusted operating profit/loss (refer to note 1 in the Notes to the Condensed Consolidated Financial Statements).

There has been no impairment to goodwill following a review since the year ended 31 December 2018. Goodwill has been allocated to cash-generating units and can be referred to in the Group's 2018 Annual Report and Financial Statements.

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, please refer to note 19 in the 2018 Annual Report and Financial Statements.

	Unaudited 30 June 2019 £m	Unaudited 30 June 2018 £m	Audited 31 December 2018 £m
Non-current liabilities			
Chinese mortgage loan	-	4.0	-
Secured bank loans	**18.5**	-	-
Bank term loan	**20.0**	-	20.0
	38.5	4.0	20.0
Current liabilities			
Secured bank loans	**-**	40.8	15.8
	-	40.8	15.8

Secured bank loans are secured by a fixed and floating charge over the assets of the Group and are committed to 31 December 2021.

10. Exchange rates

The following significant Sterling exchange rates were applied during the year:

	Hedge rate		Reporting date spot rate	
	30 June 2019	30 June 2018	**30 June 2019**	30 June 2018
USD	**1.31**	1.37	**1.27**	1.32
EUR	**1.15**	1.14	**1.11**	1.13
RMB	**8.89**	8.74	**8.70**	8.74

11. Financial risk management and financial instruments

The Group's activities expose it to a variety of financial risks that include currency risk, interest rate risk, credit risk and liquidity risk.

These interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements. They should therefore be read in conjunction with the Group's Annual Report and Financial Statements for the year ended 31 December 2018. There have been no changes to the risk management policies since the year ended 31 December 2018.

12. Related party transactions
The Group has related party relationships with its subsidiaries and with its directors. Transactions between Group companies, which are related parties, have been eliminated on consolidation and are not disclosed in this note. There have been no related party transactions with directors other than in respect of remuneration.

13. Post balance sheet event
In the post-balance sheet period, the Group commenced a legal claim for 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.

This action generated pre-tax cash income of £1.2m in the post balance sheet period. Income arising from this claim will be recorded in the second half as an Adjustment owing to its unusual size and nature and therefore excluded from full year Adjusted Operating Profit.

14. Date of approval of financial information
The interim financial information covers the period 1 January 2019 to 30 June 2019 and was approved by the Board on 9 September 2019. Further copies of the interim financial information can be accessed in the Investor section on the Luceco plc website: www.lucecoplc.com.

Responsibility Statement

We confirm that to the best of our knowledge:

• the condensed set of financial statements has been prepared in accordance with *IAS 34 Interim Financial Reporting* as adopted by the EU;

• the interim management report includes a fair review of the information required by:

(a) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

At the date of this statement, the Directors are those listed in the Group's 2018 Annual Report and Financial Statements with the addition of Mr. Will Hoy who was appointed to the Board on 1 September 2019.

Approved by the Board on 9 September 2019 and signed on its behalf.

John Hornby
Chief Executive Officer

Matt Webb
Chief Financial Officer

INDEPENDENT REVIEW REPORT TO LUCECO PLC

Conclusion
We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2019 which comprises Condensed consolidated income statement, Condensed consolidated statement of comprehensive income, Condensed consolidated statement of changes in equity, Condensed consolidated statement of total financial position, Condensed consolidated statement of cash flows and the related explanatory notes.
Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2019 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

Scope of review
We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.
A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

The impact of uncertainties due to the UK exiting the European Union on our review
Uncertainties related to the effects of Brexit are relevant to understanding our review of the condensed financial statements. Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. An interim review cannot be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Directors' responsibilities
The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.
The annual financial statements of the group are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted by the EU.

Our responsibility
Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

The purpose of our review work and to whom we owe our responsibilities
This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Michael Froom
Senior Statutory Auditor
for and on behalf of KPMG LLP
Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

9 September 2019

Additional information

Financial calendar

Interim ex-dividend date	19 September 2019
Interim dividend payment date	25 October 2019
2019 Year end	31 December 2019
2019 Full year trading update	28 January 2020
2019 Full year results statement	31 March 2020
AGM	14 May 2020
2020 Half year end	30 June 2020
2020 Half year trading update	28 July 2020
2020 Half year interim results statement	8 September 2020

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