8 September 2020

LUCECO PLC
2020 INTERIM RESULTS

Structural resilience and operational agility drive growth in profitability despite COVID

Luceco plc, ("Luceco" or the "Group" or the "Company") today announces its unaudited results for the six months ended 30 June 2020 ("H1 2020" 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.

£m	Reported results H1 2020	H1 2019	Change (%)	Change at constant FX rate (%)[2]	Adjusted[1] results H1 2020	H1 2019	Change (%)	Change at constant FX rate (%)[2]
Revenue	**71.6**	82.7	(13.4%)	(14.4%)	**71.6**	82.7	(13.4%)	(14.4%)
Gross margin %	**38.4%**	35.0%	3.4ppts		**38.4%**	35.0%	3.4ppts	2.5ppts
Operating profit	**8.8**	7.0	25.7%		**9.0**	7.2	25.0%	
Operating margin %	**12.3%**	8.5%	3.8ppts		**12.6%**	8.7%	3.9ppts	2.6ppts
Profit before tax	**8.4**	5.3	58.5%		**8.3**	6.1	36.1%	
Profit after tax	**6.8**	4.1	65.9%		**6.7**	4.9	36.7%	
Basic earnings per share	**4.4p**	2.6p	69.2%		**4.3p**	3.1p	38.7%	
Net debt	**22.7**	36.4	(37.6%)					
Net debt : LTM EBITDA[3]					**0.8x**	1.5x	(46.7%)	
Free cash flow	**6.7**	2.1	228.6%		**10.2**	5.1	100.0%	
Return on capital invested					**24.5%**	18.3%	6.2ppts	
Dividend per share	**3.2p**	0.6p	433.3%					

1. The definitions of the adjustments made and reconciliations to the reported figures can be found in note 1 of the condensed consolidated financial statements.
2. H1 2020 translated at H1 2019 exchange rates. Further details in note 10 of the condensed consolidated financial statements.
3. Last 12 months earnings before net finance expense, tax, depreciation and amortisation.

Financial highlights

- Revenue 13.4% lower than last year reflecting COVID impact - outperformed the UK market
- Adjusted Operating Profit increased 25%, despite COVID
- Adjusted Operating Margin of 12.6%, in the middle of our targeted range of 10-15%
- Adjusted Free Cash Flow doubled to £10.2m with tight control of working capital in challenging conditions
- Net debt reduced by £13.7m and leverage reduced to 0.8x LTM Adjusted EBITDA
- Dividend reinstated and payout range increased: payout policy increased from 20-30% to 40-60%, resulting in interim dividend of 1.5p (40% payout). We will also make an additional interim payment of 1.7p in lieu of the suspended 2019 final dividend

Operational highlights

- Strong progress in a challenging period driven by:
  - Comprehensive and agile response to COVID
  - High share within resilient online channels and consumer / DIY markets, built over many years
  - Continued investment in our advantaged business model to deliver benefits in all market conditions:
    - New product development
    - Manufacturing and supply chain transformation
    - IT enhancements
- Enhancement of our business model will accelerate as COVID distractions diminish

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

"Growing our profit, improving our margin and doubling our free cash flow amidst the unprecedented challenges of COVID are, I believe, a fitting testament to the Group's forward planning, resilience and agility. It also underlines our long-term potential.

We look forward to making further progress in the second half whilst remaining vigilant to the ongoing macroeconomic risks. We expect a significant improvement on last year's performance with full year 2020 Adjusted Operating Profit of at least £23.0m and Adjusted EPS of at least 11.0p, provided there is no severely disruptive second wave of coronavirus infection in H2. Significant additional progress is possible if second half demand is unaffected by macroeconomic headwinds.

The outlook for 2021 remains uncertain. But I believe business wins and our ongoing focus on business model improvement initiatives will continue to serve us well and be sufficient to deliver further progress."

There will be a webcast presentation and conference call of the results at 9:00am today for analysts and investors. Please contact Florence Mayo at MHP Communications on 020 3128 8572 or email luceco@mhpc.com for details.

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This announcement is released by Luceco plc and contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) 596/2014 (MAR). It is disclosed in accordance with the Company's obligations under Article 17 of MAR. Upon the publication of this announcement, this information is considered to be in the public domain.

For the purposes of MAR and Article 2 of Commission Implementing Regulation (EU) 2016/1055, this announcement is being made on behalf of Luceco plc by Matt Webb, Chief Financial Officer.

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

The Group has significantly improved performance despite the severe challenges presented to all of us by COVID.

Revenue for H1 2020 of £71.6m was 13.4% lower than the comparative period as COVID impacted both the supply of product out of China and demand for product in our key markets.

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.

Government action to control the spread of the COVID in our end markets inevitably impacted demand for our products, but to a lesser extent than was expected.

Construction activity was relatively unencumbered by lockdown measures in most of our markets. Demand for our DIY products remained strong as consumers spent more of their time and money at home. Our higher share, built over many years, of customers with strong e-commerce and multi-channel offerings provided a continued route to market when traditional channels temporarily closed to combat COVID. This, combined with new business wins in the hybrid (i.e. mixed retail and trade) channel and circuit protection category, meant that we comfortably outperformed the UK market. Demand in traditional distribution channels also recovered relatively quickly as lockdown controls eased towards the end of the half.

By the end of the first half, sales had stabilised at 90% of prior year levels. At the beginning of the second half, sales are ahead of the prior year and our stronger margin means we are expecting increased profitability in that period.

Profit lost to COVID-related disruption in the first half was more than offset by gross margin improvement and overhead reduction, leaving H1 Adjusted Operating Profit £1.8m higher than the comparative period at £9.0m.

The Group delivered its fourth successive half of gross margin improvement, largely thanks to lower production costs, better product design and better sourcing. H1 2020 gross margin of 38.4% was a new Group record for a half-year period, with further progress targeted for H2 as demand improves in higher-margin professional channels.

Plans to reduce overheads were set well before the coronavirus entered general circulation. The details of our proposed reductions were shared in our 2019 Full Year Results and we have followed that plan closely. Early planning allowed us to respond with agility and conviction as the situation evolved.

Our objective was to safeguard the Group's long-term future from COVID's deleterious near-term impact whilst preserving as many jobs as possible. The outcome was a 15% reduction in Adjusted Overheads but, I am very pleased to report, no COVID-driven redundancies were made in the period and no employees remain furloughed. A positive outcome would not have been achieved without the swift action and full support of the Group's employees, who I would like to take this opportunity to thank.

Improved profitability and equally stringent action to preserve cash doubled first half Adjusted Free Cash Flow to £10.2m, sufficient to reduce net debt by £13.7m to £22.7m and leverage from 1.1x to 0.8x LTM Adjusted EBITDA in the period. A strong balance sheet provides comfort in the near-term and a potential advantage over competitors to seize investment opportunities thereafter.

The operational improvements to our model that we have implemented over the course of the last two years have delivered sustainably strong profitability, high cash generation and leverage below our targeted range of 1.0-2.0x LTM Adjusted EBITDA. This has allowed us to reinstate dividends with a new and more appropriate dividend policy. Our previous policy was to pay out between 20% and 30% of Adjusted EPS. Our new policy will pay out between 40% and 60%, starting with 40% in 2020. We believe this will achieve a fairer distribution of profits with shareholders whilst still providing ample opportunity for us to reinvest in our unchanged growth strategy. It will result in a total payment of 3.2p on 23 October 2020. This comprises an interim dividend of 1.5p (representing a 40% payout) and an additional interim payment of 1.7p in lieu of the 2019 final dividend, which was prudently suspended earlier in the year when the impact of COVID was considerably less certain than it is now.

As encouraged and proud as I am of the Group's resilient performance in the first half, I am far from complacent. Economies will take years to respond to permanent changes in human behaviour that the virus has brought about in weeks, resulting in a period of economic uncertainty that may outlive the virus. People and businesses will need support in the intervening period, which is why we welcome the Government's various initiatives to stimulate construction activity across the UK.

Market demand has undoubtedly benefited this year from government economic support and a greater proportion of household income being spent on home improvement during COVID. It is not yet clear how demand in our industry will respond next year as government support is wound down and consumers return to work or leave the workplace.

In this period of continued uncertainty, we will run the business in the same way we have done so far this year: continually scanning the horizon, responding to developments with agility and focusing on initiatives that will improve our performance regardless of events around us. I am confident this formula will sustain our progress.

Outlook

Growing our profit, improving our margin and doubling our free cash flow amidst the unprecedented challenges of COVID are, I believe, a fitting testament to the Group's forward planning, resilience and agility. It also underlines our long-term potential. We look forward to making further progress in the second half whilst remaining vigilant to the ongoing macroeconomic risks. We expect a significant improvement on last year's performance with full year 2020 Adjusted Operating Profit of at least £23.0m and Adjusted EPS of at least 11.0p.

The outlook for 2021 remains uncertain. But I believe business wins and our ongoing focus on business model improvement initiatives will continue to serve us well and be sufficient to deliver further progress.

JOHN HORNBY
Chief Executive Officer

8 September 2020

CHIEF FINANCIAL OFFICER'S 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

COVID disruption left H1 2020 revenue 13.4% lower than the comparative period last year at £71.6m.

Continued gross margin improvement, a key feature of the Group's results for the last two years, and stringent control of overheads meant the Group made more profit on lower sales, allowing H1 Adjusted Operating Profit to increase by £1.8m to £9.0m.

The Group converted all the additional profit into extra cash. Our cash position was also supplemented by close oversight of working capital and a prudent tightening of capex plans, resulting in Adjusted Free Cash Flow of £10.2m, double the comparative period.

Cash generated was used to pay down debt and reduce off-balance sheet debt factoring. The reinstatement of dividends with a higher payout ratio, including an additional interim payment in lieu of the cancelled 2019 final dividend, underlines the Board's confidence in the Group's ability to resiliently withstand short-term challenges and prosper long-term.

We have resumed our capex plans in H2 (focused on new product development, manufacturing transformation, supply chain transformation and IT enhancement) to maximise our long-term prospects, whilst keeping operating costs under tight control.

COVID impact

COVID disruption started in early February when our production facility in Jiaxing, China closed for the two weeks immediately after Chinese New Year as the coronavirus began to spread from its initial epicentre in Wuhan.

Production restarted thereafter albeit at reduced capacity due to a lack of workers returning to work.

Swiftly implemented social distancing measures and a safe ramp up of production allowed our facility to regain pre-COVID levels of manufacturing quickly – a great achievement in the circumstances.

By the end of February, it was clear to us that the coronavirus would eventually enter general circulation in our key markets, notably the UK. We began to develop a contingency plan to be triggered if governments responded with disruptive measures to contain the spread of the virus.

Our plan focused on safeguarding our employees, reducing costs and preserving cash. Details were shared in our 2019 Full Year Results announcement. The plan was implemented in March as lockdowns spread through our markets and it achieved our aims.

Predicting the impact on demand of social distancing was inherently difficult. Our plan was designed to accommodate our realistic worst-case scenario, which I am pleased to say did not materialise.

There were three reasons for this: continued socially distanced construction activity, channel diversity and product diversity. Whilst the former was a function of government policy, the latter two are competitive strengths and a product of our long-term strategy.

The Group has progressively built a diverse business serving a broad range of end-users with multiple products through multiple distribution channels. It has particularly focused on gaining share with distributors capable of multi-channel consumer engagement, whom we felt were well positioned to succeed long-term. This long-established strategy served us well during the pandemic.

Distributors with both online ordering and either direct or "click & collect" fulfilment continued to operate throughout the lockdown and gained share from traditional "bricks & mortar" channels. This benefited us due to our disproportionate share of the former. To illustrate, the year-on-year change in our H1 2020 UK Wiring Accessories revenue by distribution channel was as follows:

- Pure-play online: +88%
- Hybrid operators (multi-channel capable): +5%
- Traditional: -19% (consistent with decline in the overall UK Wiring Accessory market in the period)

Product diversity meant that we benefited from continued demand for DIY products from consumers willing and able to spend more on their homes, whilst demand for project-oriented, professional products declined as organisations cut back on discretionary investment. To illustrate, the year-on-year change in H1 2020 revenue by product during lockdown was as follows:

- DIY products / channels: +6.7%
- Project-oriented products / channels: -38.7%

The above examples illustrate a key driver of our resilient performance.

One other key driver was cost reduction.

We avoided the need for redundancies in H1 by reducing working hours and implementing a temporary pay cut from members of the Board down. Our strong performance allowed us to refund the latter before the end of the half. We made appropriate use of government job retention schemes, generating £1.2m of benefit in H1. This allowed us to maintain full employee salary levels despite the reduction in working hours, eliminating the risk of individual financial hardship. We do not plan to make use of such schemes in H2 now all employees have returned to work. We are not making use of any government lending or tax deferral schemes and have no plans to do so.

Revenue remained remarkably strong during COVID despite a sharp reduction in sales & marketing activity, testament to the power of our brands and our market position. Whilst welcome in 2020, the unsustainably low cost of acquiring sales in H1, combined with government furlough income, are a challenging performance headwind to overcome in 2021. Our sales force is now restored to full strength to preserve long-term customer relationships.

We are keeping non-discretionary expense under tight control in H2 until the outlook becomes clearer.

Whilst the risk of further COVID-related disruption remains high, we have a better understanding of its likely impact. Our experience in H1 suggests that a further COVID-driven UK lockdown of similar scale would cost £0.75m of operating profit per month of lockdown, without impacting liquidity, meaning the Group can comfortably fund any reasonably plausible future lockdown scenarios.

Revenue

Group revenue declined by £11.1m (13.4%) to £71.6m. Currency benefits added £0.8m, meaning a constant currency decline of £11.9m or 14.4%.

Constant currency revenue declined by 10.7% in Q1, largely because of COVID-driven supply chain disruption in China.

The decline was 18.1% in Q2, with sales at 50% of prior year levels at the start of the quarter as markets responded cautiously to newly introduced social distancing measures, before recovering to 90% of prior year levels at the end.

Sales to UK retail networks declined by 11.4%, less than the Group average, thanks to new business wins and a shift in end-users toward distributors offering online ordering and non-branch fulfilment. UK DIY and grocery stores remained largely open throughout the half, allowing the Group to benefit from relatively strong consumer demand.

Sales to UK professionals declined by 23.3%, more than the Group average, as traditional wholesalers remained locked down for longer and organisations cut back on large, discretionary construction projects.

I am pleased to report that demand from professional channels has improved in early H2 as lockdown conditions have eased, allowing the Group to forecast low single digit like-for-like revenue growth in Q3. This leads us to expect 2020 Full Year Adjusted Operating Profit of at least £23.0m.

European sales declined by 19.6% in constant currency. The region grew strongly in Q1 before relatively severe lockdowns in Continental Europe took their toll in Q2. The region has returned to modest year-on-year growth in early H2.

Rest of the World sales grew by 7.7% in constant currency. Asian markets were impacted by COVID early in the half before recovering. Other markets avoided the impact of COVID for most of H1 but may still be impacted in H2.

Revenue by geographical location of customer	**H1 2020 £m**	**% total revenue**	H1 2019 £m	% total revenue	Growth %
UK	**56.1**	**78.4**	66.2	80.0	(15.3)%
Europe	**7.2**	**10.1**	8.9	10.8	(19.1)%
Middle East and Africa	**3.9**	**5.4**	3.9	4.7	-
Asia Pacific	**1.3**	**1.8**	1.4	1.7	(7.1)%
Americas	**3.1**	**4.3**	2.3	2.8	34.8%
Total revenue	**71.6**	**100.0**	82.7	100.0	

Gross Margin %

Adjusted gross margin advanced for the fourth successive half-year, from a historic trough of 27.3% in H1 2018 to a new peak of 38.4% in H1 2020, as illustrated in the table below:

	H1 2018	H2 2018	H1 2019	H2 2019	**H1 2020**
Adjusted Gross Margin %	27.3%	33.9%	35.0%	37.4%	**38.4%**
Hedged currency rates:					
USD:GBP	1.37	1.31	1.29	1.26	**1.26**
RMB:GBP	8.74	8.88	8.89	9.00	**9.04**
Hedged copper price RMB (tonne)	51,900	49,315	48,226	48,270	**48,000**

Over that time, the US Dollar has strengthened by 12.5% against the Chinese Renminbi, increasing our income and lowering our costs. Likewise, copper has reduced in price by 7.5%. Both have improved our margins and are now hedged at rates similar to H1 2020 rates for the near-term. But external factors only explain around one third of the 11.1 percentage point improvement in margin in the last two years.

The majority has arisen from our ongoing manufacturing transformation project and actions taken to lower product cost through better design.

Manufacturing efficiency has progressively improved under new management at our Chinese factory. Unit costs of manufacture have reduced by 12.5% on average over the two-year period through the cumulative impact of many initiatives. More timely payments to suppliers and disciplined contract tendering have yielded price reductions under new Sourcing leadership. Labour efficiency has considerably increased thanks to improvements to operator retention, line changeover efficiency and line layout. Waste has been eliminated from administrative overheads and packaging has been streamlined across our product range.

We have also outsourced the manufacture of some products to lower cost alternatives and used our extensive network in China to find cheaper manufacturers of existing products, particularly in the LED category.

The improvement in gross margin has been achieved despite the headwind of fewer, high margin professional sales and generally low volumes at our Chinese factory in H1 2020. I expect both to improve in H2, benefiting margins still further.

Overheads

Adjusted Overheads were £3.2m (14.7%) lower than the comparative period at £18.5m.

£1.7m of this came from temporary staff layoffs and the suspension of bonus payments. Improving performance brought this saving to an end at the start of H2 and bonuses were also reinstated.

Reduced activity levels and more efficient shipping resulted in a £0.5m reduction in freight costs.

Curtailment of discretionary expenditure such as promotion, advertising, travel and entertainment saved a further £1.0m. We aim to retain as much of this saving as possible in H2 to ensure total overheads for the half remain less than the prior year.

Net finance expense

Net finance expense as a percentage of average net debt reduced from 3.2% in H1 2019 to 2.8% in H1 2020 with reduced leverage driving cheaper borrowing rates. The Group also benefited from a lower base rate toward the end of the half, which should continue in H2.

Taxation

The Group's effective tax rate on Adjusted Profit Before Tax has reduced in recent years as follows - FY2018: 27.0%, FY2019 23.4%, H1 2020: 19.3%. This has been achieved by better tax planning, particularly releasing previously trapped tax losses.

Dividends

The business has proven its ability to generate sustainably strong profits and cash flows. Over the last two and a half years, free cash has been used to reduce indebtedness to our target range of 1.0-2.0x LTM Adjusted EBITDA whilst still investing fully in sources of long-term growth, such as new product development and manufacturing transformation. I am pleased to report that, with de-levering complete, we can choose to deploy our free cash in other ways in future.

We will continue to pursue our M&A strategy. We have a clear set of acquisition criteria are confident that acquisitions in our pipeline will deliver long term value. But we will balance this long-term opportunity with a responsibility to provide shareholders with a commensurate near-term return. We have concluded that our current dividend policy does not achieve this balance, falling short of the payout that shareholders would rightly expect for a business with our profitability, cash generation and healthy long-term growth prospects.

Therefore, we have decided to increase our expected dividend payout range from 20-30% to 40-60% of Adjusted EPS. The payout in 2020 will be 40%. Our dividend will remain progressive.

This results in a 3.2 pence per share payment on 23 October 2020 to shareholders on the register on 18 September 2020. It includes a 1.5p interim payment for 2020 and an additional 1.7p payment in lieu of the suspended final payment for 2019.

Cash flow and funding

The Group's recent focus on improving efficiency and reallocating existing resources to the best growth opportunities before investing in additional resources has had the expected beneficial impact on free cash flow generation:

Adjusted Free Cash Flow	**Adjusted[1] H1 2020 £m**	Adjusted[1] H1 2019 £m	Adjusted[1] LTM[3] H1 2020 £m
Operating profit	**9.0**	7.2	19.8
Depreciation and amortisation	**2.8**	3.4	7.3
EBITDA	**11.8**	10.6	27.1
Changes in working capital	**1.6**	(1.2)	3.8
Other items	**0.4**	-	0.7
Cash from operations	**13.8**	9.4	31.6
Operating cash conversion[2]	**117%**	89%	117%
Net capital expenditure	**(1.7)**	(1.4)	(3.9)
Interest paid	**(0.7)**	(1.2)	(1.6)
Tax paid	**(1.2)**	(1.7)	(2.1)
Free Cash Flow	**10.2**	5.1	24.0
Free Cash Flow as % Revenue	**14.2%**	6.2%	14.9%

1. A reconciliation of the reported to Adjusted results is shown within note 1 of the condensed consolidated financial statements
2. Adjusted Operating Cash Conversion is defined as Adjusted Operating Cash Flow divided by Adjusted EBITDA
3. Results for the 12 months ended 30 June 2020

H1 Adjusted Free Cash Flow was particularly strong at £10.2m, with a margin of 14.2% exceeding the Group's targeted range of 5-10%.

Some manufacturing investment plans temporarily slowed in Q2 due to COVID, but have since restarted, leading to lower than expected capex.

Reduced activity liberated £1.6m of cash from working capital. This is expected to reverse in H2 as activity returns.

The Group granted temporarily extended payment terms to some loyal customers during the COVID lockdown, leading to an increase in debtor days. Improved trading across the industry had helped to speed up payments by the end of the half. The Group experienced no material bad debts in the period.

£3.5m of the cash generated in the period was used to continue to pay down off-balance sheet debt factoring, which stood at £1.5m on 30 June 2020. The remaining balance will be cleared in H2, ending many years of off-balance sheet funding arrangements in the interests of greater simplicity and transparency.

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

H1 2020 covenant	**Covenant**	**Actual**	**Headroom**
Net Debt : Adjusted[1] LTM EBITDA	2.50 : 1	**0.8**	Debt Headroom: £45.1m Adjusted[1] EBITDA Headroom: £18.0m
Adjusted[1] LTM EBITDA : LTM Net Finance Expense	4.00 : 1	**14.4**	Adjusted[1] EBITDA Headroom: £19.5m Net Finance Expense Headroom: £4.9m

1. A reconciliation of the reported to Adjusted results is shown within note 1 of the condensed consolidated financial statements

As set out in the 2019 Full Year Results announcement, the Group agreed in principle in April 2020 to reset banking covenants for Q3 and Q4 2020 to accommodate a then plausible COVID downside scenario. As COVID developed, it became clear that we could comfortably remain within our existing covenants in any plausible scenario and the focus moved to extending the maturity of our existing facilities rather than changing their terms. We have therefore not reset covenants but have extended the maturity date of our facilities from 31 December 2021 to 31 March 2023 on similar terms to the existing arrangements.

As 30 June 2020, the Group had headroom of £30.4m in its committed borrowing facilities.

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

	Adjusted[1] H1 2020	Adjusted[1] H1 2019
Earnings Per Share (pence)	**4.3**	3.1
Net Debt : LTM EBITDA (times)	**0.8**	1.5
Free Cash Flow (£m)	**10.2**	5.1

1. A reconciliation of the reported to Adjusted results is shown within note 1 of the condensed consolidated financial statements

Working capital

		H1 2020 £m	H1 2019 £m	FY 2019 £m
Inventories		**29.7**	34.5	32.2
	Inventory days	***130 days***	*114 days*	*105 days*
Trade debtors		**41.3**	38.3	42.8
	Debtor days[1]	***99 days***	*95 days*	*89 days*
Trade creditors		**(19.1)**	(24.6)	(22.1)
	Creditor days	***81 days***	*79 days*	*75 days*
Net working capital		**51.9**	48.2	52.9

Working capital reduced by £1.0m in the period to £51.9m.

This was achieved despite a reduction in off-balance sheet debt factoring, which increased trade debtors by £3.5m. The reduction in working capital absent changes in debt factoring, which is a more informative gauge of capital management, was therefore £4.5m – a key driver of the strong cash flow in the period.

Inventory levels were pro-actively reduced in March before COVID lockdowns commenced. Closing inventory of £29.7m represents 130 days of backward looking, and therefore depressed, demand but we expect stockholding periods to reduce now demand has improved post-lockdown.

The average debt collection period increased by 10 days to 99 days as we granted targeted extensions in payment terms to loyal customers adversely impacted by COVID. Collection has accelerated in the second half.

Operating segment review

Wiring Accessories

	Adjusted[1]			**Reported**		
	H1 2020	H1 2019	Change	**H1 2020**	H1 2019	Change
Revenue	**£31.3m**	£34.1m	(8.2%)	**£31.3m**	£34.1m	(8.2%)
Contribution profit	**£10.9m**	£9.9m	10.1%	**£10.9m**	£9.9m	10.1%
Contribution margin %	**34.8%**	29.0%	5.8ppts	**34.8%**	29.0%	5.8ppts
Operating profit	**£7.3m**	£5.9m	23.7%	**£7.3m**	£5.9m	23.7%
Operating margin %	**23.3%**	17.3%	6.0ppts	**23.3%**	17.3%	6.0ppts

1. A reconciliation of the reported to Adjusted results is shown within note 1 of the condensed consolidated financial statements

Wiring Accessories revenue declined by 8.2% to £31.3m.

The decline in revenue was less than both the Group average and the overall market thanks to share gains. Gains arose from new business wins, good stock availability and channel switching.

The exit of a large UK competitor allowed us to materially expand our circuit protection sales at attractive margins.

Unlike some of our competitors, we achieved good outbound order fill rates throughout the period due to the swift recovery of our Chinese manufacturing capacity after lockdown and good stock cover in the UK pre-COVID.

Professional end users switched away from traditional channels toward distributors with remote ordering and fulfilment channels during lockdown, of which the Group has a high share.

Despite the reduction in revenue, segmental adjusted operating profit increased by nearly 24% to £7.3m due to improved manufacturing efficiency and the temporary curtailment of sales and marketing expenses.

LED Lighting

	Adjusted[1]			**Reported**		
	H1 2020	H1 2019	Change	**H1 2020**	H1 2019	Change
Revenue	**£19.8m**	£25.6m	(22.7%)	**£19.8m**	£25.6m	(22.7%)
Contribution profit	**£2.6m**	£2.6m	Nil%	**£2.6m**	£2.6m	Nil%
Contribution margin %	**13.1%**	10.2%	2.9ppts	**13.1%**	10.2%	2.9ppts
Operating profit	**£0.9m**	£0.4m	125.0%	**£0.7m**	£0.2m	250.0%
Operating margin %	**4.5%**	1.6%	2.9ppts	**3.5%**	0.8%	2.7ppts

1. A reconciliation of the reported to Adjusted results is shown within note 1 of the condensed consolidated financial statements

LED Lighting revenue declined by 22.7% to £19.8m.

The decline in revenue was more than the Group average. Over half of the segmental revenue is driven by professional, project-related demand, which slowed considerably in the UK and Spain during lockdown. Activity in this part of the market began to improve toward the end of the first half, which is encouraging for the second half.

Results benefited from continued product development, manufacturing and sourcing efforts to reduce product cost, thereby improving profitability and maintaining price competitiveness. This was particularly evident at Kingfisher Lighting, which has improved its product margins under our ownership.

Portable Power

	Adjusted[1]			**Reported**		
	H1 2020	H1 2019	Change	**H1 2020**	H1 2019	Change
Revenue	**£18.7m**	£20.5m	(8.8%)	**£18.7m**	£20.5m	(8.8%)
Contribution profit	**£3.1m**	£3.2m	(3.1%)	**£3.1m**	£3.2m	(3.1%)
Contribution margin %	**16.6%**	15.6%	1.0ppts	**16.6%**	15.6%	1.0ppts
Operating profit	**£0.9m**	£0.9m	nil%	**£0.9m**	£0.9m	nil%
Operating margin %	**4.8%**	4.4%	0.4ppts	**4.8%**	4.4%	0.4ppts

1. A reconciliation of the reported to Adjusted results is shown within note 1 of the condensed consolidated financial statements

Portable Power revenue declined by 8.8% to £18.7m.

The decline in revenue was less than the Group average. Demand remained relatively robust despite COVID as consumers bought extension leads and cable reels during lockdown to support home working and home improvement respectively.

Whilst our market share in the UK is relatively mature, we are hopeful about developing the nascent North American portable power market, with one major US retailer placing a large order in the first half.

A stronger US dollar, the currency in which most of the segmental revenue is invoiced, and central cost reduction helped to maintain profit despite the reduction in revenue.

Ross

	Adjusted[1]			Reported		
	H1 2020	H1 2019	Change	**H1 2020**	H1 2019	Change
Revenue	**£1.8m**	£2.5m	(28.0%)	**£1.8m**	£2.5m	(28.0%)
Contribution profit	**£nil**	£0.3m	(100.0%)	**£nil**	£0.3m	(100.0%)
Contribution margin %	**nil%**	12.0%	(12.0ppts)	**nil%**	12.0%	(12.0ppts)
Operating profit / (loss)	**(£0.1m)**	£nil	nil%	**(£0.1m)**	£nil	nil%
Operating margin %	**(5.6%)**	nil%	(5.6ppts)	**(5.6%)**	nil%	(5.6ppts)

1. A reconciliation of the reported to Adjusted results is shown within note 1 of the condensed consolidated financial statements

Ross revenue declined by 28.0% to £1.8m due to COVID disruption. Ross products are sold through the same channels using the same resources as other segments. Absent COVID, the business typically generates an Adjusted Contribution Profit to help pay for fixed central overheads and we expect this contribution to resume in H2 2020 as COVID disruption subsides.

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.

	H1 2020 Adjusted actual[1]	**Currency impact**		**H1 2020 Adjusted at constant currency[2]**	**Constant currency variance to 2019**		**H1 2019 Adjusted actual**
	£m	**£m**	**%**	**£m**	**£m**	**%**	**£m**
Revenue	**71.6**	0.8	1.1%	70.8	(11.9)	(14.4%)	82.7
Cost of sales	**(44.1)**	0.2	(0.5%)	(44.3)	9.5	(17.7%)	(53.8)
Gross profit	**27.5**	1.0	3.8%	26.5	(2.4)	(8.3%)	28.9
Gross margin %	**38.4%**		1.0ppts	37.4%		2.4ppts	35.0%
Operating costs	**(18.5)**	-	-	(18.5)	3.2	(14.7%)	(21.7)
Operating profit	**9.0**	1.0	12.5%	8.0	0.8	11.1%	7.2
Operating margin %	**12.6%**		1.3ppts	11.3%		2.6ppts	8.7%

1. H1 2020 translated at H1 2020 average exchange rates.
2. H1 2020 translated at H1 2019 average exchange rates.

Our major currencies are largely hedged for the second half of 2020. I do not expect any further year-on-year currency gain in that period.

MATT WEBB
Chief Financial Officer

8 September 2020

GOING CONCERN

Our going concern assessment has modelled the impact of various scenarios associated with the Group's principal risks.

The Group's principal risks include the future impact of COVID, which the Board has considered in detail. Our assessment has been appropriately informed by our experience of the virus to date, particularly in setting forecast assumptions. COVID's impact thus far has been considerably less severe than that assumed when we performed our going concern assessment for the 2019 Annual Report.

Our assessment has taken into consideration the overall level of Group borrowings and covenant requirements, the flexibility of the Group to react to changing market conditions and ability to appropriately manage any business risks.

The conclusion of this work is that the Group has sufficient headroom in its banking covenants and facilities in all of the scenarios considered to continue to fund itself and operate.

In view of this, the Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. They therefore continue to adopt the going concern basis in preparing these interim financial statements.

Further details of the type of scenarios considered, the assumptions made in each and support for the conclusions can be found in note 1 to the condensed consolidated interim 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; impact of coronavirus on supply and demand of Luceco products, 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 45 to 50 of the Luceco plc 2019 Annual Report and Accounts, 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 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

(b) 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 2019 Annual Report and Accounts with the exception of John Barton who did not stand for re-election at the AGM on 4 June 2020. Pim Vervaat was appointed to the Board as Senior Independent Director with effect from 1 September 2020.

Approved by the Board on 8 September 2020 and signed on its behalf.

JOHN HORNBY
Chief Executive Officer

MATT WEBB
Chief Financial Officer

8 September 2020

Condensed Consolidated Income Statement
for the period ended 30 June 2020

	Note	**Adjusted H1 2020 £m**	**Adjustments[1] H1 2020 £m**	**Reported H1 2020 £m**	Adjusted H1 2019 £m	Adjustments[1] H1 2019 £m	Reported H1 2019 £m	Reported FY 2019 £m
Revenue	2	**71.6**	**-**	**71.6**	82.7	-	82.7	172.1
Cost of sales		**(44.1)**	**-**	**(44.1)**	(53.8)	-	(53.8)	(107.5)
Gross profit		**27.5**	**-**	**27.5**	28.9	-	28.9	64.6
Other income		**1.0**	**-**	**1.0**	-	-	-	-
Distribution expenses[2]		**(3.1)**	**-**	**(3.1)**	(4.0)	-	(4.0)	(8.5)
Administrative expenses[2]		**(16.4)**	**(0.2)**	**(16.6)**	(17.7)	(0.2)	(17.9)	(35.9)
Operating profit	2,3	**9.0**	**(0.2)**	**8.8**	7.2	(0.2)	7.0	20.2
Finance income		**-**	**0.3**	**0.3**	-	-	-	-
Finance expense		**(0.7)**	**-**	**(0.7)**	(1.1)	(0.6)	(1.7)	(3.1)
Net financing expense		**(0.7)**	**0.3**	**(0.4)**	(1.1)	(0.6)	(1.7)	(3.1)
Profit before tax		**8.3**	**0.1**	**8.4**	6.1	(0.8)	5.3	17.1
Taxation	4	**(1.6)**	**-**	**(1.6)**	(1.2)	-	(1.2)	(4.0)
Profit for the period		**6.7**	**0.1**	**6.8**	4.9	(0.8)	4.1	13.1
Earnings per share (pence)								
Basic	5	**4.3p**	**0.1p**	**4.4p**	3.1p	(0.5)p	2.6p	8.3p
Fully diluted	5	**4.3p**	**-**	**4.3p**	3.1p	(0.5)p	2.6p	8.3p

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 2020

	H1 2020 £m	H1 2019 £m	FY 2019 £m
Profit for the period	**6.8**	4.1	13.1
Other comprehensive income – amounts that may be reclassified to profit or loss in the future:			
Foreign exchange translation differences – foreign operations and investments	**1.7**	(0.1)	(2.3)
Total comprehensive income for the period	**8.5**	4.0	10.8

All results are from continuing operations.

Condensed Consolidated Statement of Financial Position
at 30 June 2020

	Note	**H1 2020 £m**	H1 2019 £m	FY 2019 £m
Non-current assets				
Property, plant and equipment	7	**17.8**	19.5	17.0
Right-of-use assets		**3.0**	2.8	3.0
Intangible assets	8	**22.0**	23.1	22.6
		42.8	45.4	42.6
Current assets				
Inventories		**29.7**	34.5	32.2
Trade and other receivables		**42.5**	41.2	43.6
Cash and cash equivalents		**-**	5.2	1.4
		72.2	80.9	77.2
Total assets		**115.0**	126.3	119.8
Current liabilities				
Interest-bearing loans and borrowings	9	**0.2**	-	-
Trade and other payables		**32.5**	40.6	39.0
Current tax liabilities		**3.2**	1.4	2.8
Financial assets held for trading		**-**	-	0.3
Other financial liabilities		**1.2**	0.6	1.1
		37.1	42.6	43.2
Non-current liabilities				
Other interest-bearing loans and borrowings	9	**19.4**	38.5	26.0
Other financial liabilities		**1.9**	2.5	1.7
Deferred tax liability		**1.0**	1.0	1.0
Provisions		**0.8**	-	0.8
		23.1	42.0	29.5
Total liabilities		**60.2**	84.6	72.7
Net assets		**54.8**	41.7	47.1
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		**0.8**	1.3	(0.9)
Treasury reserve		**(5.3)**	(3.5)	(4.1)
Retained earnings		**34.4**	19.0	27.2
Total equity		**54.8**	41.7	47.1

Condensed Consolidated Statement of Changes in Equity
for the period ended 30 June 2020

	Share capital £m	Share premium £m	Translation reserve £m	Retained earnings £m	Treasury reserve £m	Total equity £m
Balance at 1 January 2019	0.1	24.8	1.4	16.1	(1.2)	41.2
Adoption of IFRS 16 – Leases[1]				(0.3)		(0.3)
Balance at 1 January 2019 restated	0.1	24.8	1.4	15.8	(1.2)	40.9
Total comprehensive income						
Profit for the period	-	-	-	4.1	-	4.1
Impairment provision on expected credit losses	-	-	-	-	-	-
Currency translation differences	-	-	(0.1)	-	-	(0.1)
Total comprehensive income for the period	-	-	(0.1)	4.1	-	4.0
Transactions with owners in their capacity as owners:						
Distribution paid	-	-	-	(0.9)	-	(0.9)
Purchase of own shares	-	-	-	-	(2.3)	(2.3)
Share-based payments charge[2]	-	-	-	-	-	-
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
Balance at 1 January 2020	**0.1**	**24.8**	**(0.9)**	**27.2**	**(4.1)**	**47.1**
Total comprehensive income						
Profit for the period	**-**	**-**	**-**	**6.8**	**-**	**6.8**
Currency revaluations of investments			**1.0**			**1.0**
Currency translation differences	**-**	**-**	**0.7**	**-**	**-**	**0.7**
Total comprehensive income for the period	**-**	**-**	**1.7**	**6.8**	**-**	**8.5**
Transactions with owners in their capacity as owners:						
Purchase of own shares	**-**	**-**	**-**	**-**	**(1.2)**	**(1.2)**
Share-based payments charge	**-**	**-**	**-**	**0.4**	**-**	**0.4**
Total transactions with owners in their capacity as owners	**-**	**-**	**-**	**0.4**	**(1.2)**	**(0.8)**
Balance at 30 June 2020	**0.1**	**24.8**	**0.8**	**34.4**	**(5.3)**	**54.8**

1. Impact of *IFRS 16 Leases.*
2. 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 2020

	Note	**Adjusted H1 2020**	**Adjustments[1] H1 2020**	**Reported H1 2020**	Adjusted H1 2019	Adjustments[1] H1 2019	Reported H1 2019	Reported FY 2019
		£m	**£m**	**£m**	£m	£m	£m	£m
Cash flows from operating activities								
Profit for the period		**6.7**	**0.1**	**6.8**	4.9	(0.8)	4.1	13.1
Adjustments for:								
Depreciation and amortisation	7,8	**2.8**	**0.2**	**3.0**	3.4	0.2	3.6	8.3
Financial income		**-**	**(0.3)**	**(0.3)**	-	-	-	-
Financial expense		**0.7**	**-**	**0.7**	1.1	0.6	1.7	3.1
Taxation	4	**1.6**	**-**	**1.6**	1.2	-	1.2	4.0
Loss on disposal of tangible assets		**-**	**-**	**-**	-	-	-	0.1
Share-based payments charge		**0.4**	**-**	**0.4**	-	-	-	0.2
Operating cash flow before movement in working capital		**12.2**	**-**	**12.2**	10.6	-	10.6	28.8
Decrease/(increase) in trade and other receivables		**4.6**	**(3.5)**	**1.1**	3.1	(3.0)	0.1	(2.7)
Decrease/(Increase) in inventories		**2.5**	**-**	**2.5**	(1.5)	-	(1.5)	-
Decrease in trade and other payables		**(5.5)**	**-**	**(5.5)**	(2.8)	-	(2.8)	(4.8)
Cash from operations		**13.8**	**(3.5)**	**10.3**	9.4	(3.0)	6.4	21.3
Income taxes paid		**(1.2)**	-	**(1.2)**	(1.7)	-	(1.7)	(2.6)
Net cash from operating activities		**12.6**	**(3.5)**	**9.1**	7.7	(3.0)	4.7	18.7
Cash flows from investing activities								
Acquisition of property, plant and equipment	7	**(1.3)**	**-**	**(1.3)**	(0.6)	-	(0.6)	(2.0)
Acquisition of other intangible assets	8	**(0.4)**	**-**	**(0.4)**	(1.0)	-	(1.0)	(1.6)
Disposal of tangible assets	7	**-**	**-**	**-**	0.2	-	0.2	-
Net cash used in investing activities		**(1.7)**	**-**	**(1.7)**	(1.4)	-	(1.4)	(3.6)
Cash flows from financing activities								
Proceeds from new loans		**13.4**	**-**	**13.4**	2.7	-	2.7	5.0
Repayment of borrowings		**(20.0)**	**-**	**(20.0)**	-	-	-	(14.6)
Interest paid		**(0.7)**	**-**	**(0.7)**	(1.2)	-	(1.2)	(2.1)
Dividends paid		**-**	**-**	**-**	(0.9)	-	(0.9)	(1.9)
Other financial liabilities		**(0.6)**	**-**	**(0.6)**	(0.6)	-	(0.6)	(1.3)
Purchase of treasury shares		**(1.2)**	**-**	**(1.2)**	(2.3)	-	(2.3)	(2.9)
Net cash from financing activities		**(9.1)**	**-**	**(9.1)**	(2.3)	-	(2.3)	(17.8)
Net (decrease)/increase in cash and cash equivalents		**1.8**	**(3.5)**	**(1.7)**	4.0	(3.0)	1.0	(2.7)
Cash and cash equivalents at 1 January				**1.4**			4.2	4.2
Effect of exchange rate fluctuations on cash held				**0.1**			-	0.1
Cash and cash equivalents at 30 June/31 December				**(0.2)**			5.2	1.4

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 2020

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 2020 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 Report and Accounts 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 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 interim financial statements are consistent with those followed in the preparation of the Group's Annual Report and Accounts for the year ended 31 December 2019 other than the impact of the new standards adopted in the period, as described below.

The 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 2019 were approved by the Board of Directors and have been delivered to the Registrar of Companies. The audit report on those accounts was unqualified and did not contain any statement under section 498(2) or (3) of the Companies Act 2006. The auditors in their report drew attention to the going concern comment made in note 1 to the financial statements which indicated that in the Group's severe but plausible downside case only, the Group would exceed it's quarterly financial covenants in Q4 2020 and Q1 2021. These events and conditions, along with the other matters explained in note 1, constitute a material uncertainty that may cast significant doubt on the Group's and the parent company's ability to continue as a going concern. The audit opinion was not modified in respect of this matter.

The interim financial information have been reviewed, not audited.

Risks and uncertainties
An outline of the key risks and uncertainties faced by the Group is described in the 2019 Annual Report and Accounts. 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
Our going concern assessment has developed plausible downside scenarios linked to the following principal risks. Each has been modelled over three years:

1. 2nd COVID-driven lockdown in the Q4 2020 - utilising our experience in H1 2020, as described below
2. Macroeconomic decline – based on 15% reduction on sales
3. Shipping and transportation – based on 15% reduction in worldwide revenue for 6 months
4. Disruption to manufacturing facilities – based on two months loss of sales in China in Sep/Oct-20 and 5% reduction in margin from 4 months from Sep-20

COVID impact in H1 2020

Disruption to the business started in February when production at the facility in Jiaxing, China closed for the two weeks immediately after Chinese New Year as the coronavirus began to spread from its initial epicentre in Wuhan. However, production quickly restarted albeit at reduced capacity due to a lack of workers. A swift implementation of social distancing measures and a safe ramp up of production allowed our facility to regain pre-COVID levels of manufacturing quickly.

The threat that the coronavirus would eventually enter general circulation in our key markets, notably the UK, led to the development of a contingency plan to be triggered if governments responded with disruptive measures to contain the spread of the virus. Our plan focused on safeguarding our employees, reducing costs and preserving cash. Details can be found in the 2019 Annual Report. The plan was implemented in March as lockdowns spread through our markets and it achieved our aims.

Predicting the impact on demand of social distancing was inherently difficult. Our plan was designed to accommodate our realistic worst-case scenario, which did not materialise. There were three reasons for this outcome: continued socially distanced construction, channel diversity and product diversity. Whilst the former was a function of government policy, the latter two were a product of our long-term strategy. The Group has progressively built a diverse business serving a broad range of end-users with multiple products through multiple distribution channels. It has particularly focused on gaining share with distributors capable of multi-channel consumer engagement, whom it was felt were well positioned to succeed long-term. These earlier decisions mitigated the impact on the business during the pandemic.

Distributors with both online ordering and either direct or "click & collect" fulfilment continued to operate throughout the lockdown and gained share from traditional "bricks & mortar" channels. This benefited the Group due to the disproportionate share of the former.

Product diversity benefited the Group from continued demand for DIY products from consumers willing and able to spend more on their homes, whilst demand for project-oriented, professional products declined as organisations cut back on discretionary investment.

The above examples illustrate a key driver of the Group's resilient performance.

One other key driver was cost reduction. The Group avoided the need for redundancies in H1 by reducing working hours and implementing a temporary pay cut from members of the Board down. The strong performance of the Group allowed the refund the latter before the end of the half. Appropriate use of government job retention schemes was made, generating £1.2m of income in H1. This allowed the maintenance of employee salary levels despite the reduction in working hours, eliminating the risk of individual financial hardship. The use of such schemes will not be required in H2 now that all employees have returned to work. The Group is not using any of the government's lending or tax deferral schemes.

Our experience in the first half of the year suggests that a further COVID-driven UK lockdown of similar scale would cost £0.75m of operating profit per month of lockdown, without impacting liquidity.

Funding

In arriving at its conclusion on going concern, the Board has given due consideration to whether the funding and liquidity resources above are sufficient to accommodate the principal risks and uncertainties faced by the Group.

The Group has reported a profit before tax of £8.4m for the six months to 30 June 2020 (30 June 2019: £5.3m), has net current assets of £36.3m (30 June 2019: £38.3m) and net assets of £54.8m (30 June 2019: £41.7m).

The capital resources at the Group's disposal at 30 June 2020 were as follows:

- a revolving credit facility of £30.0m, £5.1m drawn at 30 June 2020
- an invoice financing facility of £20.0m, £14.5m was drawn at 30 June 2020

Both bank facilities mature on 31 March 2023.

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. At the 30 June 2020 this ratio was 0.8 – with headroom on net debt of £45.1m and EBITDA of £18.0m.
- Adjusted EBITDA of no less than 4.0 times Adjusted Net Finance Expense, both for the preceding 12-month period. At the 30 June 2020 this ratio was 14.4 – with headroom on Net Finance Expense of £4.9m and EBITDA of £19.5m.

Conclusions

The conclusion of this work is that the Group has sufficient headroom, even in plausible downside scenarios, to remain in compliance with its quarterly financial covenants for a period of at least 12 months from the date of approval of the interim financial statements.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the interim financial statements and therefore have prepared the interim financial statements on a going concern basis.

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 References to Conceptual Framework for IFRS Standards
- Definition of a Business (Amendments to IFRS 3)
- Definition of Material (Amendments to IAS 1 and IAS 8)

The following accounting standards and amendments that are applicable to the Group have been issued by the IASB but had either not been adopted by the European Union or were not yet effective at 30 June 2020.

- IFRS 17 Insurance Contracts. The current effective date is 1 January 2022. This is not expected to be applicable to the Group.
- Sale or Contribution of Assets between an Investor and its Associate or Joint venture (Amendments to IFRS 10 and IAS 28).

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 and Condensed Consolidated Cash Flow 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 108 of the 2019 Annual Report and Financial Statements and the principles to identify adjusting items have been applied on a consistent basis.

The unaudited measures used in the interim financial statements and adjustments made are summarised in the table below:

	H1 2020					H1 2019	FY 2019
	Adjusted £m	**Remeasurement to fair value of hedging portfolio[2] £m**	**Amortisation of acquired intangibles and related acquisition costs[3] £m**	**Total adjustments £m**	**Reported £m**	Total adjustments[1] £m	Total adjustments[1] £m
Revenue	**71.6**	-	-	-	**71.6**	-	-
Cost of sales	**(44.1)**	-	-	-	**(44.1)**	-	2.3
Gross profit	**27.5**	-	-	-	**27.5**	-	2.3
Other income	**1.0**	-	-	-	**1.0**	-	-
Distribution expenses	**(3.1)**	-	-	-	**(3.1)**	-	-
Administrative expenses	**(16.4)**	-	**(0.2)**	**(0.2)**	**(16.6)**	(0.2)	(0.1)
Operating profit	**9.0**	-	**(0.2)**	**(0.2)**	**8.8**	(0.2)	2.2
Net finance expense	**(0.7)**	**0.3**	-	**0.3**	**(0.4)**	(0.6)	(0.9)
Profit before tax	**8.3**	**0.3**	**(0.2)**	**0.1**	**8.4**	(0.8)	1.3
Taxation	**(1.6)**	-	-	-	**(1.6)**	-	(0.3)
Profit for the period	**6.7**	**0.3**	**(0.2)**	**0.1**	**6.8**	(0.8)	1.0
Gross margin %	**38.4%**				**38.4%**		

1. The adjustments made during 2019 were in respect of the following:

	H1 2019 £m	FY 2019 £m
Remeasurement to fair value of hedging portfolio[2]	(0.6)	(0.9)
Amortisation of acquired intangibles and related acquisition costs[3]	(0.2)	(0.4)
Closure of US business	-	0.3
Cost recovery	-	1.4
VAT repayment	-	0.9
Total adjustments before tax	(0.8)	1.3

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

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 H1 2020 £m	**Adjustment[1] £m**	**Reported H1 2020 £m**	Adjusted H1 2019 £m	Adjustment[1] £m	Reported H1 2019 £m
Revenue						
Wiring Accessories	**31.3**	**-**	**31.3**	34.1	-	34.1
Portable Power	**18.7**	**-**	**18.7**	20.5	-	20.5
LED Lighting	**19.8**	**-**	**19.8**	25.6	-	25.6
Ross and other	**1.8**	**-**	**1.8**	2.5	-	2.5
	71.6	**-**	**71.6**	82.7	-	82.7
Operating profit						
Wiring Accessories	**7.3**	**-**	**7.3**	5.9	-	5.9
Portable Power	**0.9**	**-**	**0.9**	0.9	-	0.9
LED Lighting	**0.9**	**(0.2)**	**0.7**	0.4	(0.2)	0.2
Ross and other	**(0.1)**	**-**	**(0.1)**	-	-	-
Operating profit	**9.0**	**(0.2)**	**8.8**	7.2	(0.2)	7.0

1. Relating to Kingfisher Lighting.

Revenue by location of customer

	H1 2020 £m	H1 2019 £m
UK	**56.1**	66.2
Europe	**7.2**	8.9
Middle East and Africa	**3.9**	3.9
Asia Pacific	**1.3**	1.4
Americas	**3.1**	2.3
Total revenue	**71.6**	82.7

3. Expenses recognised in the Condensed Consolidated Income Statement

Included in the Condensed Consolidated Income Statement are the following:

	H1 2020 £m	H1 2019 £m	**FY 2019 £m**
Research and development costs expensed as incurred	**0.8**	0.7	**2.4**
Depreciation of property, plant and equipment and right-of-use assets	**2.1**	2.2	**6.0**
Amortisation of acquired intangible assets	**0.2**	0.2	**0.4**
Amortisation of internally developed intangible assets	**0.7**	1.2	**1.9**

4. Income tax expense

A tax charge for the six-month period has been included in the Condensed Consolidated Income Statement at £1.6m (H1 2019: £1.2m) and has been calculated using the anticipated effective tax rate on the taxable profit of the Group. The anticipated effective tax rate for the year ended 31 December 2020 was calculated at 19.0% (H1 2019: 22.3%).

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.

	H1 2020 £m	H1 2019 £m	**FY 2019 £m**
Reported earnings for calculating basic earnings per share	**6.8**	4.1	13.1
Adjusted for:			
VAT repayment	**-**	-	(0.9)
Cost recovery	**-**	-	(1.4)
Closure of US operations	**-**	-	(0.3)
Amortisation of acquired intangibles and related acquisition costs	**0.2**	0.2	0.4
(Gain)/loss on remeasurement to fair value of hedging portfolio	**(0.3)**	0.6	0.9
Income tax on above items	-	-	0.3
Adjusted earnings for calculating adjusted basic earnings per share	**6.7**	4.9	12.1

	H1 2020 Number million	H1 2019 Number million	FY 2019 Number million
Weighted average number of ordinary shares			
Basic	**155.2**	157.8	156.9
Dilutive effect of share options on potential ordinary shares	**1.8**	0.9	1.1
Diluted	**157.0**	158.7	158.0

	H1 2020 Pence	H1 2019 Pence	FY 2019 Pence
Basic earnings per share	4.4	2.6	8.3
Diluted earnings per share	4.3	2.6	8.3
Adjusted basic earnings per share	**4.3**	3.1	7.7
Adjusted diluted earnings per share	**4.3**	3.1	7.7

6. Dividend

Reflecting the Board's satisfaction with the way in which the business has navigated the coronavirus pandemic thus far and its confidence for the remainder of the year a dividend of 3.2 pence per share will be paid to shareholders on 23 October 2020. This comprises an interim dividend of 1.5p and an additional payment of 1.7p in lieu of the 2019 final dividend.

7. Property, plant and equipment

During the six months ended 30 June 2020, the Group purchased assets, net of disposals, at a cost of £1.3m (30 June 2019: £0.4m, 31 December 2019: £3.2m). Capital expenditure totalled £1.3m; including plant and equipment £0.3m, construction in progress £0.6m, tooling £0.3m and £0.1m relating to the manufacturing facility in China. There were no asset disposals (2019: £0.2m). Total depreciation for the period was £1.5m (30 June 2019: £1.6m; 31 December 2019 £5.1m). The translation of fixed assets held by overseas companies in their native currencies to sterling at the 30 June 2020 spot exchange rates has generated a foreign exchange benefit of £0.8m.

During the period there were lease additions totalling £0.8m and a depreciation charge of £0.6m. A transfer of £0.2m was made from right-of-use assets to property, plant and equipment. The net book value of right-of-use assets at 30 June 2020 was £3.0m (30 June 2019: £2.8m, 31 December 2019: £3.0m).

The Group has not included any borrowing costs in additions for either 2020 or 2019. 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 2020, the Group incurred internally generated development costs of £0.4m (30 June 2019: £1.0m, 31 December 2019: £1.6m). Amortisation for the period on development costs was £0.7m (30 June 2019: £1.2m; 31 December 2019 £2.3m). 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 2019: £0.2m; 31 December 2019: £0.4m) in respect of acquired intangible assets from Kingfisher Lighting. 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 have been no triggers to necessitate an impairment review of goodwill since the review undertaken as part of the year ended 31 December 2019. Goodwill has been allocated to cash-generating units and can be referred to in the Group's 2019 Annual Report and Accounts.

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 2019 Annual Report and Accounts.

	H1 2020	H1 2019	FY 2019
	£m	£m	£m
Non-current liabilities			
Secured bank loans	**14.5**	18.5	-
Bank term loan	**4.9**	20.0	26.0
	19.4	38.5	26.0

Secured bank loans are secured by a fixed and floating charge over the assets of the Group and are committed to 31 March 2023.

10. Exchange rates

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

	Hedged rate		Reporting date spot rate	
	H1 2020	H1 2019	**H1 2020**	H1 2019
USD	**1.26**	1.29	**1.23**	1.27
EUR[1]	**1.14**	1.15	**1.10**	1.11
RMB	**9.04**	8.89	**8.72**	8.70

1. As the Euro is not hedged these rates represent the average rate

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 Report and Accounts. They should therefore be read in conjunction with the Group's Annual Report and Accounts for the year ended 31 December 2019. There have been no changes to the risk management policies since the year ended 31 December 2019.

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. Date of approval of financial information

The interim financial information covers the period 1 January 2020 to 30 June 2020 and was approved by the Board on 8 September 2020. Further copies of the interim financial information can be accessed in the Investor section on the Luceco plc website: www.lucecoplc.com.

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 2020 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 2020 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.

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.

As disclosed in note 1, 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
for and on behalf of KPMG LLP
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

8 September 2020

Additional information

Financial calendar

Interim ex-dividend date	17 September 2020
Last date for Dividend Reinvestment Plan (DRIP) elections	2 October 2020
2020 Q3 trading update	20 October 2020
Interim dividend payment date	23 October 2020
2020 Year end	31 December 2020
2020 Full year trading update	21 January 2021
2020 Full year results statement	23 March 2021
AGM	13 May 2021
2021 Half year end	30 June 2021
2021 Half year trading update	20 July 2021
2021 Half year interim results statement	7 September 2021

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