LUCECO

REALISING OUR POTENTIAL

ANNUAL REPORT AND
FINANCIAL STATEMENTS
2020

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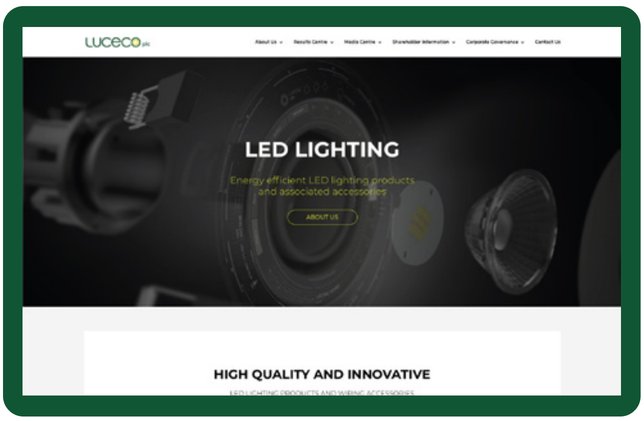


London Stock Exchange Group
1000 COMPANIES TO INSPIRE BRITAIN 2020

Our purpose

We develop and deliver high quality, innovative electrical products through sustainable investment in our products, people and channels to market.

Our vision

To deliver long-term profitable growth by applying our advantaged business model in attractive electrical accessories markets worldwide.

Find out more on page 20

What's inside

Strategic Report

An overview of the 2020 business performance, our strategic priorities, sustainability and risk management.

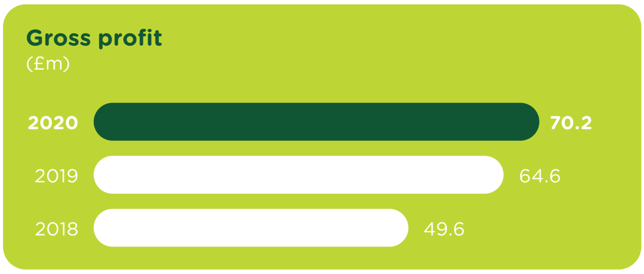
Directors' Report

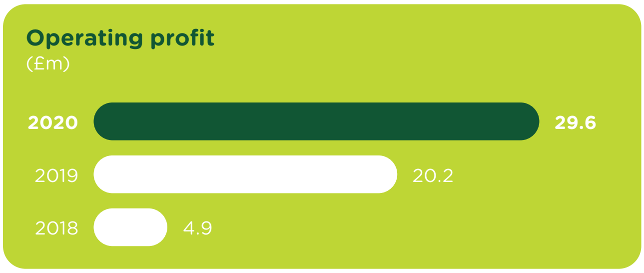
Introduced by our Chairman, Giles Brand, this section provides information on how the Group is governed, and the activities of the Board.

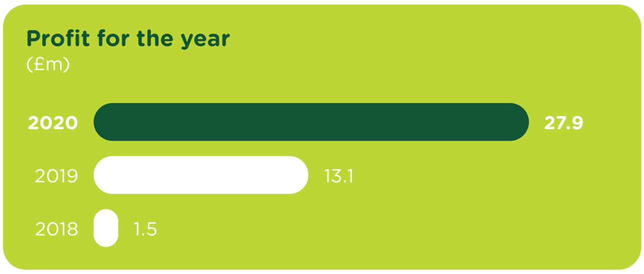
Financial Statements

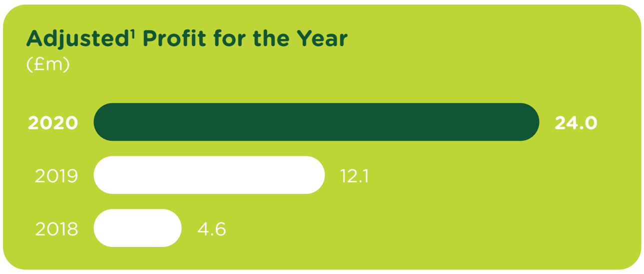
Includes our financial statements, notes and auditor's report for the Group.

Highlights









1. The definitions of the adjustments made and reconciliations to the statutory figures can be found in note 1 of the consolidated financial statements on page 108.

Financial highlights

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

Business highlights

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

At a Glance

Activities

Designer and manufacturer of electrical products:

Wiring Accessories

Go to page 08

LED Lighting

Go to page 08

Portable Power

Go to page 08

Sales channels

Retail

- DIY chains
- Pure play online retail
- Grocers

Go to page 10

Hybrid

Chains selling to both professionals and consumers

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Professional Wholesale

Chains selling to professionals only

Go to page 11

Professional Projects

Sale agreed direct with professionals

Go to page 11

Investment case

Attractive markets

See page 08

- Growing faster than GDP
- Low cyclicality
- High margin
- Defendable to new entrants
- High brand awareness and loyalty
- Provide opportunities for expansion into adjacent products/customers

Advantaged business model

See page 20

- Product innovation is customer led, agile and entrepreneurial See page 12
- Manufacturing is vertically integrated, low cost and responsive to new opportunities
- Fulfilment capability is tailored to customer needs and a shared "one stop shop" for customers
- Clear brand proposition focused on quality, value and design See page 14

Compelling financial outcomes

See page 28

- Revenue growth of 5-10% p.a. from organic growth supported by M&A
- Adjusted Operating Margin of 15-20%
- Adjusted Free Cash Flow of 10-15%
- Capex of 3-4% revenue
- ROCI of 30-40%
- Net debt leverage of 1.0-2.0x
- Dividend payout of 40-60% of Adjusted Profit for the Year

Strategic priorities

See pages 26 and 27 for Strategy and KPIs

1 Increase sales to professional customers

Customers trust us
See page 14

2 Increase sales to international customers

See page 18

3 Enter new product segments

We innovate brilliant products
See page 12

4 Maximising return on capital from our existing businesses and seek targeted acquisitions

Structural resilience through diversification
See page 18

5 Invest in, and enhance, our advantaged business model

Advantaged business model
See page 20

Operational excellence drives efficiency
See page 16

6 Develop our environmental, social and governance credentials

See page 49

Operations

See page 19

UK:
- Telford: UK Distribution Centre & UK HQ (100,000 sq ft)
- Mansfield: Kingfisher Lighting HQ
- London: PLC HQ

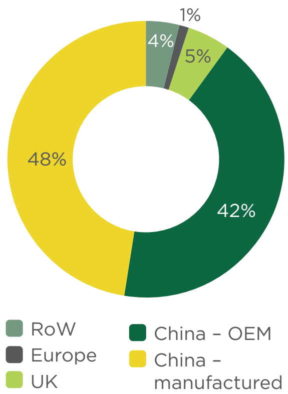
China:
- Jiaxing, Zhejiang Province: Factory and Product Development Centre (565,000 sq ft)

Sales offices:
- Spain, Germany, UAE, Mexico, Hong Kong & South Africa

Employees:
- c.1,650 worldwide

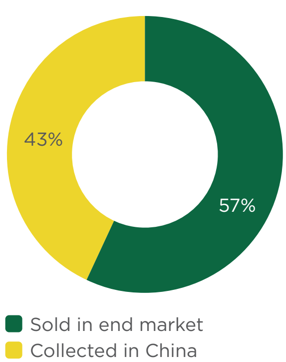
Sourcing

Group revenue by product origin H1 2020



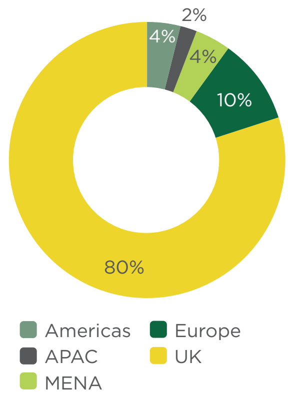
Distribution to market

Group revenue by distribution type 2020



Selling markets

Group revenue by product destination H1 2020



Chairman's Statement

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

GILES BRAND
Chairman

98%

Growth in Adjusted Profit for the year

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

Performance

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

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

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

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

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

People

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

Review of the year

- Revenue growth 2.4%
- Gross margin 39.8%
- Adjusted Operating Profit £30.0m
- Operating Profit £29.6m
- Adjusted[1] Operating Margin 17.0%
- Adjusted[1] Free Cash Flow £22.7m, 12.9% of revenue
- Net debt £18.3m
- Net debt : Adjusted[1] EBITDA ratio 0.5x

1. The definitions of the adjustments made and reconciliations to the statutory figures can be found in note 1 of the consolidated financial statements on page 108.

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

In a period in which COVID-19 has forced many companies to take difficult decisions, I am pleased to report that the Group made no COVID-19 related headcount or full-year pay reductions. Since the year end the Group repaid in full amounts initially received under the UK Government's Coronavirus Job Retention Scheme ("CJRS"). It received no other forms of UK Government support. See pages 56 and 57 for more information on Our Response to COVID-19.

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

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

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

Strategy

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

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

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

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

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

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

Environment, Social and Governance ("ESG")

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

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

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

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

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

Dividend

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

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

Conclusion

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

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

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

GILES BRAND
Chairman

23 March 2021

Products

Wiring Accessories

c£700m
UK market size

#2
UK market position

10%
UK market share

46%
Total Group revenue

4%
3-year CAGR[1]

28%
Operating margin

1. 2016 to 2019 (i.e. pre-COVID-19) in Constant Currency

LED Lighting

c£800m
UK market size

Top 10
UK market position

5%
UK market share

28%
Total Group revenue

17%
3-year CAGR[1]

6%
Operating margin

1. 2016 to 2019 (i.e. pre-COVID-19) in Constant Currency

Portable Power

c£100m
UK market size

#1
UK market position

40%
UK market share

26%
Total Group revenue

7%
3-year CAGR[1]

9%
Operating margin

1. 2016 to 2019 (i.e. pre-COVID-19) in Constant Currency

Product categories
Switches and sockets
Circuit protection
Weatherproof
Junction boxes
Cable management
Commercial power and accessories

Our brands
British General (BG)
nexus

Product categories
Residential interior
Residential exterior
Commercial interior
Commercial exterior
Work & site lighting

Our brands
Luceco
Kingfisher Lighting

Product categories
Extension leads
Cable reels
Adapters and accessories

Our brands
masterplug
ROSS

Our Channels to Market

Our products reach end-users through multiple sales channels. We have developed relationships with our sales channel partners over many years and now work with the industry's leading brands, providing us with unrivalled market access and channel diversity.

Retail

Distributors serving consumers only, including DIY sheds, pure-play online retailers and grocers

We have long-standing relationships with Europe's leading home improvement brands, to whom we sell the full product range. We are well positioned to provide the high quality and competitively priced products they demand. We work closely with them on ranging and promotion, offer flexible fulfilment options and provide guaranteed compliance with their ethical sourcing policies.

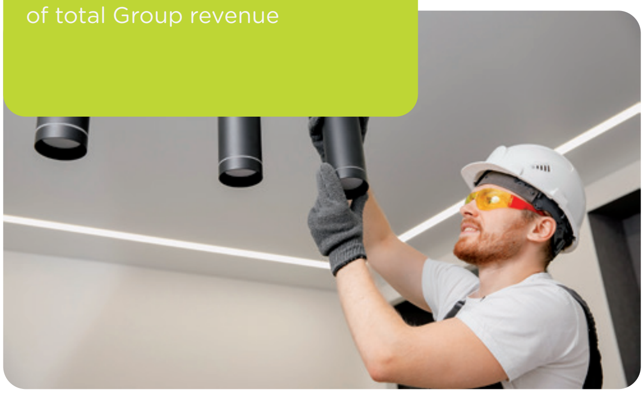
34%
of total Group revenue

Hybrid

Distributors serving a mixture of consumers and professionals, typically with multi-channel service options

Hybrid distributors have gained market share over recent years by offering a convenient multi-channel experience to multiple customer types which has proved particularly attractive to small professional contractors. We formed relationships with these distributors at an early stage and collaborate closely with them on product development, exclusive products, management of their network inventory and digital advertising.

24%
of total Group revenue



Professional Wholesale

Distributors serving professionals only, largely via a branch network

Our team of sales representatives and call centre associates work closely with market-leading wholesalers serving professional electricians in the UK and increasingly Europe. Professionals are highly brand conscious and loyal to manufacturers like us that offer the quality, product range and reliability they look for. Sales in this channel consist largely of Wiring Accessories and professional-grade LED lights.

27%
of total Group revenue

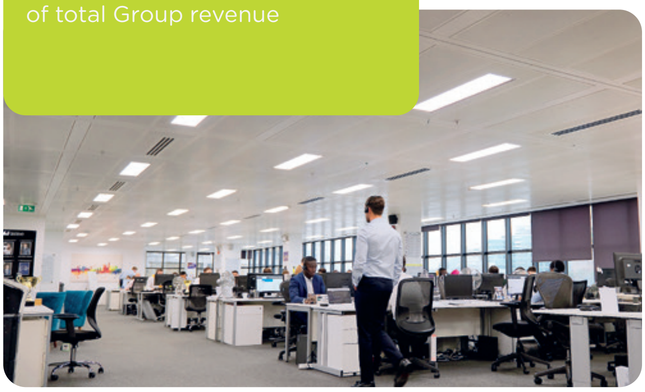
Rexel
Edmundson Electrical
CEF
the Electrical Counter
eyre & elliston
sonepar

Professional Projects

Sale agreed by Luceco direct with professionals, but fulfilled via Professional Wholesale

This channel consists largely of commercial LED lights sold directly to professional specifiers such as architects, designers and lighting contractors. The lights are sold with a design service that illustrates how our products will meet the customer's often rigorous specifications.

15%
of total Group revenue



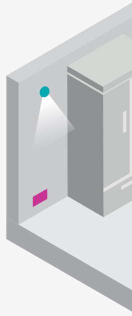
1 Reasons to Invest:
We innovate brilliant products

Luceco's products provide power and light throughout the built environment. They contribute increasingly to the net zero economy.

They illuminate your bathroom as you shower. They power the kettle boiling your morning tea. Increasingly, they charge your car for the morning commute. They light your road to work. They provide power and data to your office computer.

They spread WiFi throughout your house. They turn on your lights automatically when you return home. Luceco's increasing presence in the built environment has been driven by innovation. We have built our product range from within. Innovation is in our DNA.

We invest in it. We celebrate it. We pioneer it. We take pride in improving the experiences of our customers. It is a key part of our advantaged business model. 50% of the revenue we have today is from products launched within the last three years. The timeline below illustrates some of the key milestones in our innovation journey:



2013
Luceco Lighting brand launched

2014
First to launch USB-enabled sockets

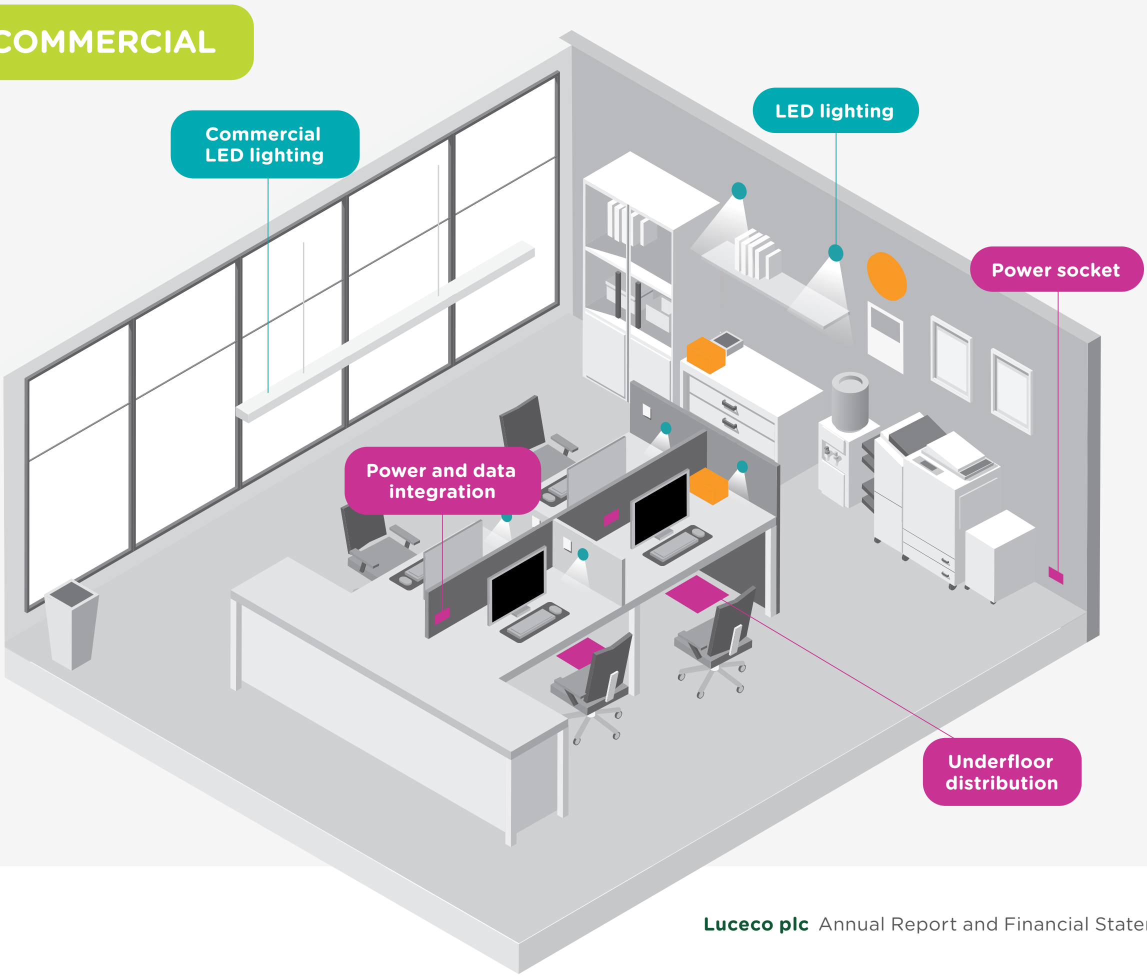
2017
First to launch WiFi repeating wiring accessories

2019
Launch of home automation range

2020
Launch of electric vehicle chargers

2021
Planned launch of commercial power range

COMMERCIAL



Wiring Accessories	LED Lighting	Portable Power
Revenue **£81.3m** (2019: £70.1m)	Revenue **£49.5m** (2019: £54.2m)	Revenue **£45.4m** (2019: £47.8m)
of Group **46%** (2019: 41%)	of Group **28%** (2019: 31%)	of Group **26%** (2019: 28%)
Find out more on page 08	Find out more on page 08	Find out more on page 08

2

Reasons to Invest: **Our customers trust us**

Power and light are essential elements of modern life. They must be distributed widely, consistently and safely. The cost of getting it wrong can be high. Our customers trust us to get it right.

We design all our own products. We make many of them ourselves. We work closely with trusted OEMs to guarantee the quality of products we don't make. We have world-class testing facilities.

Our customers know where our products come from.

Our customers know our products will be delivered when and where they want.

They increasingly look to Luceco to help hit their climate targets.

Professional installers know using our brands means a job done right.

> With over 70 years' experience, our BG, Luceco, Kingfisher, Masterplug and Ross brands are market leaders in key electrical categories.

- **1941** British General Wiring Accessories brand created
- **1988** Masterplug Portable Power brand created
- **2000** Management buyout of BG and merger with Masterplug
- **2003** Transition to subcontracted manufacturing in China
- **2005** Management buyout backed by EPIC Private Equity
- **2008** 12,500m² manufacturing facility opened in Jiaxing, China
- **2011** Jiaxing facility expanded to 38,000m²
- **2013** Luceco brand and LED Lighting range launched
- **2014** Luceco LED projects sales team established in the UK
- **2015** Sales offices opened in Germany and Mexico
- **2016** Jiaxing expanded to 52,500m²

  Sales offices in Spain and HK
- **2017** Acquisition of Kingfisher Lighting

> The construction industry saw rapidly changing demand in 2020. We worked incredibly hard to give professionals the right product at the right time throughout the year

MATT WEBB
Chief Financial Officer

3

Reasons to Invest:

Operational excellence drives efficiency

We have pressed ahead with our manufacturing transformation project at our factory in China despite the disruption of COVID-19.

This project has already delivered a 9% reduction in product costs over three years. We believe there is the potential for a similar improvement over the next three years.

Key to our progress has been the introduction of a new factory management team. They have redirected the team's efforts from a previous focus on capacity expansion towards efficiency improvement. A new sourcing team conducted 250 tender processes in 2020, yielding significant savings. We have introduced automation to high volume manufacturing processes.

We have introduced lean concepts to product assembly. A Company-wide cost-saving ideas initiative has proved very popular, generating 500 ideas from team members, of which three-quarters have already been implemented. This highlights the power of our people-focused, enabling culture.

But our search for operational excellence is not confined to manufacturing. We are also investing in our fulfilment capability and in best-in-class systems across the business.

Automation introduced in 2020:

- Socket assembly
- Injection moulding
- Metal stamping
- Raw material central feeding

Customers across
68
countries

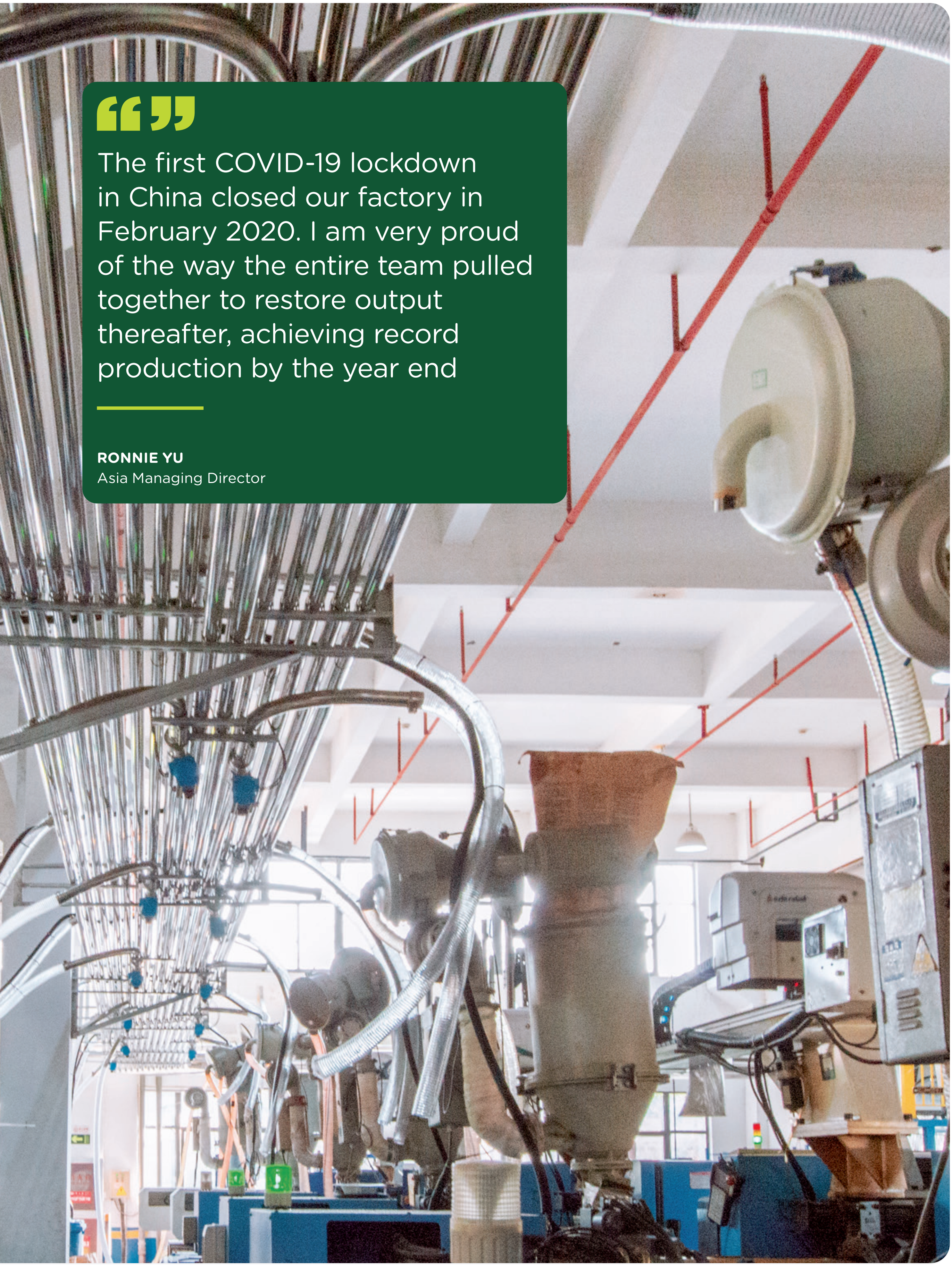
Number of employees
c.1,650

Research and Development staff
80

Number of new product SKUs
c.600

Number of customers
c.1,820

Investment in environmental and automation efficiencies



"The first COVID-19 lockdown in China closed our factory in February 2020. I am very proud of the way the entire team pulled together to restore output thereafter, achieving record production by the year end"

RONNIE YU
Asia Managing Director

4 Reasons to Invest:
Structural resilience through diversification

Our business is diverse but synergistic.

We sell a broad but coherent range of products that share sales channels and manufacturing footprint.

Our products are installed by consumers and professionals alike.

They are used in many different environments from residential to commercial to institutional.

They are most often installed in existing premises rather than new, reducing cyclicality.

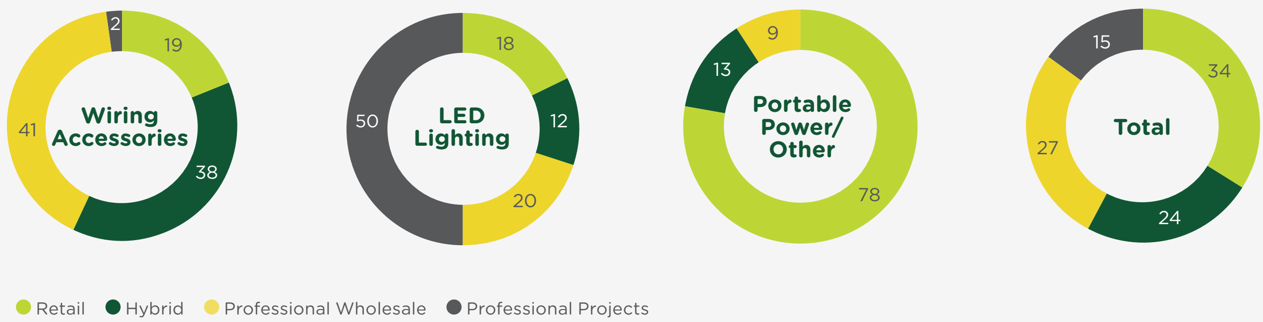
A diverse but synergistic product range sold through diverse sales channels offers resilience when demand changes in individual market sectors.

COVID-19 proved the benefit of our diversity. In the first half of the year, Retail channels performed well when Professional Wholesale channels slowed. This then reversed in the second half.

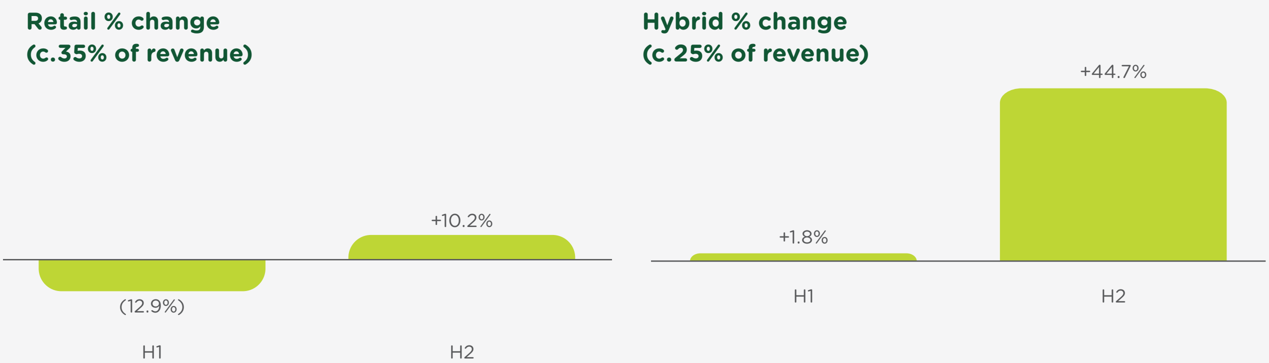
Our portfolio of products and channels is the key to our sustainable growth.

We are also increasing our presence overseas to reduce reliance on the UK market and maximise revenue from our product portfolio. International sales growth is one of our six strategic priorities.

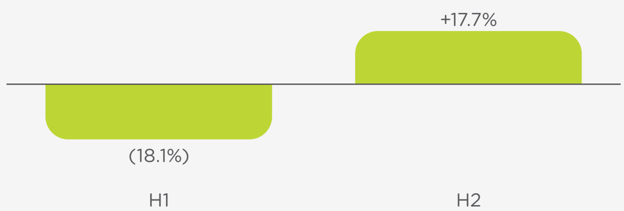
Product segmental revenue by sales channel (as % of total) – FY 2020



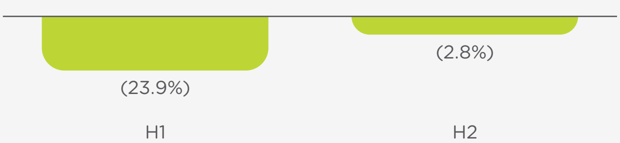
Half-year revenue growth by sales channel – 2020 vs 2019:



Professional Wholesale % change (c.25% of revenue)



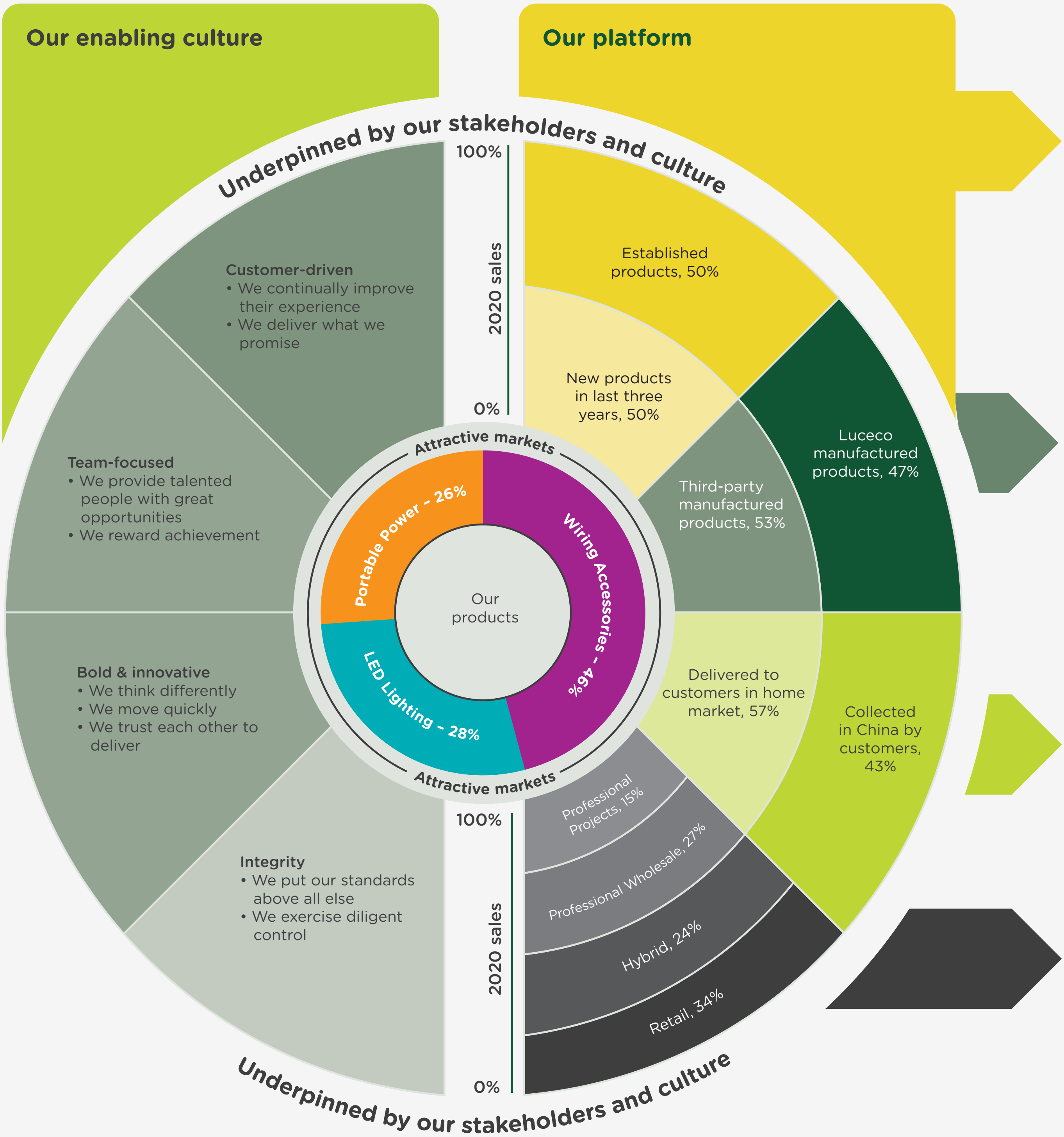
Professional Projects % change (c.15% of revenue)



Note: growth rates are like-for-like in Constant Currency.

5 Reasons to Invest: **Advantaged business model**

Our business model offers unique advantages to our customers and over our competition.



	Assets	Benefits

Product development

Assets

- Product development spanning the UK and China, closely integrated with customer-facing teams and with owned manufacturing
- Deep specialist knowledge across our sectors

Benefits

- Early identification of product opportunities and speed to market
- Products designed to maximise automation in manufacturing

Manufacturing

Assets

- Fully owned, well invested manufacturing facility in Jiaxing, China
- Long-term, often exclusive, relationships with third-party manufacturers supported by on-the-ground presence

Benefits

- Certainty of supply and control over cost, quality and ethical treatment of employees
- Ability to invest for the long term, and respond rapidly to unexpected challenges and opportunities to reduce cost
- Benefit from scale advantage of third-party manufacturers where appropriate

Supply chain

Assets

- Customer support facility in China
- UK distribution centres in Telford and Mansfield
- International distribution centres in Germany, Spain, Dubai and Mexico

Benefits

- Our customers have immediate access to our extensive range of products
- Larger customers can leverage their own supply chains by collecting our products in China

Channels

Assets

- Established relationships with all the UK's major retailers and electrical wholesalers
- Field-based sales teams
- Market-leading brands

Benefits

- Our channels leverage a single shared supply chain and allow us to address all market segments: DIY, professional, and lighting as a service
- Our product categories share common sales channels, allowing us to serve our customers efficiently

Chief Executive Officer's Review

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

JOHN HORNBY
Chief Executive Officer

COVID-19 response

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

Supply-side disruption was quickly overcome by swift implementation of social distancing measures in both our China production facility and those of our key suppliers. The protocols used successfully by our China team were implemented across the rest of the Group ahead of the arrival of the coronavirus.

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

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

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

2020 has been a year like no other. I would like to thank my colleagues for their professionalism, stoicism and adaptability in a challenging and fast-moving environment. These traits will stand us in equally good stead as we look forward to a period with hopefully less COVID-19 disruption. See pages 56 and 57 for more information on Our Response to COVID-19.

Business performance

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

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

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

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

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

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

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

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

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

Chief Executive Officer's Review continued

Business performance continued

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

Our early and robust response to COVID-19 allowed us to reduce overheads by £3.2m in the first half, of which £1.7m was retained in the second half, despite the pressure of high activity levels, as we embraced more efficient ways of working.

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

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

Progress against priorities

Professional sales

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

International sales

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

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

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

Manufacturing efficiency and effectiveness

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

Fulfilment

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

Outlook

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

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

JOHN HORNBY
Chief Executive Officer

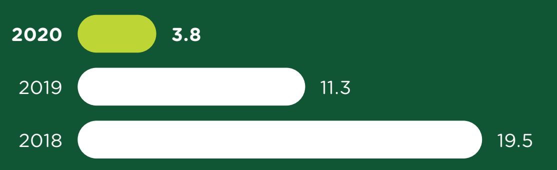
23 March 2021

Strategy and KPIs

Increase sales to professional customers

- Complement our historic strength in UK retail by gaining share of sales to professional customers
- Leverage our high share of the growing Hybrid channel
- Leverage the route to market provided by Wiring Accessories to sell other products via the Professional Wholesale channel, e.g. LED Lighting, smart devices and EV charging
- Sell products as part of a solution

Growth percentage (%)



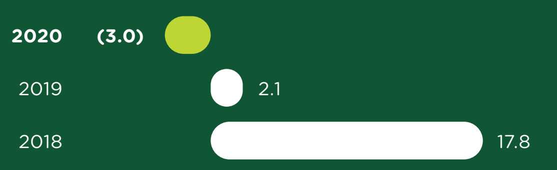
Link to risk

1 2 4 6 7 9

Increase sales to international customers

- Sell existing products globally to maximise investment in product development
- Leverage manufacturing capacity globally
- Increase profitability of existing international markets to the Group average

Growth percentage (%)



Link to risk

1 2 4 6 7 9

Enter new product segments

- Sell adjacent products through existing sales channels
- Sell international variants of existing UK products
- Enhance the value of existing categories through innovation and product value-add
- Leverage own manufacturing capabilities and relationships

Number of new product SKUs

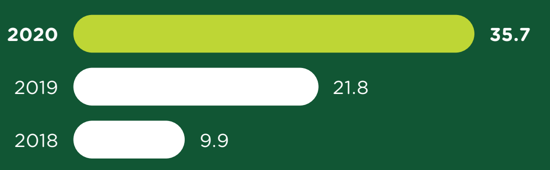
Link to risk

3 4 6 7 8

Maximise return on capital from existing businesses and seek targeted acquisitions

- Prioritise growth that leverages existing capital invested
- Continually optimise working capital
- Apply a clear capital structure policy
- Seek acquisitions in the professional channels in the UK and Europe

ROCE (%)



Link to risk

1 6 7

Invest in, and enhance, our advantaged business model

- Optimise use of own/OEM manufacturing
- Optimise landed cost relative to product performance
- Optimise inventory
- Invest in our fulfilment capabilities
- Invest in our e-commerce offering
- Invest in enabling technology

Capital expenditure (£m)

Link to risk

1 2 3 4 5 6 7 8 9

Develop our environmental, social and governance credentials

- Eliminate Scope 1 and 2 GHG
- Quantify then reduce our Scope 3 GHG
- Launch our long-term ESG strategy
- Set science-based targets

CO_2 consumption scope 1 and 2 (tCO_2e)

Link to risk

4 8 9

Key to principal risks:

1. Impact of coronavirus
2. Operational concentration risk
3. Customers and products concentration risk
4. Macroeconomic, political and environmental
5. Loss of IT/Data
6. Loss of key employees
7. Acquisitions
8. Legal and regulatory
9. Finance and treasury

Chief Financial Officer's Review

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

MATT WEBB
Chief Financial Officer

Use of alternative performance measures

The commentary in the Chief Financial Officer's Review uses alternative performance measures, which are described as "Adjusted". Definitions of these measures can be found in note 1 of the consolidated financial statements on page 108. The measures provide additional information for users on the underlying performance of the business, enabling consistent year-on-year comparisons.

Overview

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

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

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

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

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

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

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

Income statement

Revenue

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

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

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

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

We group our customers into the following sales channels:

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

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

Revenue by channel:	**2020 £m**	2019 £m	Change %
Retail	**59.9**	60.1	(0.3%)
Hybrid	**42.6**	34.3	24.2%
Professional Wholesale	**46.9**	46.9	0.0%
Professional Projects	**26.8**	30.8	(13.0%)
Total revenue	**176.2**	172.1	2.4%

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

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

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

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

Chief Financial Officer's Review continued

Income statement continued

Revenue continued

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

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

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

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

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

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

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

Gross margin

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

The table below illustrates that the Group delivered continuous margin improvement throughout 2019, with some initiatives annualising benefit into 2020. This allowed the Group to deliver improved margins in the first half of 2020 despite COVID-19 disruption creating under-used manufacturing capacity. Margins improved significantly in the second half as strong high margin Wiring Accessories sales drove high factory utilisation. The second half gross margin improvement was achieved despite increasing input cost inflation. Inflation has continued in 2021 driven by economic recovery and monetary stimulus. At current prices, it is expected to add approximately £10m to our annual cost base in 2021 and a further £5m thereafter as hedging arrangements are renewed. We have robust plans in place to offset the cost increase in full through various means, albeit that there may be a timing difference in 2021 as our plans are put in place. Industry-wide increases such as these are typically distributed appropriately within the value chain.

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

Operating costs

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

Operating margin

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

Net finance expense

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

Taxation

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

Adjusted Free Cash Flow

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

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

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

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

Chief Financial Officer's Review continued

Capital expenditure

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

Capital structure and returns

Return on capital

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

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

Capital structure

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

The table below illustrates the underlying progress made if the prior year position is normalised for non-recourse debt factoring. It shows that normalised net debt reduced by £14.1m and leverage reduced by 0.74x in comparable terms.

	Reported		
	2020	2019	Change
Reported net debt	**£18.3m**	£27.4m	(£9.1m)
Add: Non-recourse debt factoring	**–**	£5.0m	(£5.0m)
Normalised net debt	**£18.3m**	£32.4m	(£14.1m)
Normalised net debt : Adjusted EBITDA	**0.51**	1.25	(0.74)

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

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

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

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

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

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

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

The Group complied with its covenant requirements throughout the year with significant headroom on all metrics. The Group has conducted a full going concern review and this is outlined on page 107 of the Annual Report and Accounts. The Group has a very strong balance sheet and significant facility headroom under even a realistic worst case downside scenario. No covenant breaches occur in any of our realistic downside cases, all of which are before any mitigating actions, illustrating our financial resilience.

Dividends

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

Operating segment review

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

Wiring Accessories

	Adjusted[1]			Reported		
	2020	2019	Change	**2020**	2019	Change
Revenue	**£81.3m**	£70.1m	16.0%	**£81.3m**	£70.1m	16.0%
Contribution profit	**£29.5m**	£19.6m	50.5%	**£29.5m**	£21.1m	39.8%
Contribution margin %	**36.3%**	28.0%	8.3ppts	**36.3%**	30.1%	6.2ppts
Operating profit	**£23.0m**	£12.7m	81.1%	**£23.0m**	£14.3m	60.8%
Operating margin %	**28.3%**	18.1%	10.2ppts	**28.3%**	20.4%	7.9ppts

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

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

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

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

We expect market share gains to continue in 2021.

Chief Financial Officer's Review continued

Operating segment review continued

LED Lighting

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

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

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

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

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

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

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

Portable Power[2]

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

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

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

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

Impact of foreign exchange movements

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

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

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

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

The commentary above focuses on Adjusted metrics (see note 1 on page 108) which, the Board believes, are a better indicator of performance. Our Reported performance surpassed our Adjusted performance thanks largely to an increase in the fair value of currency hedging. The following table summarises Reported key lines from the Consolidated Income Statement:

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

Going concern and viability statement

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

MATT WEBB

Chief Financial Officer

23 March 2021

Principal Risks and Uncertainties

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

In addition to the risk management framework, the Board has delegated responsibility to the Audit Committee for reviewing the overall process of assessing business risks and managing the impact on the Group as described on pages 71 to 74. The Group's risk management process is set out below.

The principal risks identified and actions taken to minimise their potential impact are included on pages 37 to 41. This is not an exhaustive list but those the Board believes may have an adverse effect on the Group's cash flow and profitability.

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

Risk management process

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

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

The Executive Directors review the progress made against any actions that have been carried forward.

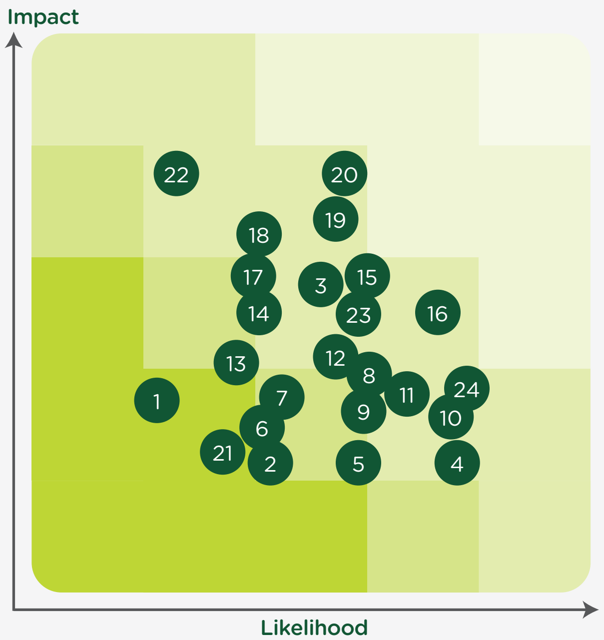
The Audit Committee regularly reviews risk management and is provided an update in respect of progress made in the reduction of existing risks, summary of newly identified risks and the actions agreed to reduce them to an acceptable level.

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

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

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

Heatmap



1. China supply chain
2. Poor quality of supplied or shipped goods
3. Loss or inappropriate release of data
4. Transfer pricing
5. Talent
6. Laws and regulations
7. Intellectual property challenge
8. Foreign exchange
9. Misappropriation of Group assets by employee
10. Impact of acquisition
11. Erosion of customer base
12. Increase in input costs
13. Accounting error – external or management reporting
14. Disruption to key supplier facility
15. Disruption to non-China facility
16. UK macroeconomy
17. Fail to innovate/market shift/Black Swan
18. Supply and transportation disruption
19. Loss of key customer
20. Disruption to production facility in China
21. Liquidity
22. Public health issue
23. Impact of coronavirus
24. Investor or customer pressure on ESG

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

Key to strategy:

- Increase sales to professional customers
- Increase sales to international customers
- Enter new product segments
- Maximise return on capital from existing businesses and seek targeted acquisitions
- Invest in, and enhance, our advantaged business model
- Develop our environmental, social and governance credentials

Principal risks

Risks associated with the coronavirus: **Risk owner:** CEO

Risk and impact:
- Risk of unexpected changes in product demand
- Operational disruption limits the rate of product supply
- Communication and corporate alignment are compromised by remote working and/or inability to travel to international operating sites

Mitigation:
- Regular review of local virus case data to respond to emerging threats to operations
- COVID-19-secure protocols are in place at all key sites and Government guidance is followed in full
- Sales order book and access to customer sales data gives visibility of changing demand patterns
- Virtual communication tools ensure close collaboration
- Increased communication with team members during the pandemic

Link to strategy:

Risk appetite:
Risk accepting

Net risk level:
Low **Medium** High

Change in year:

Principal Risks and Uncertainties continued

Concentration risks associated with operations:

Risk owner: CEO

Risk and impact:

- The Group's products are overwhelmingly sourced from one country (China) and a large proportion are made in one location (Jiaxing)
- Disruption to our Jiaxing facility could compromise our ability to serve our customers
- General disruption to trading between China and our selling markets (particularly the UK) could increase our costs or limit our ability to serve our markets

Mitigation:

- UK buffer stock is held in the event of supply disruption in China
- All suppliers are provided with visibility of forward orders and supply issues are discussed upfront
- Production facilities in China are spread across multiple buildings on the same site to mitigate risk
- The Group owns its product designs and production tooling, allowing manufacturing to be moved between suppliers more easily
- Business Continuity Plans are in place for the Jiaxing site
- Business Interruption Insurance is in place for the Jiaxing site and our OEM supplier of Portable Power products

Link to strategy:

Risk appetite:

Risk neutral

Net risk level:

Low **Medium** High

Change in year:

Concentration risks associated with customers and products:

Risk owner: CEO

Risk and impact:

- The Group has a number of key customers representing circa 50% of Group revenue. Loss of a key customer could result in reduced sales and profits
- The Group's committed order book extends two to three months forward. Orders thereafter are uncommitted
- The Group has a material exposure to movements in the USD:RMB FX rate. An adverse move could reduce short-term profits and/or long-term competitiveness
- The Group has a material exposure to the purchase price of copper. An adverse move could reduce profits and/or price competitiveness

Mitigation:

- Key customers typically follow a tender process, providing visibility of business wins and losses
- Large customers typically take 6-12 months to implement a large range change throughout their networks, giving us time to react
- The cost of range changes for large customers is high, reducing the likelihood of occurrence
- Relationships with the Group's large customers are particularly established
- Capacity at our factory and at our OEM partners in China can be changed quickly and cost effectively
- The Group hedges its USD:RMB and copper exposures according to a Board-approved policy. The hedging matches the duration of any fixed selling price commitment offered to customers
- Application of the hedging policy is reviewed by the Board

Link to strategy:

Risk appetite:

Risk neutral

Net risk level:

Low **Medium** High

Change in year:

Key to strategy:

- Increase sales to professional customers
- Increase sales to international customers
- Enter new product segments
- Maximise return on capital from existing businesses and seek targeted acquisitions
- Invest in, and enhance, our advantaged business model
- Develop our environmental, social and governance credentials

Macroeconomic, political and environmental:

Risk owner: CEO

Risk and impact:

- The Group has a concentrated exposure to the UK market. Macroeconomic headwinds in the UK could reduce profits
- A deterioration in trade relations between the UK and China could disrupt product supply and/or increase costs
- A failure to adequately respond to changes in customers' and/or investors' ESG requirements could result in reduced profits or a reduced share price

Mitigation:

- The Group is diversified by market segment within the UK, reducing risk
- The Group is largely exposed to the RMI cycle, which is less susceptible to macroeconomic forces
- The Group's overseas businesses are expected to grow faster than the UK, diluting the UK exposure
- UK buffer stock is held in the event of supply disruption in China
- Airfreight can be used to expedite deliveries if required
- Management liaises closely with investors and customers to understand their future ESG needs and responds accordingly

Link to strategy:

Risk appetite:
Risk accepting

Net risk level:

Low **Medium** High

Change in year:

Loss of IT / data:

Risk owner: CFO

Risk and impact:

- Loss of IT functionality would compromise operations, leading to increased costs or lost sales
- Loss of sensitive data from our IT environment would expose the Group to regulatory, legal or reputational risk

Mitigation:

- Market-leading cyber security tools are in place
- Market-leading data backup tools are in place
- IT disaster recovery plans are in place throughout the Group
- We conduct regular penetration testing
- IT incidents are reported to the Board

Link to strategy:

Risk appetite:
Risk averse

Net risk level:

Low **Medium** High

Change in year:

Principal Risks and Uncertainties continued

Loss of key employees:

Risk owner: CFO

Risk and impact:

- Loss of key employees could damage business relationships or result in a loss of knowledge

Mitigation:

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

Link to strategy:

Risk appetite:
Risk neutral

Net risk level:

Low Medium High

Change in year:

Acquisitions:

Risk owner: CFO

Risk and impact:

- An ill-judged acquisition could destroy shareholder value
- The Group's acquisition strategy could compromise/distract the execution of strategy in other areas

Mitigation:

- Our acquisition strategy is set by the Board
- Board members possess significant M&A experience
- The acquisition strategy is implemented by an experienced in-house team
- The Group's key markets are relatively stable, meaning acquisition targets typically have an established track record
- Individual acquisitions are typically small relative to the size of the Group, reducing the impact of each deal and reducing potential distraction
- The Group conducts extensive due diligence prior to acquisition
- All acquisitions are approved by the Board

Link to strategy:

Risk appetite:
Risk neutral

Net risk level:

Low Medium High

Change in year:

Key to strategy:

- Increase sales to professional customers
- Increase sales to international customers
- Enter new product segments
- Maximise return on capital from existing businesses and seek targeted acquisitions
- Invest in, and enhance, our advantaged business model
- Develop our environmental, social and governance credentials

Legal and regulatory:

Risk owner: CFO

Risk and impact:

- The Group could infringe upon the IP of others, leading to legal claims
- The Group's products could fail to meet regulatory requirements or experience quality failures, resulting in legal claims and/or reputational damage
- The Group's businesses could fail to meet regulatory requirements in their countries of operation
- The Group could fail to comply with local tax laws, particularly regarding transfer pricing

Mitigation:

- The Group receives IP advice from external experts
- The Group's products are certified for use prior to launch by external experts
- The Group has extensive quality assurance resources in the UK and China
- Suppliers are required to adhere to a strict Code of Conduct
- Supplier compliance with the Code of Conduct is audited by our in-house teams
- Product liability claims are reported to the Board
- Product liability insurance is in place globally
- The Group's transfer pricing policies are reviewed regularly with the help of external experts

Link to strategy:

Risk appetite:

Risk averse

Net risk level:

Low Medium High

Change in year:

Finance and treasury:

Risk owner: CFO

Risk and impact:

- The Group could fail to provide sufficient funding liquidity for its operations
- The Group could fail to report its financial performance accurately, leading to inappropriate decision-making and regulatory breaches
- The Group could suffer fraud across its widespread operations

Mitigation:

- The Group has a clear Capital Structure policy that is designed to provide sufficient liquidity
- The Capital Structure policy is implemented by Treasury experts and monitored by the Board
- The Treasury team prepares regular cash flow forecasts
- The Group's financial statements require relatively few judgements or estimates, reducing the risk of misstatement
- The Group's accounting policies and internal accounting manual are approved by the Board
- The Group operates two main accounting centres in the UK and China, which are overseen closely by the Group Finance team
- The Group has invested in market-leading financial accounting and reporting software

Link to strategy:

Risk appetite:

Risk averse

Net risk level:

Low Medium High

Change in year:

Viability Statement

LUCECO PLC – VIABILITY STATEMENT APPROACH

Viability – assessing long-term prospects		Viability – assessment analysis		
Current position Strategy and business model Principal risks	→	Scenario testing Mitigation Likely output	→	Underlying assumptions and assessment ↓ Viability Statement

Viability Statement – assessing long-term prospects

Current position

- The Group has a significant share of the UK market, particularly for Wiring Accessories and Portable Power products. It has expert market knowledge, long-established customer relationships and a broad product offering. Its high share of this market generates significant economies of scale
- The Group has successfully penetrated the growing LED market. Its competitive range of high quality, affordable products should sustain future market share gains
- The Group is using its product experience to build profitable businesses internationally
- The Group has a successful track record of new product development
- The Group's own manufacturing facility in China allows high quality products to be brought to market quickly and cost-efficiently
- The Group's policy is to operate with net debt between 1.0 and 2.0 times Adjusted EBITDA to ensure the Group has sufficient cash to reinvest in growth and respond to changing circumstances

Strategy and business model

- Grow profitability in core markets:
  - Maximise the profit potential of existing product segments and geographies
  - Prioritise growth in existing markets with above-average margin potential
  - Balance historic reliance on the UK market with faster growth overseas
  - Focus on new product segments that are synergistic with the existing product portfolio (e.g. new products that can be sold to existing customers)
  - Focus on raising the margins of the existing international businesses to the Group average before entering new markets
- Deliver best-in-class customer service to complement our best-in-class products
- Deliver best-in-class product quality and manufacturing cost
- Continue to optimise working capital and improve cash generation
- Reinvest cash in growth opportunities, including bolt-on acquisitions, whilst maintaining a conservative capital structure

Principal risks to strategy and business model (in order of impact on viability)

- **Risks associated with the coronavirus** The coronavirus outbreak has the potential to impact both the supply and demand of Luceco products. The Group sources nearly all of its products from China, either from its own manufacturing facility or through suppliers
- **Concentration risks associated with operations** due to an event such as a fire, flood, power outage, or IT failure in China. Shipping and transportation disruption between the Group's end markets and its sources of product supply which are overwhelmingly in China
- **Concentration risks associated with customers and products** The loss of a key customer would result in a short-term shortfall in profit and cash whilst sales were replaced by growth elsewhere
- **Macroeconomic, political and environmental** A UK macroeconomic downturn could adversely affect the demand for and pricing of our products

Viability statement – assessment analysis

Viability principal risk (Ranked in order of importance)	**Scenario test**	**Likely output**
Risks associated with the coronavirus	• Management have modelled two scenarios: 1. Base case: a. Lockdown Q2 2021 with 16% reduction in revenue and gross profit b. Gradual recovery, with 15% increase in revenue and gross profit in the following quarter 2. Plausible downside case: a. Lockdown Q2 2021, with the same activity as the base case b. No recovery in the following quarter	• Management have completed this scenario test and concluded this would not impact compliance with its financial covenants or viability
Concentration risks associated with operations	• Management have run a scenario in which the Group loses all of its sales of products sourced from China for which no inventory buffer is held outside of China for six months whilst alternative sourcing arrangements are made • Management have also modelled the impact of disruption to shipping and transport. This was modelled as a revenue reduction for three months relating to 50% of revenue (FOB revenue) with shipping costs up 20% for six months starting from Q2 2021	• Management have completed this scenario test and concluded this would not impact compliance with its financial covenants or viability
Concentration risks associated with customers and products	• Management have modelled the following scenario: • Total loss of the Group's largest customers' range from 2021 onwards	• Management have completed this scenario test and concluded this would not impact compliance with its financial covenants or viability
Macroeconomic, political and environmental	• Management have modelled the following two scenarios in UK macroeconomic downturn: 1. Reduction in UK revenue and gross profit for 18 months from April 2021 of 10%. Phased return by 2023 with 2023 10% down reflecting the impact of the year 1 recession assumption 2. Total loss of the Group's largest customer range from 2021 onwards	• Management have completed this scenario test and concluded this would not impact compliance with its financial covenants or viability

Viability Statement continued

The Viability Statement is dependent on the following process and assumptions

Process:

- The financial forecast on which the Viability Statement is based is aligned with the annual corporate plan for 2021 to 2023 approved by the Board in December 2020 with input from the Group's senior management team
- Progress against financial budgets and key objectives are reviewed on a monthly basis to determine progress and identify any changes to the original detailed plan

Assumptions:

- Future organic growth assumptions are consistent with those recently achieved by each of the Group's businesses
- Working capital as a percentage of revenue is held broadly flat
- Capex broadly equal to depreciation
- Dividends consistent with the Group's dividend policy
- No additional investment in acquisitions (since these are discretionary and within the control of management)

The Viability Statement

- The Board considers that it is a reasonable expectation that the Company will be able to meet its liabilities as they fall due over a three-year period to 31 December 2023. This assessment been chosen for the following reasons:
  - A full assessment of prospects and assessment of viability has been completed
  - The financial and strategic planning period is currently three years, which is the current level of visibility we have as a Board on the forecasts
  - The Company has secured banking facilities over the majority of that period, expiring on 31 March 2023, and is confident that this will be extended in the next refinancing that will be completed in 2021

Our Stakeholders

We believe that we must take account of what is important to our key stakeholders to maximise value and secure our long-term success.

CUSTOMERS

We have the following types of customers:

- Distributors to retail consumers
- Distributors to professional contractors
- Professional contractors
- Housebuilders
- Influencers over the above groups, such as designers, architects and specifiers

The Group engages to ensure customers are satisfied with existing services and well positioned to met their future needs.

Their material issues

- Product design and innovation
- Product quality
- Adherence to codes of conduct, e.g. ethical treatment of employees
- Product availability
- On-time delivery
- Price
- Payment terms

How we engage

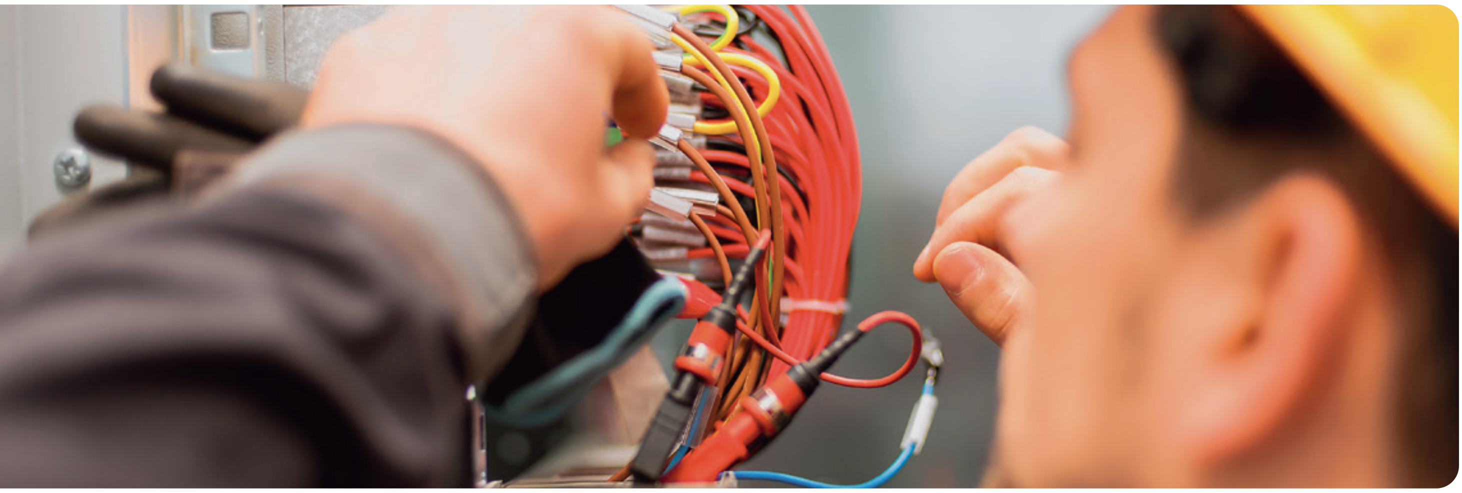
- Salespeople with assigned relationships who are in continuous contact with our customers
- Attendance at trade shows
- Attendance at our customers' supplier events
- Customer visits to our key manufacturing and distribution sites
- Meetings with our customers' senior management teams to discuss long-term strategy
- Regular customer satisfaction surveys

2020 outcomes

- Like-for-like sales growth of 2.7%
- 598 new products launched
- Increasing the proportion of deliveries made on time and in full

Further information

- Strategy and KPIs section on pages 26 and 27
- We innovate brilliant products case study on page 12
- Our customers trust us on page 14
- Our Response to COVID-19 on page 56



Our Stakeholders continued

EMPLOYEES

The Group employs c.1,650 people worldwide, with the majority based in the UK and China.

Our people are the source of our competitive advantage. They win new business, take orders, develop and manufacture our products and ensure they are delivered to our customers on time.

It is critical that we continuously engage with them to learn new ways to improve our business and to develop them as individuals.

Their material issues

- Learning and development
- Health and safety
- Opportunities for career progression
- Diversity and inclusion
- Reward

How we engage

- Completion of annual Group-wide Employee Opinion Survey
- Annual visits by the Board to major Group locations
- Regular visits by the CEO/CFO to all Group locations, which include employee "town hall" meetings
- Regular visits by Tim Surridge, our Director responsible for employee engagement, to Group locations to consult with small groups of employees
- Creation of personal development plans for each employee
- Monthly employee newsletter
- Employee access to a whistleblowing helpline
- Monthly meetings with employee representatives to discuss health and safety matters

Meetings have been conducted virtually in 2020 due to COVID-19 restrictions.

2020 outcomes

- An employee satisfaction survey was undertaken in 2020. Satisfaction scores increased in both the UK and China
- We increased the provision of employee welfare support during the pandemic

Further information

- People section of Environment, Social and Governance on page 53

SUPPLIERS

We have the following types of suppliers:

- Raw material/component suppliers
- Original equipment manufacturers ("OEMs")
- Service providers

The Group engages with suppliers to ensure those in its supply chain work collaboratively to meet customer needs.

Their material issues

- Long-term partnership
- Price
- Fair payment terms

How we engage

- Site visits by the CEO/CFO to major OEMs and electrical component manufacturers
- Group-wide Supplier Code of Conduct
- Supplier performance audits
- On-site quality testing teams
- Electronic auctioning of supply contracts
- Monitoring of creditor days to ensure payments are being made to terms

2020 outcomes

- Adjusted Gross Margin of 39.8%
- Creditor days of 95

Further information

- Strategy and KPIs section on pages 26 and 27
- Our Response to COVID-19 on page 56

SHAREHOLDERS

The Group's largest shareholders are listed on page 92.

Engagement ensures there is a clear understanding of the Group's strategy and performance, allowing shareholders to make an informed investment decision.

Their material issues

- Transparent strategy and performance
- Adequate return on investment
- Appropriate governance, including ESG matters

How we engage

- Investor Relations section of **www.lucecoplc.com**
- Twice-yearly results announcements and subsequent shareholder visits by the CEO/CFO
- Regular trading updates
- Liaison with research analysts
- Regulatory news announcements
- Annual General Meeting

2020 outcomes

- Share price growth of 93% in 2020
- Strong shareholder engagement

Further information

- **www.lucecoplc.com**

FUNDING PROVIDERS

Borrowings allow the Group to invest in future growth whilst taking advantage of low interest rates and offsetting borrowing costs against taxable profits.

The Group is currently funded by bank debt and invoice financing.

Engagement maximises access to sources of funding.

Their material issues

- Transparent strategy and performance
- Repayment in accordance with loan agreements
- Compliance with loan covenants
- Security

How we engage

- Regular meetings between the CEO/CFO and relationship bank(s)
- Meetings with existing and future lenders ahead of planned refinancing
- Covenant compliance certification

2020 outcomes

- Net Debt to Adjusted EBITDA ratio reduced from 1.1 to 0.5 times in the period
- Bank facilities extended to 31 March 2023

Further information

- Financial instruments disclosures on pages 132 to 138
- Capital management notes on page 139

Our Stakeholders continued

LOCAL COMMUNITIES

We operate in nine locations globally and contribute in each of the local communities.

We aim to have a positive impact on the environment in locations in which we operate. We have a vested interest in the long-term success of each community, from which our workforce is drawn.

Their material issues

- Job creation
- Environmental compliance
- Contribution to the development of the wider community

How we engage

- The creation of c.1,650 jobs globally
- Compliant with various recognised environmental standards: ISO 14001, WWF LCMP, ESOS II
- Heavily involved in local university in Jiaxing, establishing a "Luceco Class"

2020 outcomes

- Tonnes of CO_2 per 1,000 parts manufactured reduced by 12% over the period

Further information

- Environment, Social and Governance on pages 49 to 55

Section 172(1) Statement

The Directors confirm that they have acted in a way that they consider, in good faith, to be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have had regard, amongst other matters, to the matters set out in s172(1) of the Companies Act 2006 ("s172 Matters"). This statement, together with the examples on pages 45 to 48 and those sections of the Annual Report incorporated by cross reference, describes how the Directors have had regard for s172 Matters in respect of the year.

The Company Secretary sets out the s172 Matters in all Board meeting packs to ensure these are front of mind, and the Directors are reminded of their duty under s172(1) at the start of each Board meeting. Consideration of the broader s172 Matters forms an integral part of Board discussion; the Directors as a matter of course have regard to the need to maintain a reputation for high standards of business conduct, the need to act fairly between shareholders, and the long-term consequences of their decisions. These considerations are referenced in meeting papers as relevant and discussions thereof recorded in the meeting minutes.

With regard to more Company-specific stakeholder groups, the Board has identified those key to the Company based on each group's potential to a) be impacted by the Company's activities, and/or b) have an impact on the Company's activities. These key stakeholders, as agreed by the Directors, are set out on pages 45 to 48, together with information about their material issues and methods of engagement.

Whilst Directors engage directly with stakeholders on certain topics, stakeholder considerations on the whole are brought to the Board's attention through reports and presentations from the Executive Directors and senior management. This is an integral element of regular Board reporting and, in the case of certain stakeholders such as the workforce, may be discussed as a separate agenda item.

As a result of these processes, the Directors have the necessary oversight of the Company's engagement with stakeholders to enable them to discharge their duty under s172(1) in the course of their decision-making. Moreover, the Board has concluded that the Company's key stakeholders set out on pages 45 to 48 are appropriate and that the methods of engagement for each are proportionate and effective. The Company's key stakeholders and methods of engagement will be kept under review and reported on each year in the Company's Annual Report.

Environment, Social and Governance

Being a responsible business contributes to our ability to create value for shareholders and our other stakeholders. We look to behave safely and ethically in our relationships with our employees, customers and suppliers, to reduce the environmental impact of our activities and to contribute to our local communities.

What's in this section

Non-financial information statement

The table below sets out where stakeholders can find information in our Strategic Report that relates to non-financial matters detailed under Section 414CB of the Companies Act 2006.

Reporting requirement	Where to read more in this report	Page
Environmental matters	Environment, Social and Governance Statement – Environmental policy, environmental impact and greenhouse gas information	50 to 52
Employees	Environment, Social and Governance Statement – People policies, gender diversity, employee involvement, health and safety	53
	Chief Executive Officer's Review	22
	Principal Risks and Uncertainties – Team members	49
Human rights	Environment, Social and Governance Statement – Ethical business, supply chain, human rights	54 and 55
Social matters	Environment, Social and Governance Statement – Communities	53
Anti-bribery and corruption	Environment, Social and Governance Statement – Anti-bribery and Corruption Policy	54
Business model	Advantaged Business Model	20 and 21
Principal risks	Principal Risks and Uncertainties	36 to 41
Non-financial KPIs	Strategy and KPIs	26 and 27

Environment, Social and Governance continued

Sustainability

> The Board is committed to developing a dynamic sustainability strategy for a changing world

Environment, Social and Governance (“ESG”) policy

As set out over the following pages, the Group has many strong ESG attributes. However, there is more it can, and will, do. Over the next year, the Group will announce a comprehensive and challenging ESG strategy together with measurable targets. The Group will not shrink from fulfilling its obligations or indeed seizing the many opportunities that ESG presents.

Our priorities for 2021 are:

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

We look forward to reporting our progress in the 2021 Annual Report.

Environment

Our approach to managing the Group’s environmental responsibilities is set out in our Code of Conduct and more detail can be found in the Ethical business section on page 54.

Our Code requires us to seek to protect the environment, by preventing or minimising the environmental impact of our activities and products through appropriate design, manufacturing, distribution and disposal practices.

The Group also has a Supplier Code of Conduct. This requires suppliers to:

- Comply with all applicable legal environmental requirements
- Continuously monitor, and disclose to us, their energy and natural resource usage, emissions, discharges, carbon footprint and disposal of waste
- Take a progressive approach to minimising their environmental impact on the environment
- Reduce our environmental impact

Minimising our environmental footprint helps us to manage our costs and supports our customers’ sustainability requirements.

As far as possible, we use recycled materials for packaging our products. We continue to look at ways of reducing the quantity of packaging we use and to minimise the amount of single-use plastic in our packaging.

Free on Board sales significantly reduce the miles over which our products travel to customers. In stocking the UK warehouse, we ship goods in large quantities to reduce the environmental impact and use air freight only as a last resort.

In our product range, LED lights have significant environmental benefits, due to their energy efficiency, and we are developing an Electric Vehicle charging range.

We have an ISO 14001 accredited environmental management system at our China manufacturing facility to measure, control and reduce our environmental impacts.

Greenhouse gas ("GHG") emissions

During 2020, our focus has been on protecting our workforce and safeguarding the business, ensuring we could continue to operate during the challenges brought on by the COVID-19 pandemic. We have not initiated any further emission reduction projects, although we have seen changes to working practices such as increased levels of home working and remote client meetings that have reduced GHG emissions and energy usage in our offices and from company vehicles.

The Board recognises the importance of addressing GHG emissions and climate change issues. As noted in the ESG policy section, positive steps are currently being taken to develop our sustainability strategy.

We are working towards the implementation of the recommendations made by the Task Force on Climate-related Financial Disclosures ("TCFD") and an update of this will be provided in the next Annual Report.

In the short term, our sustainability strategy will focus on eliminating or offsetting our Scope 1 and 2 GHG emissions and developing a greater understanding of the GHG inventory associated with our value chain. We also aim to set meaningful targets and commitments that we can track our progress against and to communicate to our stakeholders.

The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 requires the Group to disclose its annual UK energy consumption and GHG emissions from Streamlined Energy and Carbon Reporting ("SECR") regulated sources. The Group's emissions have been independently calculated in accordance with the GHG Protocol.

The table below shows the Scope 1 and 2 GHG emissions for the Group for the year ended 31 December 2020. Under GHG reporting guidelines, Scope 1 and 2 emissions are the key mandatory areas to report, illustrating the Group's environmental impact for activities where it has direct control, namely operation of its sites and vehicles.

COVID-19 has had a significant impact on our operations and as a consequence our GHG profile has improved. Home working has been introduced where possible to safeguard our employees. As a result, electricity and natural gas consumption across our office locations has fallen. Business travel in Company-owned vehicles has also been impacted with client meetings taking place remotely due to the various restrictions put in place in the UK and globally. Our UK project-based work was affected by the national lockdowns and has resulted in interruptions and delays to planned works, reducing utilisation across our delivery and van fleets.

Total GHG emissions have increased by 2% compared to last year. Emissions from natural gas have decreased by 42%, HFC emissions have fallen by 48% and Company-owned vehicles fell by 26%. However, these decreases have been slightly offset by our electricity consumption in our China factory. A greater proportion of products sold in 2020 were made in-house rather than by OEMs, adding to our own energy use.

Emissions from electricity consumption (location-based) has increased by 14%.

		Total GHG tCO_2e		
	Source	**2020**	2019	Change (%)
Scope 1	Natural gas	**316**	549	(42)%
	HFCs (refrigerants)	**43**	82	(48)%
	Company-owned vehicles	**336**	455	(26)%
Scope 2	Electricity (location-based)	**3,902**	3,411	14%
	Electricity (market-based)	**3,539**	3,012	18%
Total Scope 1 and Scope 2 (location-based)		**4,597**	4,497	2%
tCO_2e per £m revenue		**26.1**	26.1	–%

Environment, Social and Governance continued

Sustainability continued

Greenhouse gas ("GHG") emissions continued

Our China manufacturing facility was impacted by the pandemic. As a result of travel restrictions in China, supply chain issues and the global lockdown, production at the facility was restricted during the first quarter of the year. Although the factory was very quick at re-starting production, the increasing uncertainty around demand in our markets, through government lockdowns, resulted in our taking the decision to reduce output.

Despite our concerns around the demand for products there was a customer-led recovery during the global lockdown, which necessitated an increase in production levels. Production output grew by over 20 times from a low in February 2020 to a peak in December 2020. This increase in production activity saw electricity consumption at the manufacturing facility increase by 15%.

Overall, emissions have increased by 2.2% compared to last year, although the Group has improved relative emissions performance, when comparing per 1,000 parts manufactured, by 12% over the period.

The table below shows the proportion of energy use (electricity, natural gas and company vehicles) that occurs in the United Kingdom and non-UK countries. In 2020, 23% of the Group's energy consumption and 12% of carbon emissions arose from UK operations.

	Energy use 2020		Carbon emissions 2020	
Area	kWh	%	tCO_2e	%
UK	2,294,927	23%	539	12%
Non-UK	7,701,333	77%	4,059	88%
Total	**9,996,260**	**100%**	**4,598**	**100%**

People

We aim to recruit and retain people who are passionate about innovation and customer service, and to recognise and reward outstanding performance.

People policies

The Group's primary people-related policy is its Equality and Diversity Policy. This policy reflects our commitment to:

- Developing an ethos which respects and values all individuals equally
- Eliminating all forms of discrimination
- Ensuring there are no barriers which limit or discourage access to promotion, recruitment or training
- Ensuring that all aspects of employment avoid stereotyping based upon colour, culture, ethnicity, race, religion, disability, gender, sexuality or age
- Promoting good understanding of cultural, racial, ethnic and religious diversity, good race relations, disability, gender and age equality
- Taking positive action to encourage the development of a more diverse workforce

The policy is available on our intranet and all new starters are made aware of it during their induction into the business and are expected to subscribe to it at the time of their appointment.

The policy is reviewed on an ongoing basis and a full review takes place at least annually.

We do not tolerate behaviour which breaches the policy and encourage staff to use our grievance procedure to report any actual or suspected breaches. We are not aware of any breaches during the year.

Gender diversity

The table below shows the gender diversity of our workforce at the year end. We have taken a number of steps in recent years to promote the retention of female talent, including improving maternity benefits and improving flexible working. A number of new initiatives are planned for incorporation in the Group's strategy.

Employee involvement

We recognise the importance of good internal communication. The Board communicates the strategy to employees each year and we provide regular updates on progress and any changes taking place in the business. Employees are invited to contribute product or operational ideas and are supported by their line managers and HR department if they have any concerns.

Employee engagement

An Employee Opinion Survey was undertaken in 2020. In both the UK and China satisfaction scores increased.

The results of each category of the survey were compared to the survey undertaken in 2019. The Board reviewed the results and approved action plans for implementation in 2021.

The survey also included a section covering how employees felt about how we approached COVID-19. The majority of employees feel confident in our ability to keep them safe with 80% responding that they have been suitably informed about the actions we have undertaken to protect them and make their workplace COVID-19-secure.

Health and safety

Our Health and Safety Policy sets out our approach to providing attractive working conditions for our people. We aim to prevent harm to, and promote the health of, all employees, by applying health and safety programmes, rules and regulations at all of our sites. All employees are responsible for complying with health and safety regulations and we have a health and safety champion in each operating unit, who is responsible for ensuring compliance with best practice and all local regulations.

Our Health and Safety Policy is made available in local languages and all new starters must confirm that they have read and understood it. The policy is reviewed in full at least annually and more regularly if required.

	2020				2019			
Area	**Male**		**Female**		Male		Female	
Board	**6**	**86%**	**1**	**14%**	6	86%	1	14%
Senior management[1]	**9**	**82%**	**2**	**18%**	9	82%	2	18%
Direct reports[2]	**33**	**70%**	**14**	**30%**	33	73%	12	27%
Other employees	**902**	**49%**	**934**	**51%**	815	53%	709	47%
Total	**950**	**50%**	**951**	**50%**	863	54%	724	46%

1. Individuals reporting directly to the CEO or CFO.
2. Individuals reporting directly to senior management.

Environment, Social and Governance continued

People continued

Health and safety continued

We continually monitor our health and safety performance to ensure compliance and to enable us to take any corrective action if issues are identified. During the year, there were 13 non-reportable accidents reported in our Telford facility (2019: 20) and no reportable accidents (2019: two). In China, nine minor accidents were reported (2019: six).

Ethical business

We require our people to act fairly in their dealings with fellow employees, customers, suppliers and business partners. Our global Code of Conduct applies to all Group employees and our external business partners. It aims to ensure that Luceco maintains consistently high ethical standards across the globe, while recognising that our businesses operate in markets and countries with cultural differences and practices.

The Code of Conduct is available on our intranet and all new employees are made aware of it during their induction.

Anti-bribery and Corruption Policy

Our Anti-bribery and Corruption Policy sets out our zero-tolerance approach, which extends to all business dealings and transactions in which we are involved. The policy is widely publicised across all our operations and is also available on out intranet. All new starters are made aware during their induction. It includes a prohibition on offering or receiving inappropriate gifts or making undue payments to influence the outcome of business dealings. We routinely review our policy and guidance in this area.

We maintain a log of all hospitality and gifts offered to and by our people, whether or not the hospitality or gifts are accepted. The policy also makes clear how our people can raise concerns or report any issues, which should be raised with the Chief Financial Officer as soon as possible. No concerns were reported during the year.

Whistleblowing

We encourage an open culture, so any issues can be raised and handled at a local business level. However, we recognise that there may be times when it is uncomfortable or inappropriate for our people to raise a concern through line management.

We therefore have a whistleblowing policy (“Speak Up”), which is available on the corporate intranet. The policy is widely publicised across our operations and sets out clearly how colleagues should report whistleblowing concerns.

Whistleblowing contacts are initially received by an independent specialist company, then passed to a nominated Non-Executive Director, the Chief Financial Officer and the HR Manager for further investigation as necessary.

The Board routinely reviews the whistleblowing process and the reports arising from its operation, and ensures that arrangements are in place for the proportionate and independent investigation of such matters and for follow-up action. There were no reports that required follow up in the year.

Human rights

One of our business principles is that we will support fundamental human rights, in line with the legitimate role of business. Our Code of Conduct sets out our policies in respect of a range of human rights and related issues, including child labour, forced labour, the right to organise, collective bargaining and participation in political life.

The Group's operations in high-risk countries must perform self-assessments, to make sure they are aware of the human rights impact of their operations. If a negative impact seems possible or likely, they are encouraged to take precautions or find solutions that are beneficial for employees and the communities in which they operate.

Among our international operations, China is the location where people's rights could be most at risk. By owning the facility in China, we can directly control the environment and conditions in which our employees live and work, to ensure they are treated fairly and in accordance with our policies. Until the introduction of pandemic travel restrictions, the Directors regularly visited China and routinely invited customers to the facility, so they could witness the working and living conditions of our employees. This helps our customers to fulfil their own responsibility agendas.

The UK Modern Slavery Act 2015 requires us to outline the steps we take to identify and prevent modern slavery within our organisation and supply chain. The latest statement is available on our website, **www.lucecoplc.com**.

Supply chain

The Group wants to do business with partners who endorse our values and our social and environmental standards. We regard the application of our business principles as being of prime importance in deciding whether to enter into or to continue relationships with suppliers and contractors. Our Supplier Code of Conduct is designed to ensure that all of our business partners, suppliers and manufacturing meet our basic expectations of doing business related to legal requirements, ethical practices, human rights and environmental management. These standards are based on well-respected and recognised international standards, including the International Labour Organisation, United Nations Universal Declaration of Human Rights and industry best practices.

We source raw materials and certain products from suppliers in close proximity to the factory in China. The Executive Directors visit suppliers periodically, to inspect their operations and ensure they are satisfied by how the supply process is managed, the quality of products produced and the working environment of the employees.

Communities

We are keen to contribute to the communities we operate in and our Code of Conduct encourages our people to actively participate and to propose projects to site management or site committees.

In Jiaxing, China, we are heavily involved with the local university, establishing a "Luceco class" where students were selected to receive weekly lectures for three terms. These are led by our managers or technical experts and aim to provide students with greater business sense and awareness, career advice and preparation for entering the work environment, with exposure to marketing, management, product knowledge and development and project management.

The Strategic Report on pages 01 to 57 was approved by the Board of Directors on 23 March 2021.

JOHN HORNBY
Chief Executive Officer

MATT WEBB
Chief Financial Officer

Our Response to COVID-19

Strong performance during the pandemic demonstrates our business model's resilience and operational agility.

LUCECO

ORGANISING OUR RESPONSE

The coronavirus pandemic first impacted the Group in early 2020. Our initial response was set out in the 2019 Annual Report.

Throughout the pandemic, the Board has sought to ensure that the Group's approach to COVID-19 fairly balanced the various and often competing needs of the Group's stakeholders. COVID-19's impact on each stakeholder group, and the Group's response thereto, is described below.

Find out more on pages 22 and 72

OUR CUSTOMERS

We worked hard throughout the year to ensure a continuous supply of essential electrical products to the markets we serve.

We offered temporary credit extensions and payment plans to those customers in greatest need of short-term financial assistance.

We maintained fair and consistent pricing throughout the year, despite industry-wide supply shortages in some product categories as demand recovered quicker than supply in the second half of the year.

OUR SUPPLIERS

We have continued to pay our suppliers in accordance with agreed terms throughout the period. We did not ask any suppliers to concede temporary price reductions to offset any financial loss we experienced through pandemic disruption.

COVID-19 timeline

January

Chinese New Year

China lockdown begins

February

China factory closed for two weeks, then reopens at much reduced capacity

March

Lack of finished goods in China during the month

Back to normal production capacity by month end

Lockdown hits European markets

April

Lockdown impacts demand in our key UK market

Temporary pay reductions

Start of CJRS claim

May

Gradual emergence from first lockdown

Pay reductions refunded

OUR PEOPLE

Colleague safety has been at the heart of Luceco's response to COVID-19.

In China we created a COVID-19-secure environment for our factory colleagues to safely return to following 2020's Chinese New Year holiday period. Our approach was subsequently held out by local authorities as a model for others to follow.

In the UK we adopted government advice in supporting colleagues to work from home. Where home working was not possible, we applied operating protocols that often went beyond governmental requirements to protect our colleagues when working in our warehouses or attending our offices.

The first wave of lockdowns in Europe had an initial adverse impact on sales. We responded by lowering costs and preserving cash whilst also protecting jobs.

Our objective was to protect our financial health in the short term whilst retaining talent for the long term.

We did this by initially taking advantage of the UK Government's Coronavirus Job Retention Scheme ("CJRS") and temporarily reducing salaries by 25% from the Board down whilst we waited for demand to recover. We maintained the salaries of lower paid workers in full.

Market conditions had improved by the end of the first half. This allowed us to bring all our employees back from furlough, repay the earlier 25% salary reduction and refund all furlough income to the UK Government. There have been no COVID-19-related headcount reductions and we are not in receipt of government support of any kind.

The return of strong demand in our markets in the second half was met with record production output whilst taking particular care to ensure no adverse impact on working conditions for our employees or those of our supply chain partners in China.

Recognising the strain that COVID-19 can cause, we provided additional services to support the mental health of our employees. We communicated with them regularly and comprehensively to ensure they were kept abreast of events. We sought feedback from them to ensure our messages were understood.

We continue to follow governmental COVID-19 operating guidelines and look forward to welcoming our people back to the workplace as conditions allow.

Find out more on page 6

June

Strong residential demand from the Retail and Hybrid channels

Slower recovery in professional channels

End of CJRS claim

Workforce return in full

July

Strong recovery in Professional Wholesale channel

August

Stabilisation of demand in Professional Projects channel

September

Dividend reintroduced

December

Decision taken to refund CJRS income

Chairman's Introduction

> The Group's corporate governance structure enabled the Board of Directors to continue to effectively execute the Group's strategy and navigate the Company through the challenges of the coronavirus pandemic

GILES BRAND
Chairman

Dear Shareholder,

I am pleased to present the Corporate Governance Report for the year ended 31 December 2020 ("year"). This section of the Annual Report describes our corporate governance structures and processes and how they have been applied throughout the year.

Good corporate governance is fundamental to the success of our business. The Board and its Committees play a key role in our governance framework by providing external and independent support and challenge, understanding the views of shareholders and wider stakeholder communities, and ensuring that a culture of good governance is promoted globally throughout the business. Our continuing aim is to promote and maintain an environment of openness, transparency, accountability and responsibility.

My role as Chairman

My role is to ensure that the Luceco Board operates effectively in delivering the long-term success of the Company. In fulfilling this role, I seek to ensure that Board proceedings are conducted in such a way as to allow all Directors to have the opportunity to express their views openly and that, in particular, the Non-Executive Directors can provide constructive support and challenge to the senior management team. More about my role, and the roles of all the Directors and Committees, can be found on pages 60 and 61.

The Board's response to COVID-19

Although Board and Committee meetings had to be held by videoconference rather than in person during lockdown, this proved no barrier to robust discussion and effective decision-making; rather, it demonstrated the agility and effectiveness of our Board.

The Board received regular coronavirus updates from management throughout the year and continually monitored the fast-changing situation surrounding the spread of the virus and resultant government-imposed lockdowns. This monitoring took the form of additional Board and Committee meetings and Non-Executive Directors also made themselves available to scrutinise and challenge plans, outside of the virtual boardroom. The Directors monitored the Company's outlook as the situation progressed and released additional trading statements to ensure the market was fully updated.

Board changes and induction

John Barton retired from the Board at the conclusion of the Company's AGM on 4 June 2020. John, who was also Senior Independent Director, was an invaluable member of the Board and brought a wealth of knowledge and experience to our discussions. Following a thorough search process led by the Nomination Committee, the Board was pleased to welcome Pim Vervaat as Senior Independent Director and member of the Nomination Committee and Remuneration Committee in September.

I discuss Pim's appointment process in the Nomination Committee Report on page 69. It is my responsibility to ensure that all new Directors receive a full, formal and tailored induction. Given that Pim joined the Board during lockdown, which is still ongoing at the time of writing, his induction will be completed as soon as possible within government guidelines, after which he will meet in person with senior leaders across the business, including visits to our operations in both Telford and China. The Company Secretary has provided Pim with an induction to the Board's governance structure and the roles of the Board Committees and Pim has proved himself an active and valued contributor to Board discussions during his time with us so far.

Board and Committee evaluation

As Chairman I am also responsible for leading the annual evaluation of the effectiveness of the Board, Committees and individual Directors ("Evaluation"). The 2020 Evaluation was undertaken internally by way of a questionnaire, a method I believe to be appropriate and proportional to the Company, and which yields useful results. The 2020 Evaluation considered the composition, balance of skills, experience, knowledge, and collaboration on the Board, as well as other factors relevant to its effectiveness, including diversity. We also considered the Board's response to the pandemic. Results of the evaluation were anonymised by the Company Secretary and provided to me for analysis. I presented the findings to the Board, including individual recommendations made by Directors.

My performance was appraised by the independent NEDs under the leadership of the Senior Independent Director. We discussed the outcomes and agreed that the Board, Committees and individual Directors were operating effectively, whilst also noting areas for development. The Evaluation also assisted us in identifying our key areas of focus for 2021, being:

- Expansion of the business through organic growth and tactical acquisitions
- Margin maintenance and continued improvements to operational efficiency
- A focus on the risks and opportunities associated with climate change

We also agreed our strategic priorities for 2021. These are set out in the Strategic Report on pages 01 to 57.

The year ahead

The Board has made good progress this year in enhancing its governance arrangements and strengthening the composition of the Board, but we recognise there is still work to do. I am committed to continually monitoring and improving the governance of our Board and will continue to seek out ways to enhance our corporate governance in line with developing best practice, particularly with regard to climate-related risks and opportunities.

GILES BRAND

Chairman

23 March 2021

COMPLIANCE WITH THE 2018 UK CORPORATE GOVERNANCE CODE The Company is required to report on its compliance with the Principles and Provisions of the 2018 UK Corporate Governance Code ("Code"), a copy of which is available at www.frc.org.uk. For the year ended 31 December 2020, the Board considers that it has complied in full with the Code's Principles and Provisions with the exception of Provisions 9 and 19. Provision 9 states that the Chairman should be independent on appointment when assessed against the circumstances set out in Provision 10. Therefore, as a major shareholder, Giles Brand was not independent on appointment. Provision 19 states that the Chairman should not remain in post beyond nine years from the date of their first appointment to the Board. Giles was appointed as a Director of the Company in 2010 and then appointed Chairman in 2016 when the Company listed on the London Stock Exchange. The Company's relationship with Giles Brand and EPIC Investments LLP (who together own 30.8% of the Company's voting rights) is governed by a relationship agreement which serves to regulate the relationship and deliver effective independence.

Further information on how the Board has applied the Principles and complied with the Provisions of the Code can be found as follows:

BOARD LEADERSHIP AND COMPANY PURPOSE is considered in the Corporate Governance Report on pages 62 to 67.

DIVISION OF DIRECTORS' RESPONSIBILITIES is set out on page 62.

COMPOSITION, SUCCESSION AND EVALUATION is addressed in the Nomination Committee Report on pages 68 to 70. Details of the methodology used in the 2020 Evaluation of Board Effectiveness can be found on page 59.

AUDIT, RISK AND INTERNAL CONTROL is discussed in the Audit Committee Report on pages 71 to 74. The Board considers and determines the principal risks faced by the Company, set out on pages 36 to 41, and also conducts an annual review of the effectiveness of the risk management and internal control systems.

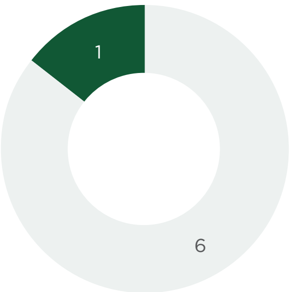
REMUNERATION is addressed in the Remuneration Committee Report on pages 75 to 89.

Board of Directors

The Board of Directors has overall responsibility for the Group. Its aim is to represent all stakeholders and to provide leadership and control in order to ensure the growth and development of a successful business.

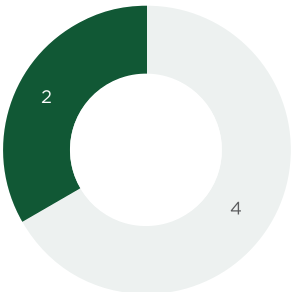
Board balance

Gender diversity



Male
Female

Independence[1]



Independent Non-Executive Directors
Executive Directors

1. Excluding the Chairman.

Sector experience

Finance/Capital Markets
Governance
Operational
Strategy
Manufacturing/Industrial
Consumer/Retail
Digital

GILES BRAND
Non-Executive Chairman

D N

Skills and experience

Giles is the founder and Managing Partner of EPIC Private Equity LLP, an independent investment manager, advisory and placement agent and administrator. EPIC Private Equity LLP is the investment adviser to EPIC Investments LLP, whose affiliates are the Company's largest shareholder. Since 2001, Giles has led over 30 buyout, turnaround, distressed and growth capital transactions. Many of these transactions have made multiple bolt-on acquisitions in the UK and overseas.

Other roles

Giles is currently the Non-Executive Chairman of Whittard of Chelsea.

JOHN HORNBY
Chief Executive Officer

D

Skills and experience

John was appointed Chief Executive Officer of the Group in 2005 having originally joined Luceco in 1997. John led the original management buyout of Luceco from a listed plc in 2000 and led the secondary buyout with EPIC Private Equity LLP in 2005. Since then, John has led the development of the Group's Chinese operations. John began his career with Knox D'Arcy Management Consultants following his graduation from The University of Oxford with a degree in Economics.

Other roles

John holds no other listed or non-listed directorships.

MATT WEBB
Chief Financial Officer

D

Skills and experience

Matt was appointed Chief Financial Officer in 2018. Matt joined from FTSE 100 listed multinational building materials distribution company Ferguson plc, where he most recently spent five years as Finance Director for its market-leading US Blended Branches business, based in the USA. Prior to that, Matt held other senior finance roles at Ferguson, including Group Financial Controller and Strategic Planning Manager, and at construction products manufacturer BPB plc. Matt qualified as a Chartered Accountant with KPMG LLP and holds a degree in Engineering Science from The University of Oxford.

Other roles

Matt holds no other listed or non-listed directorships.

Key R Remuneration Committee A Audit Committee N Nomination Committee D Disclosure Committee ● Chair

PIM VERVAAT
Senior Independent Non-Executive Director

N R

Skills and experience
Pim joined the Board as Senior Independent Non-Executive Director in 2020 and brings extensive Board-level international manufacturing experience to the Group. Since 1 July 2020, Pim has been Chief Executive Officer of the leading flexible packaging manufacturer Constantia Flexibles. Previously, he spent 12 years at RPC Group Plc, initially as Chief Financial Officer between 2007 and 2013 and then as Chief Executive Officer between 2013 and 2019. Prior to joining RPC, Pim fulfilled a number of senior finance positions in metals manufacturer Hoogovens and its eventual acquirer, Corus Group. Pim was also Chairman of the Audit Committee and Senior Independent Director of Avon Rubber plc from March 2015 to January 2021.

Other roles
Pim is Chief Executive Officer of Constantia Flexibles.

CAROLINE BROWN
Independent Non-Executive Director

A (Chair) N R

Skills and experience
Caroline joined the Board as an independent Non-Executive Director and Chair of the Audit Committee in 2016. She has managed divisions of FTSE 100 groups and AIM businesses with international industrial and technology operations and has worked as a corporate finance adviser to governments and corporations with BAML, UBS and HSBC. She is a Fellow of the Chartered Institute of Management Accountants with over 20 years' experience sitting on the boards of listed companies and has chaired audit committees of listed companies for the past 17 years. She holds a first class degree and PhD in Natural Sciences from the University of Cambridge and a Master of Business Administration from the City Business School, University of London.

Other roles
Caroline is currently a Non-Executive Director of two other listed companies: Georgia Capital plc and IP Group plc.

TIM SURRIDGE
Independent Non-Executive Director

A R (Chair)

Skills and experience
Tim joined the Group as an independent Non-Executive Director in 2016. Previously, Tim has served as Group Chief Financial Officer at Olive Group Capital Limited, a Dubai-based security solution provider, and as Chief Financial Officer and an Executive Director at Dangote Cement plc, Nigeria's largest cement producer. Tim joined KPMG LLP UK in 1991 and became a partner in the firm's Transactional Services business in 2006. Tim has considerable accounting and advisory experience including stock market listings, reverse takeovers, management buyouts and acquisitions. Tim is a qualified Chartered Accountant.

Other roles
Tim is currently a Principal at NM Capital.

WILL HOY
Independent Non-Executive Director

A

Skills and experience
Will joined the Group as a Non-Executive Director in 2019. Will most recently held the position of Chief Financial Officer for GKN Aerospace, the UK-headquartered global aerospace technology leader. He has held a number of senior finance roles in a career with GKN that spanned over 20 years, including nine years as Head of Corporate Finance in which he oversaw GKN's M&A activities. Prior to joining GKN, Will qualified as a Chartered Accountant at KPMG and worked in its Corporate Finance department.

Other roles
Will holds no other listed or non-listed directorships.

Corporate Governance Report

The Board is fully accountable to the shareholders for the performance and conduct of the business and recognises the importance of maintaining an open dialogue, keeping them informed of the Group's strategy, progress and prospects.

Board composition

The Board comprises the Chairman, two Executive Directors and four independent Non-Executive Directors ("NEDs"). The key responsibilities of the members of the Board, including the division of responsibilities between the Chairman and CEO, are set out below.

LUCECO plc

CHAIRMAN

Giles Brand

Giles Brand has held the role of Chairman since 2 October 2016. The Chairman is Non-Executive and is responsible for the leadership and governance of the Board, organising, planning and setting the agenda of Board meetings (in conjunction with the Chief Executive Officer) and communicating information to shareholders. The Chairman maintains regular contact with the independent NEDs to discuss and address any issues or concerns outside of formal Board meetings. The Chairman also provides support to the Executive Directors where required.

EXECUTIVE DIRECTORS

Chief Executive Officer ("CEO")

John Hornby

The CEO has delegated responsibility for the management of the Group's day-to-day operations, including product development, quality control, sourcing of raw materials, customer and supplier relations, distribution and health and safety. The CEO also prepares and communicates the strategy of the Group and the detailed underlying operational plans to deliver it.

Chief Financial Officer ("CFO")

Matt Webb

The CFO works closely with the CEO to ensure that strategic plans are underpinned by strong financials and that they deliver growth in shareholder value. The CFO is responsible for producing budgets and forecasts to deliver and measure against the strategy and assessing the benefit of new investment opportunities. He is also responsible for internal control and risk management, in conjunction with the Audit Committee.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Senior Independent Director ("SID")

Pim Vervaat

In addition to the responsibilities of an independent NED, the SID is available to shareholders should they have concerns which contact through the Chairman or other Board members has failed to resolve or for which such contact is inappropriate. The SID is also responsible for conducting the annual performance evaluation of the Chairman, in conjunction with the other independent NEDs. All Board members who wish to deal in the Company's securities must seek approval from the SID.

Non-Executive Directors ("NEDs")

Caroline Brown, Will Hoy, Tim Surridge

The NEDs are independent and contribute to the strategic direction of the Group, providing an independent sounding board to the Chairman and Executive Directors. They have been appointed for their knowledge and expertise and provide healthy debate and challenge to the Executive Directors and senior management team. The independent NEDs are also members of the Board Committees, except for the Disclosure Committee, with responsibility for the oversight of audit, financial control and risk management, composition and remuneration of the Board. Tim Surridge has been appointed as the designated Non-Executive Director for workforce engagement.

The four independent NEDs are considered by the Board to meet the independence criteria set out in Provision 10 of the Code and to be independent of the Company's executive management and free from any business or other relationship that could affect their ability to exercise independent judgement. The letters of appointment of the Chairman and independent NEDs are available for inspection at the Company's registered office.

Re-election
In accordance with the Code and the Company's Articles of Association ("Articles"), all Directors are subject to annual re-election by the shareholders at the Annual General Meeting.

Time commitment
Each Director's other commitments are disclosed and, in the case of significant appointments, approved by the Board in advance. The Board reviews a schedule of Directors' interests at each Board meeting. The Board is satisfied that the other commitments of the Chairman and the independent NEDs do not prevent them from devoting sufficient time to the Company. The Executive Directors work solely for the Group; neither John Hornby nor Matt Webb hold any external directorships.

Access to advice
All Directors have access to the advice and services of the Company Secretary, who is responsible for advising the Board on corporate governance matters. The Directors are able to take independent, professional advice to assist them, if necessary, at the Company's expense.

Matters reserved for the Board
The Board keeps a formal schedule of matters specifically reserved for its decision. These include the approval of the annual and half-yearly results and associated announcements, recommendation of dividends, convening of shareholder meetings, Board appointments, strategic plans and budgets, significant capex proposals, acquisitions, systems of internal control and risk management and corporate governance arrangements. No one Board member has the power to make a decision without the sanction of the other members.

Committee responsibilities
The Board has formally delegated specific responsibilities for audit, risk management and financial control, public announcements, Board composition and remuneration to four standing Committees, namely the Audit Committee, Nomination Committee, Remuneration Committee and Disclosure Committee. Each is chaired by the Chairman or an independent NED, enabling them to take an active role in influencing and challenging the work of the Executive Directors and senior management team. Details of the Disclosure Committee are provided below; information on the composition, responsibilities and activities of the other Board Committees are set out in their respective reports on the following pages:

- Audit Committee pages 71 to 74
- Nomination Committee pages 68 to 70
- Remuneration Committee pages 75 to 89

The terms of reference of the Committees are reviewed annually.

Disclosure Committee
The Board has delegated responsibility to the Disclosure Committee to oversee the Company's compliance with the FCA's Listing Rules and Disclosure Guidance and Transparency Rules, and the Market Abuse Regulation, in respect of the disclosure and control of inside information directly concerning the Company. The Committee meets as appropriate and met nine times during the year. The Disclosure Committee is chaired by Giles Brand and its other members are John Hornby and Matt Webb. Its terms of reference can be found on the Company's website.

Corporate Governance Report continued

Leadership and Company purpose

The Board is collectively responsible for leading and controlling all activities of the Group, with overall authority for establishing the Company's purpose, values and culture and overseeing the management and conduct of the Group's business, strategy and development. The Board sets the Group's strategic direction and approves strategic projects, policy and investment decisions. These decisions are underpinned by financial reporting and a robust approach to risk management. The Board is also responsible for ensuring appropriate resources are in place to enable the senior management team to deliver the strategic objectives and enact their policies and decisions.

The Board has agreed the Company's purpose, as stated on page 01, and has satisfied itself through regular reports from, and discussions with, management that the culture promoted by the Board and by senior management supports this purpose.

People and culture

The Board assesses and monitors Company culture through a number of channels including regular reports from the Executive Directors and senior management, whistleblowing reports and employee surveys. People were a key focus of discussion during the year given concerns around the potential impact of the coronavirus pandemic on the workforce, both in terms of individual health and safety as well as the financial impact. The Board was updated throughout the year through reports from the Executive Directors on steps taken to mitigate against these. Additionally, at the Directors' request, the Asia Managing Director gave a detailed presentation to the Board on initiatives to improve health and safety culture more broadly within the China factory.

More about the Company's approach to its people and culture can be found in the ESG section on pages 53 to 55.

Workforce engagement

In accordance with the UK Corporate Governance Code, the Board has appointed Tim Surridge as the designated Non-Executive Director for workforce engagement. The Board believes that this, in conjunction with the annual employee engagement survey, is an effective mechanism for gathering the views of and engaging with the workforce. During the year, Tim held ten virtual one-to-one sessions with employees from across the business, representing a variety of functions and geographical locations including the UK, Europe, the Middle East and Asia. The feedback emerging from these sessions was overwhelmingly positive, with favourable comments regarding the Group's response to the pandemic, inter-team interaction and workplace culture. Tim presented a summary of these findings to the Board, which the Directors discussed alongside the results of the annual Employee Opinion Survey (discussed in the Environment, Social and Governance section on page 53 and the Remuneration Committee Report on page 76), the findings of which were consistent with the feedback from Tim's sessions. In 2021 Tim will continue to engage with the workforce, through physical visits to both the UK and China operations if possible. The Board will continue to monitor the effectiveness of its methods of workforce engagement.

Whistleblowing and compliance

The Board is responsible for monitoring and periodically reviewing the Group's whistleblowing, anti-bribery and anti-fraud policies. The Board reviewed these during 2020 and satisfied itself that sufficient arrangements are in place to assist in the prevention of fraud and enable employees to report irregularities confidentially and allow appropriate investigation and follow-up action to be taken. The Board is also responsible for reviewing any whistleblowing reports.

Wider stakeholder considerations

The Company's key stakeholder groups are set out in the Strategic Report on pages 45 to 48. Further information is included in the Section 172(1) Statement in the Strategic Report on page 48. Stakeholder considerations in the context of COVID-19 are discussed in this Corporate Governance Report on page 66.

Board meetings

In advance of its meetings, the Board is provided with an agenda and all relevant documentation and financial information in a timely manner to assist it in the discharge of its duties and ensuring that decisions are well informed and made in the best interests of the Group. If any member is unable to attend a Board meeting, they have the opportunity to discuss any agenda items with the Chairman before the meeting. Conflicts of interest are managed in accordance with the procedure described under "Directors' conflicts of interest" on page 91.

Meeting attendance

The table below shows the number of scheduled Board and Committee meetings attended by each Director during the year against the total number of possible meetings in respect of each Director.

Name	Board	Audit Committee	Nomination Committee	Remuneration Committee
Giles Brand	10/10	n/a	3/3	n/a
John Hornby	10/10	n/a	n/a	n/a
Matt Webb	10/10	n/a	n/a	n/a
John Barton[1,4]	4/4	2/3	2/2	1/1
Caroline Brown	10/10	5/5	3/3	4/4
Will Hoy[2,4]	9/10	5/5	0/0	2/2
Tim Surridge	10/10	5/5	n/a	4/4
Pim Vervaat[3]	4/4	n/a	1/1	1/1

1. John Barton resigned from the Board effective 4 June 2020.
2. Will Hoy served as an interim member of the Nomination Committee and Remuneration Committee from 4 June 2020 to 1 September 2020. No Nomination Committee meetings were held during this time.
3. Pim Vervaat was appointed to the Board effective 1 September 2020.
4. Will Hoy was unable to attend the August Board meeting and John Barton was unable to attend the March Audit Committee meeting due to prior commitments which were communicated to and agreed by the Board in advance.

Board activity

The Board agenda focuses on the themes of driving strategy, monitoring risk and execution of the strategy through regular business, financial and departmental updates. These are complemented and underpinned by updates and discussions around culture, people and stakeholders, as well as corporate governance considerations including legal and regulatory matters. A summary of the activity of the Board during the year is set out below:

Strategy

- Regularly considered the potential impact of COVID-19 on the Group's operations and actions taken and proposed by management in response
- Regularly received and discussed strategic updates, proposals and reviews from the Executive Directors and senior management; supported the development of strategy through individual insights and robust challenge
- Received and discussed presentations from the Asia Managing Director on progress against plans to transform the Group's Chinese factory and improve its working culture
- Considered the impact of Brexit on the Group's operations
- Approved the closure of the Group's Hong Kong operations
- Developing an Environment, Social and Governance strategy
- The implications of the Task Force on Climate-related Financial Disclosures on the 2021 financial statements

Internal control and risk management

- Reviewed the Group's approach to risk management and carried out a robust assessment of the Company's principal risks
- Approved changes to the Company's hedging arrangements
- Oversaw the continued implementation and effectiveness of the Group's Finance Manual
- Discussed with the Asia Managing Director initiatives to improve health and safety at the Group's Chinese operations

Corporate Governance Report continued

Board activity continued

Financial

- Considered the financial performance of the Group and key performance targets, including a review of the monthly management accounts at each Board meeting
- Monitored performance through regular presentations from the CFO
- Approved the Annual Report, half-year and annual results announcements and analyst presentations
- Approved the refund of amounts initially received from the Coronavirus Job Retention Scheme
- Approved the suspension, and subsequent reinstatement, of dividends
- Approved the proposal of a new dividend policy to shareholders
- Approved the Group's financing arrangements
- Approved the 2021 budget and three-year plan
- Reviewed and challenged management's going concern assessment

Culture, people and stakeholders

- Considered the views of a wide range of stakeholders when considering the Company's actions in response to the COVID-19 pandemic – see "Our Response to COVID-19" on pages 56 and 57
- Discussed the results of the 2020 annual employee engagement surveys carried out in the UK and China and progress made as a result of actions taken in response to the 2019 surveys
- Received an update on employee engagement meetings from the designated Non-Executive Director for workforce engagement; discussed findings in conjunction with survey results
- Reviewed the Group's Whistleblowing ("Speak Up") Policy and oversaw its effectiveness

Corporate governance

- Discussed the outcome of the Evaluation of Board Effectiveness and agreed actions for 2021
- Considered feedback from brokers and analysts as relevant throughout the year
- Received regular updates on legal and governance developments affecting the Company
- Appointed Pim Vervaat as Senior Independent Director and as a member of the Nomination Committee and the Remuneration Committee
- Reviewed the Company's Share Dealing Code
- Approved the Company's Modern Slavery Statement
- Approved the Company's Related Party Transaction Policy

COVID-19 AND CONSIDERATION OF STAKEHOLDERS

A key challenge for the Board in 2020 was in ensuring the financial health of the Company as it faced the coronavirus pandemic, whilst balancing the concerns of the various stakeholders affected. This was especially challenging early in the year when the ultimate impact of the pandemic on the Company was unknown. Management swiftly took actions to reduce overheads, impacting the workforce and suppliers. The Board heard regular updates from the Executive Directors and debated the interconnected issues of furlough, dividends and bonuses.

The Board and its Committees considered how best to spread the effect of the Company's cost-saving measures in a way that was fair and consistent with regard to different stakeholder groups. With this in mind, it was agreed that the Directors and senior management should be subject to temporary salary reductions and bonus suspensions in line with the wider workforce, and that dividends should be suspended, until the impact of the virus was better understood.

Later in the year, as it became clear that the financial impact of the pandemic on the Company was unlikely to be as severe as initially feared, the Board and its Committees re-evaluated their approach, having regard for the interests of shareholders, employees and Directors. Through this lens it was agreed to reinstate salaries and bonuses for the wider workforce and the Directors, including the back payment of earlier temporary salary reductions, and to reinstate dividends including an additional interim payment in lieu of the suspended 2019 final dividend.

During the second half of the year, the Board considered the income received from the UK Government through the Coronavirus Job Retention Scheme ("CJRS") and whether, in view of the Company's improved outlook, this income should be repaid. The Directors discussed the importance of acting in a fair and balanced manner, not only with regard to shareholders, employees and Directors, but also the government and wider society. The Directors also considered the moral imperative to maintain the Company's reputation for high standards of business conduct. Consequently, the decision was taken to repay the CJRS income to the government.

Shareholder engagement

The Board, led by the Chairman, is committed to maintaining an open and constructive dialogue with shareholders, to ensure there is a common understanding of the strategic objectives, governance and performance of the Group. The CEO and the CFO undertake investor roadshows following the release of financial results, with the presentations made available on the Company's website. Any feedback gained from a roadshow is reported to the Board, to enable Directors to understand the views of shareholders. Where appropriate, the Company consults with shareholders on significant issues. During 2020, major shareholders were offered the opportunity to meet the Chairman, CEO and CFO virtually to discuss Luceco's strategy and governance arrangements.

In addition, the Company has appointed financial public relations advisers and corporate brokers to gather investor and analyst feedback, which is presented to and reviewed by the Board.

Due to the UK Government's prohibition on non-essential travel and public gatherings, it was not possible for shareholders to attend the Company's 2020 AGM.

Instead, it was formed with the minimum quorum of two Directors/shareholders, with the other Directors attending by video conference. Broadcasting the AGM electronically provided the opportunity to open the proceedings to shareholders who wished to follow the meeting and ask questions. A number of shareholders also emailed their questions in advance, which were answered at the meeting and on the Company's website. As a result, the Directors were able to engage with more individual shareholders than at any previous AGM of the Company.

Annual General Meeting

The 2021 AGM will take place at 12:00 noon on 13 May 2021 at the Company's registered office, Building E Stafford Park 1, Stafford Park, Telford, Shropshire, TF3 3BD.

The AGM has traditionally served as the principal forum for dialogue with shareholders and would normally include a presentation outlining recent developments in the business, followed by a question-and-answer session to enable shareholders to ask about specific areas or the business in general. However, should the UK Government's current prohibition on non-essential travel and public gatherings remain in effect at the time of the AGM it will, unfortunately, not be possible for shareholders to attend physically. They will, however, be able to follow the meeting and put their questions to the Board via an online platform. Because they will not be able to vote at the meeting, shareholders are strongly encouraged to register their proxy votes online. Shareholders may also wish to send their questions for the Board via email to luceco@linkgroup.co.uk in advance of the meeting. Further details will be included in the Notice of AGM, which will be sent to shareholders with the prescribed timescales.

In the event that UK Government guidance changes prior to the meeting such that shareholders are able to attend in person, the Company will update shareholders through an announcement to the London Stock Exchange and on the Company's website.

GILES BRAND

Chairman

23 March 2021

Nomination Committee Report

Chair: Giles Brand

Other members: Caroline Brown

John Barton (to 4 June 2020)

Will Hoy (served as an interim member from 4 June 2020 to 1 September 2020)

Pim Vervaat (from 1 September 2020)

"

Luceco recognises the benefits of a diverse Board and recognises that increasing diversity and inclusion at the Board and senior management level is key to maintaining competitive advantage

"

GILES BRAND
Nomination Committee Chair

Dear Shareholder,

I am pleased to present the report of the Nomination Committee ("Committee") for the year ended 31 December 2020. During the year, the Committee made good progress towards strengthening the mix of skills and experience on the Board, leading to the appointment of Pim Vervaat as Senior Independent Director in September.

Diversity & Inclusion Policy

Luceco recognises the benefits of having a diverse Board and sees increasing diversity and inclusion at Board and senior management level as key to maintaining competitive advantage. The Board is committed to ensuring that recruitment and promotion of individuals at Board and senior management level is based on merit and objective criteria and that, within this context, each candidate is judged on their unique combination of skills, knowledge and experience, as well as their social and professional background, cognitive and personal strengths, gender and ethnicity. The Committee reviews the effectiveness of this Diversity & Inclusion Policy annually and recommends any required amendments to the Board for approval.

Gender balance of senior management and direct reports

The gender balance of the Board, senior management and direct reports is included in the Environment, Social and Governance Report on page 53.

Key responsibilities

The Committee's main responsibilities, as outlined in its terms of reference, are:

- Reviewing the size, structure and composition of the Board and its Committees
- Identifying and nominating candidates to fill Board vacancies as the need arises
- Ensuring adequate succession planning is in place for Directors and members of the senior management team
- Overseeing the development of a diverse pipeline for succession

The Committee's terms of reference are available on the Company's website. Committee meeting attendance is set out on page 65.

Resignations and appointments

John Barton retired from the Board at the conclusion of the Company's AGM on 4 June 2020. In accordance with its terms of reference, the Committee led the search for a Non-Executive Director to take the role of Senior Independent Director and to strengthen the Board's collective expertise to ensure it is well equipped to meet the current and future needs of the Group. The Committee agreed the role description and engaged Russell Reynolds Associates to lead the search. Russell Reynolds Associates, who have no other connection with the Company or with any individual Director, were provided with the role description and, as part of this, were instructed that increasing the diversity of the Board was desirable but that the overriding requirement was possession of the necessary skills and commercial experience. Russell Reynolds presented the Committee with a diverse list of candidates, from whom shortlisted applicants met with Committee members and the CEO via videoconference. The Committee considered the backgrounds, knowledge and expertise of each, as well as their time available to spend on the Company given their other commitments.

Noting Pim Vervaat's extensive background of Board-level international manufacturing experience, the Committee unanimously agreed to recommend to the Board the appointment of Pim Vervaat as Non-Executive Director, Senior Independent Director and member of the Remuneration Committee and the Nomination Committee. The Committee's recommendation was approved by the Board to take effect on 1 September 2020. The Board also agreed that Caroline Brown would act as interim Senior Independent Director from 4 June 2020 to 1 September 2020 and that Will Hoy would serve as an interim member of the Remuneration Committee and Nomination Committee for that period.

Board composition

Each year the Committee formally reviews the size, composition and capabilities of the Board, including its diversity, as part of the annual Evaluation of Board Effectiveness. The Committee concluded in the 2020 Evaluation that the Board had an appropriate mix of skills and experience to provide strong and effective leadership, noting that this was being strengthened through ongoing succession planning. The standing Board Committees were also considered, and it was agreed that the composition of each was appropriate and balanced. Informed by this review and ongoing monitoring, the Committee will continue to oversee the refreshment of the Board and Committees and to maintain an appropriate balance of skills, commercial expertise and diversity to satisfy the evolving needs of the Group.

Succession planning

The Board has delegated responsibility to the Committee for leading the process for identifying and nominating Board candidates, as well as keeping the diversity of the Board under review. When making a Board appointment, the Committee seeks to identify an individual with the skills, knowledge and experience required to fulfil the role, within this context taking account of the added value that the individual brings to the Board in terms of creating a diverse, and therefore more effective, decision-making body.

The Committee also oversees the development of a diverse pipeline of potential Directors and senior managers. This is supported by the Group's Equality & Diversity Policy described on page 53, which ensures that all employees, regardless of gender, ethnicity, age or other factors, are provided with the opportunity to progress within the organisation, supported by an inclusive culture underpinned by fair and equitable practices and procedures. The Committee believes that this is an appropriate and balanced approach to facilitating the development of a diverse pipeline.

Annual evaluation of the Nomination Committee

As part of the Evaluation of Board Effectiveness conducted during 2020, the Committee undertook an evaluation of its own effectiveness and concluded that it was operating effectively. Details of the full Evaluation of Board Effectiveness, including how it was conducted and the actions taken as a result, can be found on page 59.

Directors' performance

The Directors' biographies are set out on pages 60 and 61. The Committee has considered the performance of each Director and concluded that they continue to demonstrate the necessary knowledge and commitment to contribute effectively to the Board.

Priorities for 2021

During the forthcoming year, the Committee will continue to focus on strengthening the mix of skills, diversity and experience on the Board, particularly with a view to enhancing the Board's expertise in climate change, data science and digital marketing and sales channels, to meet the evolving needs of the business.

GILES BRAND

Nomination Committee Chair

23 March 2021

Q&A with Pim Vervaat

I’m excited to be part of the Luceco story going forward

PIM VERVAAT
Senior Independent Director

Q:
Can you tell us a bit about your background and what you feel you bring to the Luceco Board?

I grew up in the Netherlands and originally worked in finance for many years, but it was always the bigger strategic questions that fascinated me so I gravitated towards general management, which is what I’ve been doing since 2013. I’ve always been very internationally focused; in fact I have a great affection for the UK and its people and spent 20 years working there and have been on holiday to the UK many times. Currently my work is based in Vienna, where I am CEO of Constantia Flexibles, one of the leading global packaging firms. I’ve always worked in manufacturing and distribution and have a real passion for strategy which, together with my experience of serving on multiple PLC boards, is why I think I’m well positioned to make a positive contribution to Luceco.

Q:
What were your reasons for taking the role with Luceco?

There were a lot of reasons. For a start, it’s a relatively small Board where I feel I can make a useful, practical contribution and really bring my knowledge and experience to bear. I also liked the resilience of the Company – the way it’s bounced back from challenges in the past – and the fact that it is at a very exciting stage in its life: it’s at a strategic crossroads and hopefully I can add value in dealing with these questions of strategic direction.

Q:
What has been your impression of the Board so far?

What I really like about the Luceco Board is that people put the issues on the table and have an open, honest debate followed by decisive action – there is no holding back or letting issues simmer away in the background. This straightforward approach, and the size of the Board, make it very agile and effective. Of course, since I’ve joined all our meetings have had to be virtual and, although this works well and we’re able to have a good discussion over Microsoft Teams, I am really looking forward to the day when I can travel to the UK again and meet everyone in person and get to know them better as individuals. Equally, I will be very interested to see the operations in the UK and China. I think together we have a very interesting time ahead of us and I’m excited to be part of the Luceco story going forward.

Audit Committee Report

Chair: Caroline Brown
Other members: Will Hoy and Tim Surridge

John Barton was a member until his retirement from the Board on 4 June 2020.

Committee meetings are also routinely attended by the Chairman of the Board, Chief Executive Officer, Chief Financial Officer, senior finance team members and the external auditor. The Committee met separately with the external auditor without management present.

> We have supported and challenged management's response to the coronavirus pandemic and overseen the strengthening and monitoring of the internal control environment across the Group

CAROLINE BROWN
Audit Committee Chair

Dear Shareholder,

I am pleased to present the report of the Audit Committee ("Committee") for the year ended 31 December 2020. During the year, the Committee challenged and supported management throughout its response to the coronavirus pandemic and closely monitored the Group's position and prospects in light of the fast-changing situation. The Committee also continued to oversee and assess the enhancement of internal controls across the Group and the development of the Group's Finance Manual.

I would like to thank the finance team members and our external assurance providers for their dedication and work under difficult and challenging conditions during the last year and I would also like to take this opportunity, on behalf of the Committee, to thank John Barton for his contribution and support in the successful execution of our responsibilities.

The impact of the coronavirus pandemic saw much of the Committee's time taken up with discussing COVID-19 matters. Notwithstanding COVID-19, we continue to make progress in strengthening the controls environment and the quality of our reporting.

Significant issues

The significant issues that were considered by the Committee in 2020 and early 2021 are set out below. These were addressed through reporting from, and discussion with, the Chief Executive Officer, Chief Financial Officer and the auditor, all of whom are regular Committee meeting attendees. KPMG LLP has set out its audit approach and the work it performed to satisfy its audit requirements in these areas in its Independent Auditor's Report on pages 95 to 102.

Key responsibilities

The Committee's main responsibilities, as outlined in its terms of reference, are:

- Recommending the half and full-year financial results to the Board
- Maintaining the integrity of all financial and non-financial reporting
- Monitoring the Group's internal financial controls and risk management systems
- Overseeing the relationship with the external auditor and reporting the findings and recommendations of the auditor to the Board

The Committee's terms of reference are available on the Company's website. Committee meeting attendance is set out on page 65.

Audit Committee Report continued

Significant issues continued

COVID-19

The Committee reviewed management's response to the coronavirus pandemic throughout the year. The consideration of its impact on accounting judgements, financial reporting, controls and going concern was informed by helpful guidance issued by the Financial Reporting Council.

The Board first discussed COVID-19 at its January 2020 meeting. Disruption to the Group's China supply chain and a sharp reduction in UK demand had both been identified and disclosed as principal risks previously. The pandemic had the potential to impact both simultaneously, meaning the Committee was alert to the risks from an early stage.

The Committee received a comprehensive update on COVID-19 at its meeting in early March 2020. By this point, the impact of the pandemic on the Group's supply chain was clear. Its impact on demand had not yet been felt but was expected to be material. The Board elected to postpone publication of the 2019 Annual Report until the demand impact was clearer. This decision was consistent with prevailing regulatory guidance.

The Committee received a further update on COVID-19 in mid-April 2020, by which point the pandemic's demand impact was evident. The update included a comprehensive response plan. This included actions taken, and proposed to be taken, to reduce any adverse financial impact, including refinancing options, the use of the UK Government's Coronavirus Job Retention Scheme and reductions to salaries and bonuses for the workforce and the Board. The Committee discussed these with regard not only to the financial impact but also fairness among the affected stakeholders, particularly the Group's workforce.

The clarity provided by this update allowed the Committee to recommend that the Board publish the 2019 Annual Report, which included extensive disclosure of the Board's consideration of COVID-19 in key areas such as going concern.

Whilst I am pleased to report that the financial impact of COVID-19 has been substantially less than was initially feared, it has remained a prominent Committee agenda item throughout the year. Other matters discussed by the Committee during the year in relation to the impact of COVID-19 included:

- Incremental costs, which were not treated as adjusting items due to being insufficiently material
- Inventory valuation and the impact of COVID-19 on commodity prices and factory utilisation
- Receivables valuation and customer creditworthiness
- The withdrawal and subsequent reinstatement of dividends
- The carrying value of intangible assets

Financial statements

The Committee considered in particular the following matters, as identified by the auditor, in relation to the Group's half-year and full-year financial statements:

- Inventory valuation
- Revenue recognition
- Management override of controls
- Capitalisation of development costs
- Disclosure quality of the going concern statement

The Committee confirms that it is satisfied that the presentation of the financial statements for the year ended 31 December 2020 is appropriate and in accordance with the Group's accounting policies.

Going concern

In preparation for publication of the 2020 Annual Report, the Committee and Board conducted a comprehensive review of the Company's going concern position in December 2020. Management prepared a paper setting out the methodology behind the assessment of going concern, together with sensitivity analysis results covering the 15 months to June 2022. The full Board discussed the results in detail, including: practicalities of the sensitivity testing process; the rationale behind the choice of risks subject to sensitivity testing; the treatment of one-off versus recurring risks; and the impact of Brexit.

Internal controls

The Group conducts a rolling programme of internal control reviews across its worldwide operations. The scope of the programme is approved by the Committee each year. This year's programme included a detailed independent verification by PwC of controls effectiveness at the Group's Chinese operations. The need for an independent review was supported by the significance of the operations to the Group and the reduction in site visits by Group management this year due to COVID-19 travel restrictions. We will resume our programme of control assessments of our overseas businesses in 2021. PwC's findings presented to the Committee in November 2020 highlighted a significantly improved control environment under new local management in China. The Committee also assessed the findings of a review, undertaken internally, of internal controls across the Group, and agreed further reviews to be undertaken in 2021.

Governance

The Committee discussed the expected changes to the accounting and auditing environment as a result of the Kingman Review, the Competition and Markets Authority Review and the Brydon Review, and discussed with management preparation for the expected introduction of legislation in the UK similar to the Sarbanes-Oxley Act in the US ("UK SOX").

Internal financial controls and risk management systems

The Board is responsible for the Group's risk management framework and the Committee has been delegated responsibility for reviewing the overall process of assessing business risks and managing the impact on the Group. The Board retains overall responsibility for the level of risk the Group is willing to take and for allocating sufficient resource to the management of business risk. The risk management process is detailed on page 36.

The Group operates its system of internal control by using the following key elements:

- Regular review meetings of various groups, including business functions, senior management, sub-committees and the Board, to discuss key issues
- A detailed business planning process, combining top-down and bottom-up approaches, with outputs reviewed by the Directors
- A system of financial controls, including preventative controls and a review process
- Ongoing dialogue with Directors, including financial reports and trading updates

The Committee, on behalf of the Board, has reviewed the effectiveness of the internal control systems and risk management processes in place during the year, taking account of any material developments since the year end.

Having conducted the Group-wide rollout of the Luceco Finance Manual and established an Internal Control Questionnaire ("ICQ") framework, the Board took the decision to test the controls at our manufacturing operation in China. This next step was a logical progression given the opportunities for improvement identified in China in 2018 and with the appointment of a new senior management team towards the end of 2019. As noted above, the Board has been able to take external assurance from the work undertaken by PwC during October 2020 as detailed in their presentation to the Audit Committee in November 2020.

The Audit Committee has agreed a programme for ICQ improvement and evidence-based reviews for 2021 with the use of external and internal resource, subject to COVID-19 travel restrictions, for other overseas operations.

Although the Committee has made less progress than had been planned because of the issues associated with COVID-19, the work in China and the continued improvement and investment in the Group's systems, specifically with the Hyperion finance consolidation, further develops a strong control platform. Further progress is planned in 2021 and includes the rollout of a revised Luceco Finance Manual and the Code of Conduct translated into local languages for the overseas operations.

Review of half and full-year financial results

The Board is ultimately responsible for reviewing and approving the Annual Report and Financial Statements and the half-yearly reports.

Throughout the year the Committee has ensured that the impact of COVID-19 has been fairly treated and adequately explained in the Group's published financial statements. The Committee has been involved in a number of related matters, including: negotiating the new HSBC revolving credit facility; repayment of CJRS monies to the UK Government; reinstatement of the dividend; port congestion following Brexit; unfilled demand and increased shipping costs in late 2020. During 2021 the Committee will further review the Group's use of alternative performance measures, which are included alongside IFRS measures to provide the users of the financial statements with a better-informed view of the Group's performance.

At the Board's request, the Committee has reviewed the Annual Report and Financial Statements and is satisfied that the information contained therein is fair, balanced and understandable and provides shareholders with the necessary information to assess the Group's position and performance, business model and strategy.

Principal risks and uncertainties

The Committee has considered the impact of coronavirus, Brexit and increases in cyber and IT risks as part of the ongoing assessment of the business's principal risks and uncertainties. It should be noted that as part of their risk assessment in November 2020 the capitalisation of development costs, the going concern statement in respect of COVID-19 and stock provisions were no longer deemed to be significant audit risks by KPMG.

The principal risks and uncertainties of the Group and their mitigation are included on pages 37 to 41. The crystallisation of these risks has been considered in the Viability Statement on pages 42 to 44 and going concern assessment on page 107.

Audit Committee Report continued

External auditor

KPMG LLP has been the Group's auditor since 2014 and Michael Froom has been the senior statutory auditor since 2018. The Committee intends to comply fully with the FRC Guidance on Audit Committees and carry out an audit tender every ten years and mandatory rotation at least every 20 years.

The Committee regularly considers the independence and objectivity of the auditor, taking into consideration relevant UK professional and regulatory requirements.

The Committee reviews an annual statement from the auditor detailing its independence policies and safeguards and confirming its independence, also taking into account the Group's External Auditor Independence Policy, which incorporates the Group's non-audit services policy and relevant ethical guidance regarding the provision of non-audit services by the external auditor.

The Committee has considered and approved the terms of engagement and fees of the external auditor for the year ended 31 December 2020. Audit fees payable by the Group to KPMG LLP in 2020 totalled £0.5m (2019: £0.5m). There were no contingent fee arrangements.
The Committee reviewed the level of non-audit services and fees provided by KPMG LLP; in respect of the year ended 31 December 2020, these were £0.1m (2019: £0.1m) and related to the 2020 Interim Review. The Committee determined that KPMG LLP were best placed to undertake this work in view of their deep knowledge of the Group's global operations.
The ratio of non-audit fees to audit fees for the year was nil:1.
The Committee has agreed that this does not pose a threat to the auditor's independence, taking into account the absolute level of fees incurred by the Company in relation to KPMG LLP's revenues as a whole.

The Committee oversees the Group's relationship with its external auditor and makes recommendations to the Board concerning the appointment, re-appointment and remuneration of the auditor. The Committee reviewed the effectiveness and quality of the external audit process by reviewing the audit plan and monitoring changes in response to the new issues and changing circumstances and receiving reports on the results of the audit work performed.

Internal audit

During the year, the Group did not have an internal audit function as it had been agreed that the Group's size and activities were such that internal assurance was achievable through other means. In addition to reports from and discussions with management, further assurance was provided during the year as described above under "Internal controls". The Committee considered, as it does annually, whether the Group had a need for an internal audit function.
The Committee concluded that regular management reports and discussions, augmented by additional external and internal reviews, such as those undertaken during the year, as and when required, were an appropriate means of obtaining assurance as to the effectiveness of the Group's internal controls, given the size and complexity of the Group, and that a permanent internal audit function was therefore not required.

Annual evaluation of the Audit Committee

As part of the Evaluation of Board Effectiveness conducted during 2020, the Committee undertook an evaluation of its own effectiveness and concluded that it was operating effectively. The Board has satisfied itself that Caroline Brown, Will Hoy and Tim Surridge have recent and relevant financial experience and that the Committee as a whole has competence relevant to the sectors in which the Company operates.

Priorities for 2021

During the forthcoming year, the Committee will continue to support and challenge management through the evolution of the Group's internal controls framework, particularly in view of additional requirements expected from the introduction of UK SOX. The Committee will also consider how to bring increased rigour to the review of the Company's risks and risk appetite. Finally, the Committee will bring increased focus to the risks associated with climate change and the impact of such risks on the financial statements through the reporting requirements of the Task Force on Climate-related Financial Disclosures ("TCFD").

CAROLINE BROWN
Audit Committee Chair
23 March 2021

Remuneration Committee Report

Chair: Tim Surridge
Other members: Caroline Brown
John Barton (to 4 June 2020)
Will Hoy (served as an interim member from 4 June 2020 to 1 September 2020)
Pim Vervaat (from 1 September 2020)

> Our continued focus on improving operational performance has resulted in sustained profit growth and cash flow improvement across the Group despite market challenges and continued economic uncertainty
>
> **TIM SURRIDGE**
> Remuneration Committee Chair

Dear Shareholder,

On behalf of the Board, I am pleased to present the Remuneration Committee's report on remuneration for the year ended 31 December 2020.

The coronavirus pandemic has created a challenging year for all of our stakeholders. The Board and Remuneration Committee had to make difficult decisions at the beginning of the year when the UK went into national lockdown and the Group's revenue and profitability were adversely impacted. Considering the uncertainty that the COVID-19 outbreak presented, Luceco colleagues and all Board members agreed to accept a temporary 25% reduction in salary that was applied with effect from 1 April 2020 and it was agreed at the time that it was appropriate and fair to suspend bonuses in respect of 2020 for Executive Directors and senior management in line with the wider workforce.

The Remuneration Committee also considered the adverse impact of the coronavirus pandemic on the Group's share price and decided to defer the granting of Performance Share Plan awards to avoid the potential unintended consequence of excessive gains being made at vesting as a result of the share price being depressed at the time of grant.

The Group's subsequent financial performance enabled salaries and fees to revert to their normal levels from 1 May 2020 and the salary reduction was repaid in July 2020 to all employees that had been affected, including to the Board. The payment of bonuses was also later reinstated, with the Directors always being treated in alignment with the wider workforce.

Demand for the Group's products reduced significantly at the start of the first coronavirus lockdowns in the UK and overseas. Senior management mitigated the financial impact of this by reducing costs and preserving cash. Overheads were reduced by placing a number of colleagues into the UK Government's Coronavirus Job Retention Scheme ("CJRS") until demand improved.

Furloughed colleagues did not work but received full pay, with amounts not funded by the CJRS topped-up by the Group. All furloughed colleagues subsequently returned to their roles in the second half of the financial year as demand recovered.

The Group's financial performance strengthened throughout the second half of the financial year. The Remuneration Committee, and subsequently the Board, considered repaying the CJRS income, received from the UK Government, given:

(i) the importance of acting in a fair and balanced manner with regard the Group's shareholders, employees, Executive Directors, as well as the government and wider society

(ii) the Group's desire to maintain a reputation for high standards of business conduct

I can report that the CJRS funds received by Luceco were repaid in full in January 2021 and this was provided for in the 2020 financial statements.

Remuneration Committee Report continued

Approach to remuneration for 2021

Executive Directors' remuneration arrangements for 2021 will be largely unchanged from prior years. Salaries have been increased by 2.5% from 1 January 2021 in line with the increases received for the wider workforce. The CEO's salary is therefore £369,500 and the CFO's salary is £316,750.

The maximum annual bonus opportunity will continue to be 100% of salary. Bonuses will be based 30% on Adjusted Profit Before Tax, 50% on Adjusted Free Cash Flow and 20% on individual strategic objectives, including measures linked to our ESG strategy.

PSP awards will continue to be 100% of base salary. Vesting will be determined based 50% on TSR performance compared to the FTSE SmallCap index and 50% based on Adjusted EPS performance for the financial year ended 31 December 2023. Further detail is given below on the targets set for each component.

Remuneration paid for 2020

Luceco has performed strongly during 2020. Our continued focus on improving operational performance has resulted in sustained profit growth and cash flow improvement across the Group despite market challenges and continued economic uncertainty.

The annual bonus targets for 2020 were set before the pandemic and were based on Adjusted Profit Before Tax, Adjusted Free Cash Flow and strategic objectives Performance against financial targets significantly exceeded the maximum targets set.

Strategic performance

- **Adjusted Profit After Tax £24.0m** (2019: £12.1m)
- **EPS 3-year CAGR 33.6%** (2019: 10.0%)
- **Adjusted Free Cash Flow £22.7m** (2019: £18.9m)

Adjusted Profit After Tax performance was £24.0m, and Adjusted Free Cash Flow was £22.7m. Both results exceeded the maximum target set. The CEO and CFO both delivered excellent performance against their individual strategic objectives (further details are set out on pages 83 and 84). The Committee therefore determined that it was appropriate to pay an annual bonus of 90% of maximum.

The CFO was granted PSP awards in July and November 2018. These awards were based 50% on adjusted EPS performance for the year ended 31 December 2020 and 50% on TSR performance over a three-year period from the date of grant. The Adjusted EPS targets have been met in full. TSR performance will be assessed to the third anniversary of the date of award and we will confirm performance in next year's report. TSR performance is currently tracking such that this portion of the award would vest in full. The CEO was also granted a PSP award in July 2018 but due to the performance of the business, at that time, he surrendered this award in November 2018.

The Committee believes that the incentive outcomes are a fair reflection of our one-year and three-year performance and therefore the Committee has not exercised discretion in relation to incentive outcomes during the year. We pride ourselves in our enabling culture, which means that we reward achievement, a key pillar in our Remuneration Policy and this supports our decision not to exercise any downward discretion.

Due to the market volatility following the COVID-19 outbreak the Committee decided to delay the grant of PSP awards and the setting of EPS targets until there was more certainty regarding future performance expectations. 2020 PSP awards were subsequently granted on 14 July 2020 with the vesting of awards based 50% on TSR performance vs. FTSE Small Cap over the three-year period from the date of award and 50% against Adjusted EPS performance for the financial year ending 31 December 2022. 25% of the Adjusted EPS portion will vest for an Adjusted EPS of 10p for FY22 with maximum vesting for an EPS of 13p.

Engagement with the wider workforce

As noted in the Corporate Governance Report, I am the designated Non-Executive Director for workforce engagement. During the year, I held ten virtual one-to-one sessions with employees from across the business, representing a variety of functions and geographical locations. The feedback from these sessions was overwhelmingly positive, with favourable comments regarding the Group's response to the pandemic, inter-team interaction and workplace culture.

In addition, we undertook an Employee Opinion Survey. The results were compared to the 2019 survey and the Board reviewed the findings and the associated action plans for implementation in 2021. Further detail can be read in the Environment, Social and Governance section on page 53. How the executives' remuneration aligns with the wider Company policy is considered under the "Annual percentage change in remuneration of Directors and employees" section on page 87.

Board changes

John Barton stepped down from the Board on 4 June 2020 and Pim Vervaat was appointed to the Board on 1 September 2020 as a Non-Executive Director.

I look forward to receiving your support for our Annual Remuneration Report at the AGM.

TIM SURRIDGE
Remuneration Committee Chair

23 March 2021

Annual Remuneration Report

The Directors' Remuneration Report that follows has been prepared in accordance with the provisions of the 2018 UK Corporate Governance Code ("Code"), the Listing Rules, the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 and the Companies Act 2006.

Remuneration "at a glance"

How our policy was implemented in 2020

Key component	Summary	How we implemented in 2020	
		John Hornby – CEO	**Matt Webb – CFO**
Base salary	3% base salary increase awarded in the year, in line with increases received by the wider workforce. Executives agreed to a temporary 25% reduction in salary from 1 April 2020 in response to the uncertainty following the COVID-19 outbreak. Full pay was reinstated in May and the 25% reduction repaid in July in line with the workforce that were similarly impacted.	£360,500	£309,000
Pension	The CEO does not receive a pension allowance. The CFO received a pension allowance of 5% of salary, in line with the wider UK workforce.	N/A	£15,450
Benefits	Benefits included car allowance/company car, mobile phone, life insurance and private medical insurance.	£28,821	£10,992
Annual bonus	Maximum opportunity of 100% of salary in 2020. Performance measures for the 2020 annual bonus were as follows: • 30% Adjusted Profit After Tax • 50% Adjusted Free Cash Flow • 20% individual strategic objectives	Outturn as a percentage of maximum: 90% £324,450	Outturn as a percentage of maximum: 90% £278,100
PSP	Awards of 50% of salary and 150% of salary were made to the CEO and CFO respectively in 2018. The CEO subsequently surrendered his award in November 2018. Performance measures for the 2018 award were as follows: • 50% TSR relative to the FTSE SmallCap, excluding investment trusts, over three years from the date of grant • 50% Adjusted EPS for the year ended 31 December 2020	Percentage of award vesting: N/A (award surrendered) £n/a	Percentage of award vesting: the Adjusted EPS target has been met in full. The TSR performance will be assessed to the third anniversary of the date of the awards and we will confirm performance in next year's report. TSR performance is currently tracking such that this portion of the award would vest in full. £2,743,931
Shareholding requirements	200% of salary	22,142%	176%

Remuneration Committee Report continued

Alignment of our policy with the UK Corporate Governance Code

The Committee considers that the current Remuneration Policy and its implementation appropriately addresses the following principles, as set out in the UK Corporate Governance Code.

Principle	How the Committee has addressed this
Clarity	The Committee is committed to providing open and transparent disclosures with regard to executive remuneration arrangements. As part of the review of the Remuneration Policy undertaken in 2019, we consulted with shareholders in order to allow their feedback to be considered by the Committee. In addition, Tim Surridge acts as the designated Non-Executive Director for workforce engagement and actively engages with employees on a range of issues as part of this role.
Simplicity	In determining the remuneration framework, the Committee was mindful of avoiding complexity and ensuring that arrangements are easy to understand. Our remuneration arrangements are simple in nature, comprising three main elements – fixed pay (comprising of base salary, pension and benefits), variable short-term incentives (annual bonus), and variable long-term incentives (PSP awards). This framework is well understood by both participants and shareholders.
Risk	The Committee believes that the structure of remuneration arrangements does not encourage excessive risk taking. The remuneration framework has a number of features which align remuneration outcomes with risk, including a two-year post-vesting holding period applied to any PSP awards granted from 2020 onwards, and personal shareholding guidelines applying both in-employment and post-employment. In addition, malus and clawback provisions apply to both the annual bonus and PSP awards.
Predictability	The Remuneration Policy outlines the threshold, target and maximum levels of pay that Executive Directors can earn in any given year over the three-year life of the approved Remuneration Policy. Actual incentive outcomes vary depending upon the level of performance against various measures, with performance against targets normally disclosed in the Annual Report on Remuneration each year.
Proportionality	The Committee is satisfied that the Remuneration Policy does not reward poor performance. Payment of the annual bonus and PSP is subject to the achievement of stretching performance targets, which are clearly linked to the Group's strategy. Both the Committee and Executive Directors are cognisant of the pay and conditions for the wider workforce, and this is taken into account when considering executive remuneration. This was demonstrated by the whole Board volunteering a temporary 25% reduction in base salary from 1 April to 30 June 2020 in light of the impact of COVID-19. Additionally, the Committee retains the discretion to adjust formulaic outcomes under the annual bonus and/or PSP should it consider that the outcome is not aligned to the underlying performance of the Company or individual.
Alignment to culture	The performance measures that are used for the annual bonus and PSP are clearly linked to delivery of the Group's KPIs. In addition, 20% of the annual bonus is based on achievement against non-financial strategic targets, which ensures both financial and non-financial strategic goals are considered.

Summary of Remuneration Policy and implementation for 2021

The Remuneration Policy for Directors ("Policy") was put to shareholders for approval at the AGM on 4 June 2020 and applies to payments made from this date. The following provides a summary of the Policy along with details of how the Policy will be implemented during 2021. For full details of the Policy approved by shareholders, please refer to the 2019 Annual Report and Accounts which can be found at **www.luceco.com/results-centre/annual-reports**.

Base salary	Maximum opportunity	Performance measures	Implementation in 2021
Normally reviewed annually. Any salary increases are normally effective from 1 January.	No maximum but increases will normally be in line with the typical increases awarded to other employees in the Group other than in certain circumstances.	n/a	Base salaries were increased by 2.5% in line with the increase received throughout the wider workforce. The CEO's salary is therefore £369,500 and the CFO's salary is £316,750.

Pension	Maximum opportunity	Performance measures	Implementation in 2021
Executives generally receive a defined pension contribution or cash allowance in lieu of a pension.	Maximum contribution/ allowance is 5% of salary.	n/a	The CEO does not receive a pension allowance. The CFO will receive a pension allowance of 5% of salary, in line with the contribution offered to the wider UK workforce.

Benefits	Maximum opportunity	Performance measures	Implementation in 2021
Benefits currently include: a company car or car allowance (£9,000 p.a.), mobile phone, life insurance and private medical insurance. Executive Directors may also participate in all-employee share plans on the same basis as other employees.	No maximum level of benefit.	n/a	No change.

Annual bonus	Maximum opportunity	Performance measures	Implementation in 2021
Normally paid in cash following the year end. Where an Executive has not met the shareholding guideline they will normally be expected to invest 50% of their post-tax annual bonus into Company shares. The Committee may adjust the bonus award, if it does not consider that it reflects the underlying performance of the Group. Malus and clawback provisions apply.	Maximum 100% of base salary. 50% of the bonus pays out for on-target performance.	The Committee determines performance measures for the bonus each year. No less than 70% of the annual bonus will be based on financial measures. Bonus targets are commercially sensitive and therefore have not been disclosed. It is intended that targets will be disclosed in full in the 2021 Directors' Remuneration Report.	Award of 100% of salary. For 2021, performance measures are as follows: • 30% on Adjusted Profit After Tax • 50% on Adjusted Free Cash Flow • 20% on individual strategic objectives The Committee believes the balance of these measures incentivises executives to continue to grow the business and improve profit performance, to focus on operational efficiencies and the generation of cash to fund growth, and to achieve specific operational and strategic objectives.

Remuneration Committee Report continued

Summary of Remuneration Policy and implementation for 2021 continued

PSP	Maximum opportunity	Performance measures	Implementation in 2021
Awards of conditional shares or nil-cost options, based on performance over a three-year period. Awards may also be granted in conjunction with a tax-advantaged Company Share Option Plan ("CSOP") up to the HMRC limits (currently £30,000) as an "Approved PSP Award". The vesting of an Approved PSP Award will be scaled back to take account of any gain made on exercise of the associated CSOP option. An Approved PSP Award will enable the Executive Director and the Company to benefit from tax-advantaged treatment on part of their PSP award without increasing the pre-tax value delivered to the Executive Director or cost to the Company. Awards granted from 2020 onwards are subject to a two-year post-vesting holding period. The Committee has the discretion to adjust PSP vesting levels, if it does not consider that it reflects the underlying performance of the Group. Malus and clawback provisions apply.	Maximum annual award of 150% of base salary. Currently intended that awards will not exceed 100% of base salary. 25% of the award vests for threshold performance.	Awards are subject to performance measures determined by the Committee.	Award of 100% of salary. For 2021, award performance measures are as follows: • 50% based on total shareholder return ("TSR") relative to the FTSE SmallCap index excluding investment trusts. 25% of this portion vests for median TSR with 100% vesting for upper quartile TSR • 50% based on the compound annual growth rate ("CAGR") of Adjusted Earnings Per Share ("EPS") in the three-year period ended 31 December 2023. 25% of this portion vests if the CAGR in this period is 5% and 100% vests if the CAGR is 15% The Committee believes these measures incentivise executives to achieve excellent profit growth while generating above-market returns for shareholders compared to our peers.

Share ownership guidelines	Maximum opportunity	Performance measures	Implementation in 2021
Executives are expected to build and maintain a shareholding of at least 200% of base salary. Executives are expected to retain 50% of any shares that vest under any share incentive plans until this shareholding is reached. Following stepping down from the Board, Executives are expected to maintain a shareholding of 200% of salary for the first 12 months, and 100% of salary for the subsequent 12 months.	n/a	n/a	No change

The Company also has a Company Share Option Plan in place. It is not intended that awards will be made to Executive Directors under this plan during the life of the Policy.

Malus and clawback provisions

Annual bonus payments may be clawed back for a period of three years from the date of payment. Malus and clawback provisions apply under the PSP and CSOP from award to the fifth anniversary of the grant date. The circumstances in which malus/clawback may apply are a material misstatement of financial results, an error in assessing performance or in the information/assumptions used, a material failure of risk management, serious reputational damage, serious misconduct by the participant, or any other similar circumstances.

Executive Directors' service contracts

The service contract of John Hornby is dated 14 October 2016. Matt Webb's service contract is dated 19 February 2018. These are rolling service contracts with no fixed expiry date. The service contract of the CEO is terminable on nine months' written notice by either party. The service contract of the CFO is terminable on six months' written notice by either party.

External appointments

Executive Directors are permitted to hold Non-Executive Director positions in other companies where it is considered appropriate and subject to approval by the Board. Disclosure of any such earnings is required to be made to the Board, to shareholders and in the Annual Report and Financial Statements. For the year ended 31 December 2020, neither Executive Director held any external directorship during the year.

Non-Executive Directors

Element	Overview of implementation for 2021	Changes from 2020
Fees	Non-Executive Director fees were increased by 2.5% from 1 January 2021. Fees are as follows: Chairman – £102,500 Non-Executive Director base fee – £42,250 SID, Audit and Remuneration Committee Chair fee – £10,500	At IPO the fee for the Company Chair role was set at £50,000. This was significantly lower than the level of Chair fees paid at other main market listed companies of a similar size and complexity. During the year the Committee reviewed the Chair fees and decided to increase the fee to £100,000 per annum, effective from 1 January 2020, to better reflect the time commitment required for the role. This level of fee remains towards the lower end of practice when compared with other similar-sized businesses. The 2.5% fee increase from 1 January 2021 is consistent with the rate of salary increases given to the wider workforce.
Expenses	Reasonable costs in relation to travel and accommodation for business purposes are reimbursed. The Group may meet any tax liabilities that may arise on such expenses.	No changes.

Non-Executive Director terms of appointment

The dates of appointment for the Chairman and Non-Executive Directors are shown in the table below:

Non-Executive Director	Date of appointment
Giles Brand	1 May 2010
Caroline Brown	27 September 2016
Will Hoy	1 September 2019
Tim Surridge	27 September 2016
Pim Vervaat	1 September 2020

The Chairman and Non-Executive Directors serve the Group on the basis of renewable letters of appointment which can be terminated by written notice by either party. The Chairman's appointment is subject to three months' notice and the other Non-Executive Directors are subject to one month's notice. No compensation is awarded on termination. In accordance with the principles of the Code, the Chairman, the Non-Executive Directors and the Executive Directors are subject to voluntary re-election by shareholders. Their appointments may be terminated in the event of them not being re-elected by shareholders or otherwise in accordance with the Articles.

Remuneration Committee Report continued

Implementation of Remuneration Policy during 2020

Single figure of total remuneration (audited)

The table below sets out the single figure of total remuneration received by the Executive and Non-Executive Directors for the years ended 31 December 2020 and 2019.

Director (£'000)	Year	Basic salary/fees	Benefits	Pension	Total fixed	Annual bonus	Long-term incentives	Total variable	Total
John Hornby	**2020**	**361**	**14**	**–**	**375**	**324**	**–[1]**	**324**	**699**
	2019	350	26	–	376	350	–	350	726
Matt Webb	**2020**	**309**	**11**	**16**	**336**	**278**	**2,744[2]**	**3,022**	**3,358**
	2019	300	11	16	327	300	–	300	627
Giles Brand	**2020**	**100**	**–**	**–**	**100**	**–**	**–**	**–**	**100**
	2019	50	–	–	50	–	–	–	50
Caroline Brown[3]	**2020**	**54**	**–**	**–**	**54**	**–**	**–**	**–**	**54**
	2019	50	–	–	50	–	–	–	50
Tim Surridge	**2020**	**52**	**–**	**–**	**52**	**–**	**–**	**–**	**52**
	2019	50	–	–	50	–	–	–	50
Will Hoy[4]	**2020**	**41**	**–**	**–**	**41**	**–**	**–**	**–**	**41**
	2019[3]	13	–	–	13	–	–	–	13
Pim Vervaat[5]	**2020**	**17**	**–**	**–**	**17**	**–**	**–**	**–**	**17**
	2019	–	–	–	–	–	–	–	–
Former Directors									
John Barton[6]	**2020**	**22**	**–**	**–**	**22**	**–**	**–**	**–**	**22**
	2019	50	–	–	50	–	–	–	50

1. In November 2018 John Hornby surrendered the PSP award granted to him on 27 July 2018. His action reflected the Group's performance at that time see page 87.
2. Matt Webb was granted PSP awards on 27 July 2018 (398,230 shares) and 23 November 2018 (729,040 shares). These awards were based 50% on Adjusted EPS performance for the year ended 31 December 2020 and 50% on TSR performance over a three-year period from the date of grant. The Adjusted EPS targets have been met in full. TSR performance will be assessed to the third anniversary of the date of award and we will confirm performance in next year's report. TSR performance is currently tracking such that this portion of the award would vest in full. The value of the award disclosed in the single figure assumes 100% of each award vests and is based on the average share price over the last three months of the financial year ended 31 December 2020 of 237.83p. This amount includes the value of additional shares awarded in respect of dividend equivalents. Between grant and share price used to value the award for single figure purposes, the share price had increased from 37.0p and 39.4p to 237.83p. The proportion of the value disclosed in the single figure attributable to share price growth is c.84%. The Remuneration Committee did not exercise discretion in respect of the share price appreciation.
3. Includes fees payable in respect of Caroline Brown acting as Interim Senior Independent Director from 4 June to 1 September 2020.
4. Will Hoy was appointed to the Board on 1 September 2019 as a Non-Executive Director. Fees shown are from this date.
5. Pim Vervaat was appointed to the Board on 1 September 2020 as a Non-Executive Director. Fees shown are from this date.
6. John Barton stepped down from the Board on 4 June 2020. Fees are shown to this date.

Explaining the single figure

Salary

Executive Directors received a 3% base salary increase with effect from 1 January 2020, in line with the increase awarded to the wider workforce.

Considering the uncertainty following the COVID-19 outbreak, Board members agreed to accept a temporary 25% reduction in salary that was applied to all Luceco colleagues, other than low-paid workers, with effect from 1 April 2020. The Group's subsequent financial performance enabled salaries and fees to revert to their normal levels from 1 May 2020. The salary reduction was repaid to all impacted employees in July.

Benefits

Benefits for the year included private medical insurance, life insurance and a fully expensed car or cash equivalent.

Pension

The CFO received a pension contribution of 5% of base salary during the year. This is in line with the contribution levels available to other employees in the UK. The CEO does not receive a pension contribution from the Group.

Annual bonus

For the year ended 31 December 2020, the maximum annual performance bonus was 100% of base salary. The annual bonus was based on the following measures:

Measure	Rationale	Weighting
Adjusted Profit After Tax	To incentivise executives to continue to grow the business and improve profit performance	30%
Adjusted Free Cash Flow	To continue to focus executives on operational efficiencies and the generation of cash to fund growth	50%
Individual strategic objectives	To incentivise executives to achieve specific operational and strategic business objectives	20%
Total		**100%**

Performance during 2020 against financial targets set was as follows:

Measure	Threshold 0% payout	Target 50% payout	Maximum 100% payout	Achievement for 2020	Percentage of bonus payable
Adjusted Profit After Tax (30% weighting)	£15.1m	£16.8m	£18.5m	£24.0m	100%
Adjusted Free Cash Flow (50% weighting)	£14.0m	£15.5m	£17.0m	£22.7m	100%

Individual strategic objectives

The individual strategic objectives were set at the start of 2020. During the year, management's highest priority was responding to COVID-19, which has inevitably impacted the Executives' delivery of the original objectives. Notwithstanding the success of the response to challenges presented by COVID-19, the Committee considered that the Executive Directors should continue to be assessed against the initial objectives. Performance against these objectives is detailed in the table below.

	Overview of objectives and performance	Committee's assessment of performance
CEO	For 2020 the CEO's objectives were set around reviewing of workforce pay and policies; mergers and acquisition strategy; product development; digital marketing strategy; improve sales force effectiveness; improve customer engagement. The CEO has delivered strong performance against these objectives during the year. He has undertaken a review of the incentives across the organisation to optimise alignment with the Group's long-term objectives and promote talent retention and has developed an M&A pipeline, in line with the Group's strategy. In addition, the CEO has identified and developed new products in the smart device, commercial power and professional LED categories. Given the change in focus as a result of COVID-19, objectives relating to the digital marketing strategy, sales force effectiveness and customer engagement remain in progress.	The Committee judged that overall, the CEO's performance against agreed objectives had been strong and that 50% of this element of the bonus should be paid taking into account the progress achieved but recognising that not all objectives had been delivered in the context of the COVID-19 outbreak.
CFO	For 2020 the CFO's objectives were set around oversight of the Group's China factory, management of IT and delivery of IT enhancements; M&A strategy; enhancement of governance processes and Board reporting. The CFO's performance during the year has been excellent. The Group's China factory has achieved its budgeted profitability even in the challenging circumstances presented by COVID-19. The CFO successfully delivered planned enhancements to the IT infrastructure, including process automation, data analytics, cyber security and disaster recovery. The CFO also continued to develop the M&A function, albeit further progress against this objective was delayed as a result of COVID-19. The CFO also continued to improve governance standards across the Group, including conducting a third-party review in China, and continued to improve performance insight by expanding the Group's management accounts.	The Committee judged that overall, the CFO's performance against agreed objectives had been excellent and that 50% of this element of the bonus should be paid taking into account the progress achieved but recognising that not all objectives had been delivered in the context of the COVID-19 outbreak.

Remuneration Committee Report continued

Individual strategic objectives continued

This performance against targets set therefore resulted in an overall bonus of 90% of maximum.

Bonus payments are therefore as follows:

CEO **£324,450**

CFO **£278,100**

The Committee also considered the underlying financial performance of the Company during 2020, taking into account performance against key financial and strategic performance indicators as well as the experience of shareholders and other stakeholders during the period. In particular, the Committee considered performance in the context of COVID-19, noting that the CJRS funding received from the government at the onset of the pandemic has been repaid in full, following the exceptional performance of the Group and the strong and effective leadership demonstrated by the Executive Directors. The Committee also considered whether there had been a significant negative event (such as an ESG event) which would warrant an adjustment. The Committee concluded the proposed payout outcome of 90% of maximum to be appropriate.

Long-term incentives

The CFO was granted a PSP award of 50% of salary on 27 July 2018. He was also granted an award of 100% of base salary on 23 November 2018.

On 27 November 2018, John Hornby surrendered the 2018 PSP award granted to him on 27 July 2018, and therefore has no entitlement to the PSP award granted in 2018. His decision to surrender the award reflected the Group's performance at that time, see page 87.

2018 PSP awards are subject to EPS growth over the three financial years ending 31 December 2020 and TSR performance over three years from the date of award. EPS growth over the period is 33.6% per annum and therefore this portion of the award will vest in full. The TSR performance periods are not yet completed and we will provide details of final vesting in the 2021 Annual Report. TSR is currently tracking to vest in full.

Measure	Weighting	Threshold	Maximum	Achievement	Percentage of element vesting
Annual compound growth in EPS	50%	10%	25%	33.6%	100%
TSR relative to the FTSE SmallCap excluding investment trusts	50%	Median	Upper quartile	TSR to be measured to 26 July 2021 and 22 November 2021	Currently tracking for full vesting

Therefore, the vesting of awards shall be as follows:

Executive Director	Date of grant	Number of awards granted	Number of shares vesting based on estimated performance	Dividend equivalents (number of shares)	Total number of shares vesting	Total estimated value of award on vesting[1]
Matt Webb	27 July 2018	398,230	398,230	9,344	407,574	£969,347
	23 November 2018	729,040	729,040	17,106	746,146	£1,774,584

1. The value of the vesting awards is based on the average share price over the last three months of the financial year ended 31 December 2020 being £2.3783. The estimated value of the vesting awards has been included within the "single figure of total remuneration" table on page 82.

Overall, the Committee considers that the Remuneration Policy has operated as it intended during 2020 and that the pay outcomes are aligned with the experience of shareholders and other stakeholders.

Payments to former Directors (audited)

There were no payments made to former Directors during the year.

Payments for loss of office (audited)

There were no payments made for loss of office during the year.

Share interests awarded during the year as long-term incentives (audited)

The following awards were granted under the PSP during the year.

Board Directors	Role	Form of award	Date of award	Number of shares awarded[2]	Face value of award[1]	Percentage vesting for achieving minimum performance	Performance period
John Hornby	Chief Executive Officer	Nil cost option over ordinary shares of 0.05p	14 July 2020	329,736	£360,500	25%	See below
Matt Webb	Chief Financial Officer		14 July 2020	282,631	£309,000	25%	See below

1. Calculated based on share price of £1.0933, being the average of the closing price for the three dealing dates preceding the date of award.
2. In addition, John Hornby and Matt Webb have also been awarded a linked tax-qualifying option over 27,440 shares at an exercise price of £1.0933. On exercise, the number of shares under the nil-cost option will be reduced proportionally to take account of any gain on the exercise of the tax-qualifying option such that the PDMR will not receive a greater number of shares than is subject to the nil-cost option.

The awards will vest 50% subject to the Group's Adjusted EPS and 50% subject to TSR performance relative to the FTSE SmallCap excluding investment trusts.

Adjusted EPS performance condition

Adjusted EPS for the year ending 31 December 2022	Extent to which the Adjusted EPS performance condition has been satisfied
13p	100%
Between 10p and 13p	On a straight-line basis between 25% and 100%
10p	25%
Less than 10p	0%

TSR performance condition

Rank of the Group's TSR compared to the comparator group	Extent to which the TSR performance condition has been satisfied
Upper quartile or above	100%
Between median and upper quartile	Pro-rata between 25% and 100% on a ranking basis
Median	25%
Below median	0%

TSR performance will be assessed based on performance over a three-year period from the date of grant of awards. TSR is assessed based on the three-month average at each point.

Shareholding guidelines

The Group encourages its Directors and employees to hold shares in the Group to strengthen their commitment to the organisation in terms of delivering the strategic objectives. Executive Directors are expected to build and maintain a holding of Luceco shares equal to at least 200% of base salary (increased from 100% on 1 January 2020). Executive Directors are expected to retain 50% of any shares that vest under any share incentive plans until this shareholding is reached. Where a Director has not met, or is not on course to meet, their shareholding guideline they will also be expected to invest at least 50% of any post-tax annual bonus earned into Luceco shares.

Remuneration Committee Report continued

Directors' shareholdings and share interests (audited)

The beneficial interests of the Directors in the ordinary shares of the Group are set out below. None of the Directors had any interest in the shares of any subsidiary company.

Executive Directors

Director	**Ordinary shares held at 12 March 2021**	**Ordinary shares held at 31 December 2020**	Ordinary shares held at 31 December 2019	Nil cost options subject to performance measures	Nil cost options not subject to performance measures	Market value options subject to performance measures	Shareholding requirement (% of salary)	Shareholding held at 31 December 2020[1]	Requirement met?
John Hornby	**31,549,975**	**31,549,975**	32,442,494	—	—	—	200%	22,142%	Yes
Matt Webb	**215,078**	**215,078**	215,078	—	—	—	200%	176%	No

1. Shareholding as a percentage of salary.

Shares beneficially held count towards Executive Directors' shareholding guidelines. Any unvested shares or unexercised nil cost options which are not subject to performance conditions may count towards the guideline on a net of tax basis. The value of Executive Directors' shareholding has been calculated using the share price on 31 December 2020 of 253p.

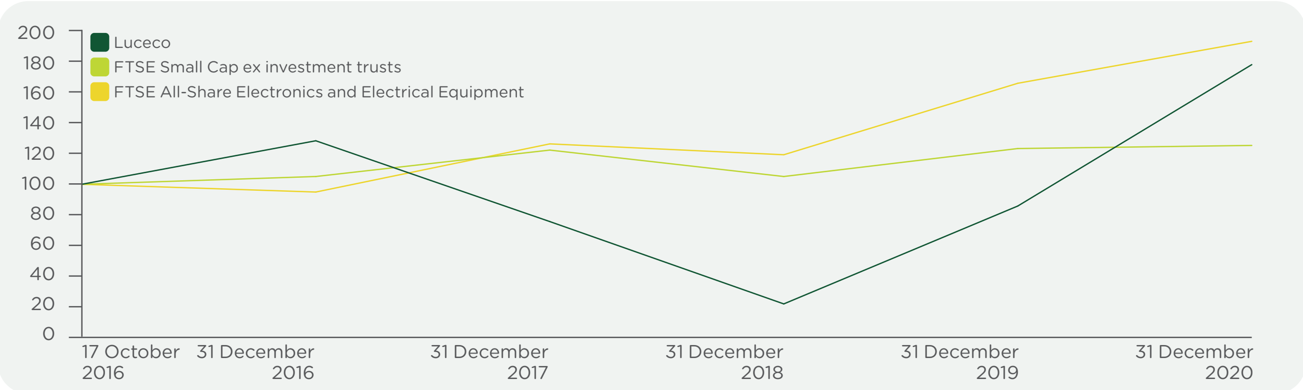
Non-Executive Directors

	Ordinary shares held at 12 March 2021	**Ordinary shares held at 31 December 2020**	Ordinary shares held at 31 December 2019
Giles Brand[1]	**9,466,919**	**9,466,919**	9,466,919
Caroline Brown	**—**	**—**	—
Tim Surridge	**69,231**	**69,231**	69,231
Will Hoy	**45,000**	**45,000**	45,000
Pim Vervaat[2]	**—**	**—**	—

1. Giles Brand is Managing Partner of EPIC Investments LLP, which owns 44,064,372 (2019: 44,064,372) shares in the Group.
2. Pim Vervaat was appointed to the Board on 1 September 2020.

Review of past performance

The graph below shows the historical TSR of the Group and the FTSE SmallCap Index exclusive of investment trusts and the FTSE All-Share Electronics and Electrical Equipment Index for the period from IPO on 17 October 2016 to 31 December 2020. The Group has chosen these indices to reflect its size and the key sector within which it operates.



Performance graph and table

The table below shows the CEO's "single figure" remuneration for the nine years ended 31 December 2020. John Hornby was CEO for the full period.

£'000	2012	2013	2014	2015	2016	2017	2018	2019	**2020**
Total remuneration	213	219	251	314	337	365	504	726	**663**
Annual bonus (% of max)					nil	nil	50%	100%	**90%**
LTIP vesting[1] (% of max)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	0%	**n/a[2]**

1. No LTIPs were in place during the reporting periods 2012 to 2016. The first LTIP awards post-IPO were granted in 2017, vesting based on performance to 31 December 2019.
2. On 27 November 2018, John Hornby surrendered the 2018 PSP award granted to him on 27 July 2018. 2018 PSP awards granted to the CFO are expected to vest at 100% of maximum.

The CEO received a reduced remuneration package during the period 2012 to 2014, reflective of the financial position of the Group, having undertaken extensive investment in its Chinese manufacturing operation and LED Lighting operation. His salary changed in 2015 and 2016 to better reflect the market rate of remuneration of a CEO in a similarly sized operation. With effect from 1 January 2018, the CEO accepted a temporary reduction in salary in response to the Group's performance at that time. With effect from 1 January 2019, the CEO's salary reverted to £350,000. Considering the uncertainty following the COVID-19 outbreak, all Board members accepted a temporary 25% reduction in salary or fees from 1 April 2020. The Group's performance having been better than forecast, the salaries were reinstated in May and back-pay for the April reduction paid in July.

Annual percentage change in remuneration of Directors and employees

The following table sets out the change in remuneration paid to the Directors who served on the Board from 2019 to 2020 compared with the average percentage change for UK-based employees. The Committee considers this the most meaningful comparison as the Group does not have a harmonised salary and benefits structure across its global operations. Furthermore, the majority of its overseas employees are based in Asia, where the pay structure is significantly different to that of the Executive Directors, which does not facilitate a like-for-like comparison.

	Year-on-year change in pay for Directors compared with UK employees								
	Executive Directors		Non-Executive Directors						
2020	John Hornby	Matt Webb	Giles Brand[4]	Caroline Brown	Tim Surridge	Will Hoy[1]	Pim Vervaat[2]	John Barton[3]	UK employees
Base salary/fees	3.0%	3.0%	100%	3.0%	3.0%	21.7%	n/a	(55.5)%	3.0%
Benefits	(44.3)%	—	—	—	—	—	—	—	—
Bonus	(7.3)%	(7.3)%	—	—	—	—	—	—	(1.5)%

1. Will Hoy was appointed to the Board on 1 September 2019; from 1 January 2020 his annual salary had increased by 3%.
2. Pim Vervaat was appointed to the Board on 1 September 2020.
3. John Barton stepped down from the Board on 4 June 2020; from 1 January 2020 his annual salary had increased by 3%.
4. At IPO the fee for the Company Chair role was set at £50,000. This was significantly lower than the level of Chair fees paid at other main market listed companies of a similar size and complexity. During the year the Committee reviewed the Chair fees and decided to increase the fee to £100,000 per annum, effective from 1 January 2020, to better reflect the time commitment required for the role. This level of fee remains towards the lower end of practice when compared with other similar-sized businesses

The main benefits provided include a company car or cash equivalent, medical cover and life assurance. There has been no change in the level of benefits provided to Group employees. The increase in John Hornby's benefits relates to the full-year impact of a second company car.

Remuneration Committee Report continued

Relative importance of spend on pay

The table below shows the total amount paid by the Group to its employees and distributions to shareholders for 2020 and 2019.

£m	**31 December 2020**	31 December 2019	% change
Overall spend on pay for employees including Executive Directors[1]	**36.0**	33.0	9.1%
Distributions to shareholders	**4.9**	1.9	157.1%

1. Figures are taken from note 4 of the consolidated financial statements.

CEO pay ratio

For the year ended 31 December 2020, the Chief Executive's total remuneration as a ratio against the full-time equivalent remuneration of UK employees is detailed in the table below:

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2020	**Option B**	**30 : 1**	**21 : 1**	**11 : 1**
2019	Option B	30 : 1	22 : 1	15 : 1

Year		25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2020	**Salary**	**£19,764**	**£29,000**	**£50,000**
	Total Pay	**£22,240**	**£31,900**	**£62,216**
2019	Salary	£21,000	£28,080	£37,925
	Total Pay	£24,150	£32,292	£49,302

The ratios have been calculated using Option B, as defined under the relevant regulations, as it is considered to be the most appropriate methodology for Luceco based on the availability of data at the time the Annual Report was published. This utilises data analysed within our Gender Pay Gap report, with employees at the three quartiles identified from this analysis based on the 2019-20 snap-shot date. Their respective single figure values for 2020 have then been calculated. No estimates were required, and no elements of pay were omitted in calculating the relevant single figures.

The single figure values for individuals immediately above and below the identified employee at each quartile within the Gender Pay Gap analysis were also reviewed. It was determined that the chosen individuals were representative of the 25th percentile, median and 75th percentile employees and therefore no adjustments were necessary.

The CEO pay ratio has been rounded to the nearest whole number and is relatively unchanged from 2019. The Board has confirmed that the ratio is consistent with the Company's wider policies on employee pay, reward and progression.

Role of the Committee

The Committee assists the Board in determining its responsibilities in relation to the following aspects of remuneration:

- Setting the principles, parameters and governance framework to provide a transparent Remuneration Policy that aligns with the long-term strategy of the business
- Determining the individual remuneration and benefits package of each of the Executive Directors and the Company Secretary, considering the interests of relevant stakeholders
- Monitoring the level and structure of remuneration of senior management in conjunction with the Executive Directors
- Reviewing the implementation and operation of any Group share option schemes, bonus schemes and long-term incentive plans

The Committee is chaired by Tim Surridge. John Barton (until 4 June, at which point he stepped down from the Board), Pim Vervaat (from 1 September 2020) and Caroline Brown were also members of the Committee. Will Hoy served as an interim member of the Remuneration Committee from 4 June to 1 September. There have been four meetings of the Committee during the year. The Committee has met twice since the year end and the date of issuing the Annual Report and Financial Statements to consider the Remuneration Policy and its implementation for 2021 and to agree performance targets for 2021.

The Group Chairman is invited to attend meetings. In addition, the CEO, the CFO and the HR Manager may attend meetings from time to time at the invitation of the Committee and provide information and support as requested. Directors are not present when their own remuneration is being discussed.

During the remainder of 2021, the Committee is scheduled to meet at least twice and the areas that the Committee intends to focus attention on are as follows:

- The implementation of the Remuneration Policy for 2021 as outlined in this report
- Determining reward outcomes for 2021
- Review of remuneration trends and governance developments

Remuneration Committee advisers

During the year to 31 December 2020, the Committee engaged the services of external advisers Deloitte LLP ("Deloitte").

Deloitte is a founding member of the Remuneration Consultants Group and adheres to its Code in relation to executive remuneration consulting in the UK. The Committee is satisfied that the Deloitte engagement team, which provide remuneration advice to the Committee, do not have connections with Luceco plc or its Directors that may impair their independence. The Committee reviewed the potential for conflicts of interest and judged that there were appropriate safeguards against such conflicts.

Deloitte's fees are charged on a time and materials basis. During the year, Deloitte was paid £40,674 for advice provided to the Committee. Deloitte did not provide any additional services to the Group during the year.

Shareholder voting

Shareholder voting in relation to the resolution to approve the Directors' Remuneration Report (June 2020 AGM) and to approve the Remuneration Policy (June 2020 AGM) are as follows:

	Votes for	% for	Votes against	% against	Votes withheld
To approve the Directors' Remuneration Report	123,364,708	99.99%	15,666	0.01%	426,404
To approve the Remuneration Policy	113,292,183	91.51%	10,509,986	8.49%	4,609

TIM SURRIDGE

Remuneration Committee Chair

23 March 2021

Other Statutory Disclosures

This report contains the additional information the Directors are required to include in the Annual Report and Financial Statements in accordance with the Companies Act 2006 and the Listing Rules.

Disclosures required under Listing Rule 9.8.4R

The information required to be disclosed under Listing Rule 9.8.4R, where applicable to the Group, can be found in the Annual Report and Financial Statements at the references provided below:

Listing Rule requirement	Annual Report location
Interest capitalised	Not applicable
Publication of unaudited financial information	Not applicable
Details of long-term incentive schemes	Page 84
Waiver of emoluments by a Director	Not applicable
Waiver of future emoluments by a Director	Not applicable
Non-pre-emptive issues of equity for cash	Not applicable
Non-pre-emptive issues of equity for cash by a major subsidiary	Not applicable
Parent participation in a placing by a listed subsidiary	Not applicable
Contracts of significance	Not applicable
Provision of services by a controlling shareholder	Page 93
Dividend waivers	Page 93
Agreements with controlling shareholders	Page 93

Results and dividends

The Group's profit for the year ended 31 December 2020 was £27.9m (2019: £13.1m); details are shown in the Consolidated Income Statement on page 103. The Directors recommend the payment of a final dividend of 4.7p per ordinary share which, subject to the approval of shareholders at the AGM on 13 May 2021, will be paid on 28 May 2021 to ordinary shareholders registered as members of the Company at the close of business on 23 April 2021. The final date for elections under the Company's dividend reinvestment plan will be 7 May 2021. An interim and additional dividend of 1.5p and 1.7p per share respectively was paid during the year.

The Company's dividend policy is to pay out between 40% and 60% of Adjusted Earnings Per Share.

Directors

The Directors who held office during the year were:

- John Hornby
- Matt Webb
- Giles Brand
- John Barton (resigned 4 June 2020)
- Caroline Brown
- Will Hoy
- Tim Surridge
- Pim Vervaat (appointed 1 September 2020)

Biographical details of the Directors appear on pages 60 and 61. Information on the Directors' remuneration, employee share schemes and service contracts is given in the Remuneration Committee Report on pages 75 to 89.

Appointment and replacement of Directors

The rules about the appointment and replacement of Directors are contained in the Company's Articles. They provide that the Directors may be appointed by ordinary resolution of the shareholders or by the Board. Directors appointed by the Board may only hold office until the next AGM of the Group and then shall be eligible for election. The Group may remove a Director by ordinary resolution where special notice has been given and the necessary statutory procedures are complied with. In line with best practice corporate governance, all Directors will seek re-election at the AGM on 13 May 2021.

Powers of Directors

The general powers of the Directors are set out in Article 22 of the Company's constitution. This Article provides that the business of the Group shall be managed by the Board, which may exercise all the powers of the Group, subject to any limitations imposed by applicable legislation, the Articles and any directions given by special resolution of the shareholders of the Group.

Compensation for loss of office

The Company does not have arrangements with any Director that would provide compensation for loss of office or employment resulting from a takeover.

Future developments

In accordance with s414C(11) of the Companies Act 2006, the Group has disclosed future developments within its Strategic Report in pages 01 to 57.

Corporate governance

A report on corporate governance and the Company's compliance with the UK Corporate Governance Code is set out on page 59 and forms part of this report by reference.

Post balance sheet events

There were no post balance sheet events.

Research and development

The Directors consider that investment in R&D is critical to enable the Group to maintain its competitive advantage and continue to grow its market share. The Group has a substantial specialist R&D function in China which works alongside the UK R&D team. R&D expenditure in the year was £3.3m (2019: £4.0m), of which £1.1m (2019: £1.6m) was capitalised and amortised.

Asset values

Property, plant and equipment is disclosed in note 9 of the consolidated financial statements on pages 119 to 122. The Directors do not believe there is any material difference between the carrying value and market value.

Financial instruments

An analysis of the Group's financial instruments, risk management objectives and its exposure to credit and liquidity risk are disclosed in note 19 of the consolidated financial statements.

The Group's exposure to fluctuations in foreign exchange rates and the steps it takes to mitigate them are detailed in the principal risks and uncertainties on pages 36 to 41, and the Chief Financial Officer's Review on pages 28 to 35.

Global operations

The Group's executive head office, accounting, domestic sales and support functions are based in the UK. The Group has three UK sites in London, Telford and Mansfield. The Group's London facility serves as the Group's head office, with the executive function and certain sales and support functions based there. The Mansfield location is the primary base for Kingfisher Lighting. The Telford facility serves as the UK assembly and distribution centre, accounting and support functions, and houses the remainder of the Group's UK sales, as well as a portion of the Group's R&D function.

The Group's manufacturing and product development functions are based in Jiaxing, China. The Group also has sales offices with some support functions in Germany, Spain, Dubai, Mexico, Ireland and South Africa.

Political donations

No political donations were made and no political expenditure was incurred during the year (2019: nil).

Employees

Information on how we promote employee involvement can be found on page 53. Details of the Group's employment policies and its approach to diversity and disability can be found in the Environment, Social and Governance section on page 53. An explanation of the activities of the appointed Non-Executive Director for Workforce Engagement can be found on page 64.

UK employees are encouraged to participate in the Company's performance through our share incentive plan, discussed on page 140.

Greenhouse gas emissions

Details of the Group's GHG emissions can be found in the carbon footprint section of the Environment, Social and Governance section on pages 51 and 52.

Directors' interests and share options

During the year ended 31 December 2020, no Director had an interest in any significant third-party contract between the Company or any of its subsidiaries.

Directors' shareholdings are disclosed in the Remuneration Committee Report on page 86. Details of Directors' share options are set out in note 21 of the consolidated financial statements.

Directors' conflicts of interest

In accordance with the Companies Act 2006 and its Articles, the Company has arrangements in place to consider and, where appropriate, authorise any Directors' direct or indirect interests which may conflict with those of the Group. Authorisation is only effective where the matter is put to a vote, excluding the Director who is subject to the conflict authorisation. If a Director becomes aware that they or a connected party have an interest in an existing or proposed transaction with the Group, they should notify the Company Secretary as soon as possible. Directors have a continuing obligation to update any changes to conflicts and the Board formally reviews any such conflicts periodically. A register of conflicts or potential conflicts is maintained and available at Board meetings.

Other Statutory Disclosures continued

Directors' liability and indemnity insurance

The Group maintains Directors' and officers' liability insurance, which gives appropriate cover for legal action brought against its Directors. In addition, third-party qualifying indemnity provisions (as defined in s234 of the Act) for its Directors and officers were in force during the year ended 31 December 2020 and remain in force. There were no qualifying pension scheme indemnity provisions.

Articles of Association

A copy of the Articles of Association can be obtained from the Company's registered office. The Articles may only be amended by special resolution of the shareholders.

Share capital and waiver of pre-emption rights

The Group has one class of share in issue. The rights attached to each share are identical and each share carries equal rights to dividends, return of capital on the winding up of the Group and one vote at general meetings of the Group. There are no securities carrying special rights. There are no restrictions on the transfer of shares in the Group (other than following a service of notice under s793 of the Act) and there are no restrictions on any voting rights or deadlines, other than those prescribed by law.

The Group is not aware of any arrangements between its shareholders which may result in the restriction on the transfer of shares or voting rights. Further details of the rights and obligations attached to the shares are set out in the Company's Articles.

At the AGM on 4 June 2020, authority was given to the Directors to allot new ordinary shares up to a nominal value of £26,800, equivalent to 33.33% of the issued share capital of the Group. In addition, authority was given to the Directors to allot further new ordinary shares up to a nominal value of £53,600, equivalent to 66.67% of the authorised share capital of the Group. These authorities expire on the conclusion of the 2021 AGM. No shares have been allotted under these authorities as at the date of this report.

At 31 December 2020, the Group had 160,800,000 fully paid ordinary shares of 0.05p each in issue which are traded on the London Stock Exchange. Details of the share capital at 31 December 2020 are disclosed in note 22 on page 142.

Authority for the Group to purchase its own shares

A resolution will be proposed at the 2021 AGM that the Company be authorised to purchase up to approximately 10% of its ordinary shares at the Directors' discretion. If the resolution is passed, the new authority will lapse at the conclusion of the 2022 AGM or, if earlier, on 30 June 2022.

At the AGM held on 4 June 2020, authority was given for the Company to make market purchases of its ordinary shares provided that the maximum aggregate number of ordinary shares that may be purchased is limited to 16,080,000, with a minimum price of 0.05p per share. The maximum price (exclusive of expenses) which may be paid for each ordinary share shall be the higher of (i) an amount equal to 105% of the middle market quotations for an ordinary share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the date on which the ordinary share is purchased; and (ii) an amount equal to the higher of the price of the last independent trade of any ordinary share and the highest current independent bid for an ordinary share on the trading venue where the purchase is carried out. These authorities shall expire at the conclusion of the 2021 AGM.

Substantial shareholdings

The Company has been notified of the following disclosable interests in its issued share capital in accordance with DTR 5 as at 31 December 2020 and at 12 March 2021 (being the latest practicable date prior to the date of this report). The shareholdings of John Hornby, Philippa Hornby and the EBT also take account of known share movements that did not trigger notifications under DTR 5.

	At 12 March 2021		At 31 December 2020	
Shareholder	Number of shares held	% voting rights	Number of shares held	% voting rights
EPIC Investments LLP	40,064,372	24.91	40,064,372	24.92
Deanmor Investments[1]	16,000,000	9.95	–	–
John Hornby	12,252,961	7.62	21,252,961	13.22
Giles Brand	9,466,919	5.89	9,466,919	5.89
BlackRock Inc	8,890,716	5.52	8,205,123	5.10
Luceco Employee Benefit Trust ("EBT")[2]	7,176,363	–[3]	6,676,363	–[3]
Philippa Hornby	3,231,324	<3%	10,231,324	6.36

1. Deanmor investments is an investment vehicle wholly owned by John and Philippa Hornby.
2. The trustee of the EBT is Apex Financial Services (Trust Company) Limited.
3. Ordinary shares held by the EBT do not carry any voting rights at general meetings of the Company.

Provision of services by substantial shareholders

Giles Brand is Luceco plc's Chairman and Managing Partner of EPIC Private Equity LLP, which controls EPIC Investments LLP. Giles Brand and EPIC Investments LLP are therefore connected parties and significant shareholders of the Company. Giles Brand was paid a monthly fee of £8,333 (£100,000 per annum) in respect of his services as Chairman during 2020.

John Hornby has a service contract with the Group, as detailed on page 81, which is available for inspection at the AGM and at the Group's registered office. Further details of his remuneration can be found in the Remuneration Committee Report on pages 75 to 89.

Significant agreements

The Group has an agreement with its significant shareholders, EPIC Investments LLP and Giles Brand ("connected parties"), who collectively exercise or control 30.80% of the voting rights. With respect to this agreement, both the Group and EPIC have complied with the independence provisions and procurement obligation as required under the Listing Rules.

The agreement remains in place until the connected parties cease to exercise or control 10% or more in aggregate of the total voting rights or if neither connected party has exercised or controlled any voting rights for at least two years.
The agreement would automatically terminate if the Group's shares ceased trading on the London Stock Exchange or if the Group were to appoint an administrative receiver.

Change of control

Change of control provisions are included in the Group's banking agreements with HSBC Bank plc. Should a change of control event occur, the Group's revolving credit facility of £30.0m would be subject to immediate cancellation and the Bank may call for immediate repayment of any balance outstanding. This would also trigger a Termination Event under the £20.0m invoice financing facility which enables the bank to give six months' notice to cancel the facility and call for repayment of any amounts advanced.

Shareholder waiver of dividends

There is an evergreen dividend waiver in place in respect of the shares held in the Company's Employee Benefit Trust.
No dividends were paid in respect of these shares during the year.

Directors' statement regarding disclosure of information to the auditor

The Directors confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditor is unaware.
The Directors also confirm that they have taken all reasonable steps to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

Appointment of auditor

On the recommendation of the Audit Committee, resolutions will be proposed at the 2021 AGM to re-appoint KPMG LLP as auditor of the Group and to authorise the Audit Committee to set the auditor's remuneration.

Annual General Meeting

The Group's AGM will be held on 13 May 2021. Details of the resolutions to be proposed at the AGM are set out in the Notice of Meeting, which is provided to all shareholders.

The Directors' Report was approved by the Board of Directors and authorised for issue on 23 March 2021.

By Order of the Board

MATT WEBB
Chief Financial Officer

Company registered number: 05254883

Registered office:
Luceco plc
Building E Stafford Park 1
Stafford Park
Telford
Shropshire TF3 3BD

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the Group and Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and applicable law and have elected to prepare the parent Company financial statements on the same basis. In addition the Group financial statements are required under the UK Disclosure and Transparency Rules to be prepared in accordance with International Financial Reporting Standards adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of the Group's profit or loss for that period. In preparing each of the Group and parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and as regards the Group financial statements, International Financial Reporting Standards adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union;
- assess the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

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

Responsibility statement of the Directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- The financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- The Strategic Report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation, taken as a whole, together with a description of the principal risks and uncertainties that they face

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

JOHN HORNBY
Chief Executive Officer

MATT WEBB
Chief Financial Officer

23 March 2021

Independent Auditor's Report
to the members of Luceco plc

1. Our opinion is unmodified
We have audited the financial statements of Luceco plc ("the Company") for the year ended 31 December 2020 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement. Company Balance Sheet, Company Statement of Changes in Equity and the related notes, including the accounting policies in note 1.

In our opinion:
- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2020 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union
- the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation to the extent applicable.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the shareholders on 4 December 2014. The period of total uninterrupted engagement is for the 7 financial years ended 31 December 2020. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

OVERVIEW

Materiality: group financial statements as a whole	£1.28m (2019: £0.61m) 4.5% (2019: 4.3%) of the normalised profit before tax
Coverage	84% (2019: 90%) of group profit before tax[1]
Key audit matters	**vs 2019**
	Valuation of inventory ▼
	Parent Company: Recoverability of parent's debt due from group entities ◀▶

1. This is the profit and losses as a percentage of total profits and losses that made up the group profit before tax.

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters, in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
Recoverability of Finished Goods (excluding Luceco Electrical (Jiaxing) Limited and Kingfisher Lighting Limited) Refer to page 71 (Audit Committee Report), pages 127 and 128 (accounting policy) and pages 127 and 128 (financial disclosures).	**Subjective estimate:** The Group operates in an evolving industry in terms of technology, legal standards and customer demand. These factors can lead to obsolete inventory that is un-sellable or only sellable at discounted prices. Inventories are carried at the lower of cost and net realisable value with the result that the directors apply judgment in estimating the appropriate provisions for inventory based upon analysis of inventory levels, discontinued inventory and sales margins. The subjectivity in these assessments by the directors means that there is a risk that the assessment of the level of these provisions is inappropriate. In the current year, the significance of the risk has reduced as we have determined that the likelihood and potential magnitude of a material misstatement is lower.	Our procedures included: • **Benchmarking assumptions:** Assessing the directors' assumptions behind the provision against finished goods against available data on selling price(s) of these goods; • **Tests of detail:** Understanding the Company's process in calculating the provision and calculating the inventory provision using alternative methods, comparing these results and investigating differences; and • **Assessing transparency:** Assessing the adequacy of the Group's disclosures about the degree of estimation involved in arriving at the provision. • We performed the tests above rather than seeking to rely on any of the group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. **Our results** • As a result of our work, we consider the valuation of inventory to be acceptable (2019: acceptable).

	The risk	Our response
Parent company risk: Recoverability of parent's debt due from group entities (£50.3 million; 2019: £37.9 million) Refer to page 71 (Audit Committee Report), page 149 (accounting policy) and page 149 (financial disclosures).	**Low risk, high value:** The carrying amount of the intra-group debtor balance represents 97% (2019: 98%) of the parent company's total assets. Their recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the parent company financial statements, this is considered to be the area that had the greatest effect on our overall parent company audit.	Our procedures included: • **Test of details:** Comparing the carrying amount of 100% of debt due from group entities the total balance with the relevant subsidiaries' draft balance sheet to identify whether their net assets, being an approximation of their minimum recoverable amount, were in excess of their carrying amount and assessing whether those subsidiaries have historically been profit-making • **Assessing subsidiary audits:** Assessing the work performed by the subsidiary audit team i.e. KPMG China on the subsidiary and considering the results of that work, on the subsidiaries' profit and net assets. • Audits of scoped in UK subsidiaries are performed by the group audit team and the audit of one scoped in overseas subsidiary is performed by KPMG China. • We performed the tests above rather than seeking to rely on any of the group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described **Our results** • We found the conclusion that there is no impairment of the intra-group group debtor balance to be acceptable (2019: acceptable)

We continue to perform procedures over the impact of uncertainties due to the UK exiting the European Union, going concern and capitalisation of development costs. However, following the below stated reasons, we have not assessed these risks as one of the most significant risks in our current year audit and, therefore, they are not separately identified in our report this year.

- In the prior year we reported a key audit matter in respect of the impact of uncertainties due to the UK exiting the European Union. Following the trade agreement between the UK and the EU, and the end of the EU-exit implementation period, the nature of these uncertainties has changed. We continue to perform procedures over material assumptions in forward looking assessments such as going concern and impairment tests, however we no longer consider the effect of the UK's departure from the EU to be a separate key audit matter;
- The level of development costs that have been capitalised in the current financial year is not material; and
- We have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Company's ability to continue as a going concern for the going concern period and therefore no longer consider going concern as a separate key audit matter. We do not consider going concern to be a key audit matter as the directors' assessment indicates significant covenant headroom in both their base case and severe but plausible downside. There is therefore little judgement in determining a uncertainty does not exist related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Company's ability to continue as a going concern for the going concern period.

3. Our application of materiality and an overview of the scope of our audit

Materiality for the group financial statements as a whole was set at £1.28m (2019: £0.61m), determined with reference to a benchmark of group profit before tax, normalised to exclude a gain of £5.3m in respect of remeasurement of derivative instruments as disclosed in note 1 (2019: determined with reference to a benchmark of group profit before tax normalised to exclude £1.4m in respect of cost recoveries in China, VAT recoveries of £0.9m and the release of a provision in relation to the closure of US operations of £0.3m as disclosed in Note 1), of which it represents 4.5% (2019: 4.3%).

Materiality for the parent company financial statements as a whole was set at £0.27m (2019: £0.22m), determined with reference to a benchmark of company total assets, of which it represents 0.85% (2019: 0.9%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

Performance materiality was set at 65% (2019: 65%) of materiality for the financial statements as a whole, which equates to £0.83m (2019: £0.40m) for the group and £0.17m (2019: £0.14m) for the parent company. We applied a lower percentage in our determination of performance based on the level of identified misstatements and control deficiencies during the prior period.

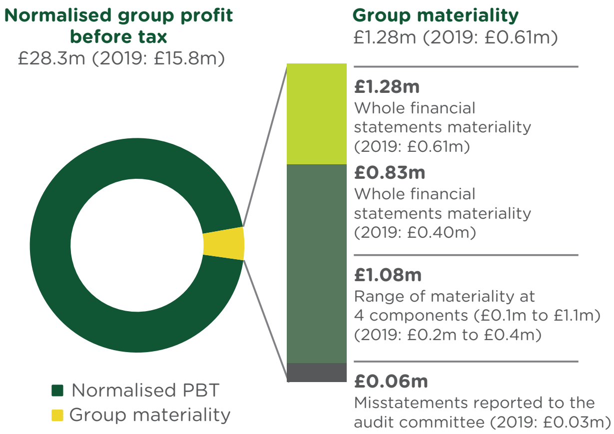
We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £64,000 (2019: £30,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

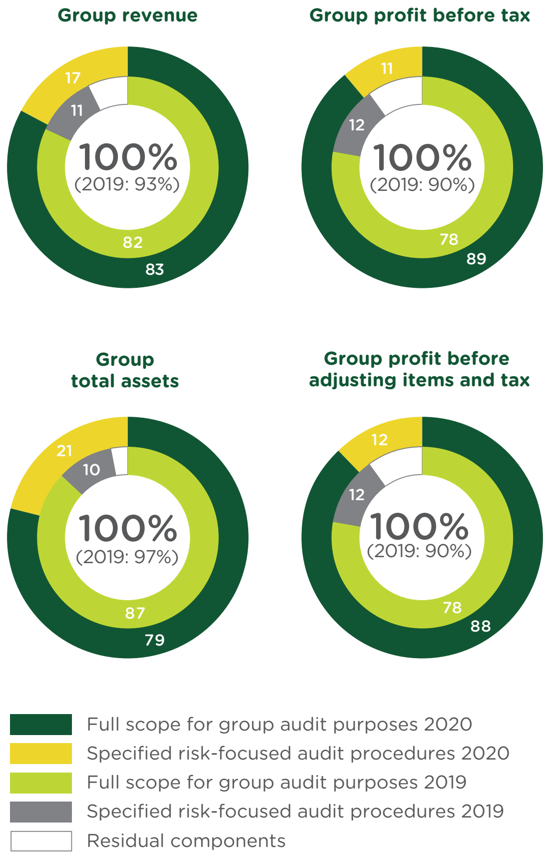
The group team performed procedures on the items excluded from normalised group profit before tax. The components within the scope of our work accounted for the percentages illustrated opposite.

Of the group's 17 (2019: 22) reporting components, we subjected 4 (2019: 6) to full scope audits for group purposes and 5 (2019: 5) to specified risk-focused audit procedures on inventory provision. The latter were not individually financially significant enough to require a full scope audit for group purposes, but did present specific individual risks that needed to be addressed.

The Group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group team approved the component materialities, which ranged from £0.1m to £1.1m (2019: £0.2m to £0.4m), having regard to the mix of size and risk profile of the Group across the components. The work on 1 of the 4 components (2019: 1 of the 6 components) was performed by component auditors and the rest, including the audit of the parent company, was performed by the Group team.

The Group audit team had planned to visit component locations in China; however, these visits were prevented by movement restrictions relating to the COVID-19 pandemic. The Group audit team attended local final audit closing meetings via conference call. Due to regulatory restrictions, a remote file review was not possible for the Chinese component; therefore, the Group audit team had increased progress calls, obtained extended reporting and held an expanded closing meeting with the Chinese component audit team to understand, assess and challenge the audit approach and findings.





4. Going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group's and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for the 15 months from the date of signing these accounts ("the going concern period").

We used our knowledge of the Group, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period. The risk that we considered most likely to adversely affect the Group's and Company's available financial resources and metrics relevant to debt covenants over this period were:

- a general macro economic decline;
- and disruption to manufacturing operations in China leading to supply issues.

We considered whether these risks could plausibly affect the liquidity or covenant compliance in the going concern period by assessing the degree of downside assumption that, individually and collectively, could result in a liquidity issue, taking into account the Group's current and projected cash and facilities (a reverse stress test).

Our procedures also included:

- We inspected the confirmation from the lender of the level of committed financing, and the associated covenant requirements.
- We considered whether the going concern disclosure in note 1 to the financial statements gives a full and accurate description of the directors' assessment of going concern, including the identified risks and related sensitivities.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Company's ability to continue as a going concern for the going concern period;
- we have nothing material to add or draw attention to in relation to the directors' statement in the 'General Information' section in the notes to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for the going concern period, and we found the going concern disclosure in the 'General Information' section in the notes to be acceptable; and
- the related statement under the Listing Rules set out on pages 107 and 108 is materially consistent with the financial statements and our audit knowledge.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Company will continue in operation.

5. Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud.

Our risk assessment procedures included:

- Enquiring of directors, the audit committee and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board, audit, remuneration and nomination committee minutes.
- Considering remuneration incentive schemes such as the performance share plan awards.
- Using analytical procedures to identify any unusual or unexpected relationships.

5. Fraud and breaches of laws and regulations – ability to detect continued

Identifying and responding to risks of material misstatement due to fraud continued

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. This included communication from the group to component audit teams of relevant fraud risks identified at the Group level and request to component audit teams to report to the Group audit team any instances of fraud that could give rise to a material misstatement at group.

As required by auditing standards, and taking into account possible pressures to meet profit targets, we perform procedures to address the risk of management override of controls, in particular the risk that Group and component management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because there is limited perceived pressure and opportunity to inflate revenue as the Company has exceeded market expectations and revenue recognition does not involve complex judgments.

We performed procedures including identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior finance management and those posted to unusual accounts.

We did not identify any additional fraud risks.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management as required by auditing standards, and from inspection of the Group's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the group to full-scope component audit teams of relevant laws and regulations identified at the Group level, and a request for full scope component auditors to report to the group team any instances of non-compliance with laws and regulations that could give rise to a material misstatement at group.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment law, and certain aspects of company legislation recognising the financial nature of the Group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

We discussed with the audit committee matters related to actual or suspected breaches of laws or regulations, for which disclosure is not necessary, and considered any implications for our audit.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

6. We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' remuneration report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of emerging and principal risks and longer-term viability

We are required to perform procedures to identify whether there is a material inconsistency between the directors' disclosures in respect of emerging and principal risks and the viability statement, and the financial statements and our audit knowledge.

Based on those procedures, we have nothing material to add or draw attention to in relation to:

- the directors' confirmation within the viability statement on page 44 that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- The principal risk disclosures describing these risks and how emerging risks are identified, and explaining how they are being managed and mitigated; and
- the directors' explanation in the viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to review the viability statement, set out on pages 42 to 44 under the Listing Rules. Based on the above procedures, we have concluded that the above disclosures are materially consistent with the financial statements and our audit knowledge.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Company's longer-term viability.

Corporate governance disclosures

We are required to perform procedures to identify whether there is a material inconsistency between the directors' corporate governance disclosures and the financial statements and our audit knowledge.

Based on those procedures, we have concluded that each of the following is materially consistent with the financial statements and our audit knowledge:

- the directors' statement that they consider that the annual report and 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;
- the section of the annual report describing the work of the Audit Committee, including the significant issues that the Audit Committee considered in relation to the financial statements, and how these issues were addressed; and
- the section of the annual report that describes the review of the effectiveness of the Group's risk management and internal control systems.

We are required to review the part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review. We have nothing to report in this respect.

7. We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

8. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 94, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at **www.frc.org.uk/auditorsresponsibilities.**

9. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and the terms of our engagement by the Company. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and the further matters we are required to state to them in accordance with the terms agreed with the Company, 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 and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

MICHAEL FROOM (SENIOR STATUTORY AUDITOR)

for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

One Snowhill
Snow Hill Queensway
Birmingham B4 6GH

23 March 2021

Consolidated Income Statement

for the year ended 31 December 2020

£m	Note	**Adjusted**	**Adjustments[1]**	**2020**	Adjusted	Adjustments[1]	2019
Revenue	2	**176.2**	**–**	**176.2**	172.1	–	172.1
Cost of sales		**(106.0)**	**–**	**(106.0)**	(109.8)	2.3	(107.5)
Gross profit		**70.2**	**–**	**70.2**	62.3	2.3	64.6
Distribution expenses		**(8.6)**	**–**	**(8.6)**	(8.5)	–	(8.5)
Administrative expenses		**(31.6)**	**(0.4)**	**(32.0)**	(35.8)	(0.1)	(35.9)
Operating profit	3	**30.0**	**(0.4)**	**29.6**	18.0	2.2	20.2
Finance income	5	**–**	**5.3**	**5.3**	–	–	–
Finance expense	5	**(1.3)**	**–**	**(1.3)**	(2.2)	(0.9)	(3.1)
Net finance income/(expense)		**(1.3)**	**5.3**	**4.0**	(2.2)	(0.9)	(3.1)
Profit before tax		**28.7**	**4.9**	**33.6**	15.8	1.3	17.1
Taxation	6	**(4.7)**	**(1.0)**	**(5.7)**	(3.7)	(0.3)	(4.0)
Profit for the year		**24.0**	**3.9**	**27.9**	12.1	1.0	13.1
Earnings Per Share (pence)							
Basic	7	**15.5p**	**2.5p**	**18.0p**	7.7p	0.6p	8.3p
Fully diluted	7	**15.2p**	**2.5p**	**17.7p**	7.7p	0.6p	8.3p

1. Definition of the adjustments made and reconciliations to the reported figures can be found in note 1 of the consolidated statements on page 108.

The accompanying notes on pages 107 to 143 form an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2020

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

All results are from continuing operations.

The accompanying notes on pages 107 to 143 form an integral part of these financial statements.

Consolidated Balance Sheet
at 31 December 2020

£m	Note	2020	2019
Non-current assets			
Property, plant and equipment	9	**17.8**	17.0
Right-of-use assets	9	**2.7**	3.0
Intangible assets	10	**21.5**	22.6
Financial assets held for trading	19	**1.4**	—
Deferred tax asset	11	**0.5**	—
		43.9	42.6
Current assets			
Inventories	12	**37.2**	32.2
Trade and other receivables	13	**71.8**	43.6
Financial assets held for trading	19	**4.1**	—
Cash and cash equivalents	14	**6.7**	1.4
		119.8	77.2
Total assets		**163.7**	119.8
Current liabilities			
Trade and other payables	17	**63.6**	39.0
Current tax liabilities		**3.1**	2.8
Financial assets held for trading	19	**0.5**	0.3
Other financial liabilities	16	**1.2**	1.1
		68.4	43.2
Non-current liabilities			
Interest-bearing loans and borrowings	15	**22.2**	26.0
Other financial liabilities	16	**1.6**	1.7
Deferred tax liability	11	**—**	1.0
Provisions	16	**1.1**	0.8
		24.9	29.5
Total liabilities		**93.3**	72.7
Net assets		**70.4**	47.1
Equity attributable to equity holders of the parent			
Share capital	22	**0.1**	0.1
Share premium	22	**24.8**	24.8
Translation reserve	22	**(0.1)**	(0.9)
Treasury reserve	22	**(6.8)**	(4.1)
Retained earnings		**52.4**	27.2
Total equity		**70.4**	47.1

The accompanying notes on pages 107 to 143 form an integral part of these financial statements.

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

JOHN HORNBY
Chief Executive Officer

MATT WEBB
Chief Financial Officer

Company registered number: 05254883

Consolidated Statement of Changes in Equity

for the year ended 31 December 2020

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

The accompanying notes on pages 107 to 143 form an integral part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2020

£m	Note	**Adjusted**	**Adjustments[1]**	**2020**	Adjusted	Adjustments[1]	2019
Cash flows from operating activities							
Profit for the year		**24.0**	**3.9**	**27.9**	12.1	1.0	13.1
Adjustments for:							
Depreciation and amortisation	9,10	**6.1**	**0.4**	**6.5**	7.9	0.4	8.3
Financial income	5	**–**	**(5.3)**	**(5.3)**	–	–	–
Financial expense	5	**1.3**	**–**	**1.3**	2.2	0.9	3.1
Taxation	6	**4.7**	**1.0**	**5.7**	3.7	0.3	4.0
Loss on disposal of tangible assets		**0.1**	**–**	**0.1**	0.1	–	0.1
Share-based payments charge	21	**1.0**	**–**	**1.0**	0.2	–	0.2
Operating cash flow before movement in working capital		**37.2**	**–**	**37.2**	26.2	2.6	28.8
(Increase)/decrease in trade and other receivables		**(23.5)**	**(5.0)**	**(28.5)**	4.7	(7.4)	(2.7)
(Increase)/decrease in inventories		**(4.8)**	**–**	**(4.8)**	–	–	–
Increase/(decrease) in trade and other payables		**25.2**	**–**	**25.2**	(3.7)	(1.1)	(4.8)
Cash from operations		**34.1**	**(5.0)**	**29.1**	27.2	(5.9)	21.3
Tax paid		**(5.7)**	**–**	**(5.7)**	(2.6)	–	(2.6)
Net cash from operating activities		**28.4**	**(5.0)**	**23.4**	24.6	(5.9)	18.7
Cash flows from investing activities							
Acquisition of property, plant and equipment		**(3.3)**	**–**	**(3.3)**	(2.0)	–	(2.0)
Acquisition of other intangible assets		**(1.1)**	**–**	**(1.1)**	(1.6)	–	(1.6)
Disposal of tangible assets		**–**	**–**	**–**	–	–	–
Net cash used in investing activities		**(4.4)**	**–**	**(4.4)**	(3.6)	–	(3.6)
Cash flows from financing activities							
Proceeds from new loans		**–**	**–**	**–**	5.0	–	5.0
Repayment of borrowings		**(3.8)**	**–**	**(3.8)**	(14.6)	–	(14.6)
Interest paid		**(1.3)**	**–**	**(1.3)**	(2.1)	–	(2.1)
Dividends paid		**(4.9)**	**–**	**(4.9)**	(1.9)	–	(1.9)
Finance lease liabilities	16	**(1.1)**	**–**	**(1.1)**	(1.3)	–	(1.3)
Purchase of own shares	21	**(2.7)**	**–**	**(2.7)**	(2.9)	–	(2.9)
Net cash used in financing activities		**(13.8)**	**–**	**(13.8)**	(17.8)	–	(17.8)
Net increase/(decrease) in cash and cash equivalents		**10.2**	**(5.0)**	**5.2**	3.2	(5.9)	(2.7)
Cash and cash equivalents at 1 January				**1.4**			4.2
Effect of exchange rate fluctuations on cash held				**0.1**			(0.1)
Cash and cash equivalents at 31 December	14			**6.7**			1.4

1. Definition of the adjustments made and reconciliations to the reported figures can be found in note 1 of the consolidated statements on page 108.

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

The accompanying notes on pages 107 to 143 form an integral part of these financial statements.

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

1 Introduction, other judgements and estimates, APMs and adjustments

Overview

Luceco plc ("Company") is a company incorporated and domiciled in the UK under the Companies Act 2006. The Company's registered office is Building E Stafford Park 1, Stafford Park, Telford TF3 3BD. The Group is primarily involved in the manufacturing and distribution of wiring accessories, LED Lighting and Portable Power products to global markets.

Basis of accounting

The Group (Company and its subsidiaries) financial statements have been prepared and approved by the Directors in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and prepared pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. The Company has elected to prepare its Parent Company financial statements in accordance with FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland, and these are prepared on pages 144 to 149. On publishing the Parent Company financial statements here, together with the Group financial statements, the Company is taking advantage of the exemption in s408 of the Companies Act 2006 not to present its individual income statement and related notes that form a part of these approved financial statements.

Basis of preparation

The financial statements are prepared on the historical cost basis except for derivative financial instruments and financial instruments that are reported at fair value. The consolidated financial statements include the accounts of the Company and all entities controlled by the Company, its subsidiaries, (together referred to as "the Group") from the date control commences until the date that control ceases. Control is achieved where the Company: has power over the investee, is exposed or has rights to a variable return from the involvement with the investee and/or has the ability to use its power to affect its returns. The purchase method is used to account for the acquisition of subsidiaries. These financial statements are presented in million pounds sterling, which is the functional currency of the Group and Parent Company.

Accounting policy

Non-statutory measures of performance

The Group will review the financial statements to identify if there are any large/unusual items or transactions that are required to be removed to reflect the underlying business operations. These large/unusual items that have been identified are referred to as "Adjustments" and are detailed on pages 108 to 112.

The principal accounting policies are set out in the notes to the consolidated financial statements and have, unless otherwise stated, been applied consistently to all periods presented in these consolidated financial statements.

Going concern

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

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

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

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

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

1 Introduction, other judgements and estimates, APMs and adjustments continued

Going concern continued

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

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

Other judgements

The Directors do not consider there to be any key judgements in preparing the financial statements. The judgements outlined below formed the main areas of focus for the Directors throughout the year.

The Group uses judgement in how it applies its accounting policies, these do not involve estimation, which could materially affect the numbers disclosed in these financial statements. These other judgements, without estimation, that could have the most effect on the amounts recognised in these financial statements are as follows:

Note	Description	Page
10	Development capitalisation	123

Other estimates

The Directors do not consider there to be any key estimates in preparing the financial statements. The estimates outlined below formed the main areas of focus for the Directors throughout the year. The preparation of financial statements in conformity with adopted IFRSs requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Although these estimates are based on management's best knowledge of the amount, events or actions, actual results ultimately may differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The Directors consider the following to be the other estimates applicable to the financial statements, which have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year or in the long term:

Note	Description	Page
12	Inventory valuation	128

Statutory and non-statutory measures of performance

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

The Group's performance is assessed using a number of financial measures which are not defined under IFRS (the financial reporting framework applied by the Group). Management uses the adjusted or alternative performance measures ("APMs") as 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, although the IFRS defined measures should also be used when users of this document assess the Group's performance. The alternative performance measures allow a year-on-year comparison and identification of core business trends by removing the impact of items occurring either outside the normal course of operations or as a result of intermittent activities such as a corporate acquisition. The Group separately reports acquisition costs and other specific items in the income statement which, in the Directors' judgement, need to be disclosed separately by virtue of their nature, size and incidence in order for users of the financial statements to obtain a balanced view of the financial information and the underlying performance of the business.

In following the guidelines on alternative performance measures issued by the European Securities and Markets Authorities, the Group has included a Consolidated Income Statement and Consolidated Cash Flow Statement that have both statutory and adjusted performance measures.

The measures used in the Chief Financial Officer's Review are defined in the table below and the principles to identify adjusting items have been applied on a basis consistent with previous years.

Nature of measure	Related IFRS measure	Related IFRS source	Definition	Use/relevance
Adjusted Gross Profit Margin	• Gross profit margin	• Consolidated Income Statement	• Based on the related IFRS measure but excluding the adjusting items. A breakdown of the adjusting items from 2020 and 2019, which reconciles the adjusted measures to statutory figures, can be found on pages 111 to 112	• Allows management to assess the performance of the business after removing large/unusual items or transactions that are not reflective of the underlying business operations
Adjusted Operating Costs	• Operating gross profit less operating profit	• Consolidated Income Statement		
Adjusted Operating Profit	• Operating profit	• Consolidated Income Statement		
Adjusted Profit for the Year	• Profit for the year (profit after tax)	• Consolidated Income Statement		
Adjusted Basic EPS	• Basic EPS	• Consolidated Income Statement		
Constant Currency				• Allows management to identify the relative year-on-year performance of the business by removing the impact of currency movements that are outside of management's control
EBITDA	• Operating profit	• Consolidated Income Statement	• Consolidated earnings before interest, tax, depreciation and amortisation	• Provides management with an approximation of cash generation from the Group's operational activities
Adjusted EBITDA	• Operating profit	• Consolidated Income Statement	• Consolidated earnings before interest, tax, depreciation and amortisation and the adjusting items excluded from Adjusted Operating Profit aside from the amortisation of acquired intangibles	• Provides management with an approximation of cash generation from the Group's underlying operational activities
Contribution profit	• Operating profit and operating costs	• Consolidated Income Statement	• Contribution profit is after allocation of adjusted operating expenses for each operating segment	• Provides management with an assessment of profitability by operating segment
Contribution margin	• Operating profit and operating costs	• Consolidated Income Statement	• Contribution margin is contribution profit, as above, divided by revenue for each operating segment	• Provides management with an assessment of margin by operating segment

1 Introduction, other judgements and estimates, APMs and adjustments continued

Statutory and non-statutory measures of performance continued

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

The following tables illustrate how alternative performance measures are calculated:

Adjusted EBITDA

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

Adjusted Operating Cash Conversion

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

Adjusted Free Cash Flow

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

Return on Capital Investment

£m	2020	2019
Net assets	70.4	47.1
Net debt (see note 15)	18.3	27.4
Non-recourse debt factoring	–	5.0
Capital invested	88.7	79.5
Average capital invested (from last two years)	84.1	82.6
Adjusted Operating Profit (from above)	30.0	18.0
Return on Capital Invested (Adjusted Operating Profit/average capital invested)	35.7%	21.8%

Additional metrics

Inventory days – inventory days are calculated by reference to the closing stock versus the cost of sales over a three-month period. Debtor days – the "countback" method is used to calculate debtor days by reference to revenue over the prior period. Creditor days – the "countback" method is used to calculate creditor days by reference to purchases over the prior period. Organic revenue growth is calculated per the reconciliation on page 29 of the Chief Financial Officer's Review.

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

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

1 Introduction, other judgements and estimates, APMs and adjustments continued

Statutory and non-statutory measures of performance continued

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

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

Standards and interpretations issued

Standards that are effective from 1 January 2020:

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

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

- Amendment to IFRS 16 Leases

IASB effective for annual periods beginning on or after 1 January 2021:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2

IASB effective for annual periods beginning on or after 1 January 2022:

- Amendments to IFRS 3 Business combinations
- Amendments to IAS 16 Property, plant and equipment Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets Annual improvements – Cycle 2018-2020

IASB effective for annual periods beginning on or after 1 January 2023:

- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current

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

2 Operating segments

Accounting policy

Revenue

Revenue is recognised when the Group has satisfied its performance obligations to the customer and the customer has obtained control of the goods and services being transferred.

The following table summarises the nature, amounts and timing and uncertainty of revenue which follows our segmental splits of revenue.

Segment	Nature of revenue	Amount (as a percentage of total revenue)	Timing of satisfaction of performance obligations
Wiring Accessories	Revenue from the supply of goods in the form of Wiring Accessories to trade and specialists.	46%	Largely when delivered to the customer. FOB when legal title passes to the customer (when the goods are on the ship).
LED Lighting	Revenue from the supply of commercial and domestic lighting solutions.	28%	Largely when delivered to the customer. FOB when legal title passes to the customer (when the goods are on the ship).
Portable Power	Revenue from the supply of goods in the form of Portable Power to retailers and wholesalers. Revenue from the supply of Ross-branded audio-visual products.	26%	Largely when delivered to the customer. FOB when legal title passes to the customer (when the goods are on the ship).

Customer rebates

Where the Group has rebate agreements with its customers, the value of customer rebates paid or payable, calculated in accordance with the agreements in place based on the most likely outcome, is deducted from turnover in the year in which the rebate is earned.

The Group's principal activities are in the manufacturing and supply of Wiring Accessories, LED Lighting and Portable Power equipment. In previous years, Ross's home entertainment products have been shown as a separate segment. In 2020 the Group combined its Ross business with Portable Power and these operating segments have now been merged into one. This has been reflected in both the current and prior year segmental results. A reconciliation of Ross before and after this change is as follows:

Reconciliation of new reporting – Portable Power segment (as previously reported)

	Adjusted		Reported	
£m	**2020**	2019	**2020**	2019
Revenue	**42.2**	42.6	**42.2**	42.6
Contribution profit	**7.3**	8.2	**7.3**	8.3
Contribution margin %	**17.3%**	19.2%	**17.3%**	19.5%
Operating profit	**3.9**	4.1	**3.9**	4.1
Operating margin %	**9.2%**	9.6%	**9.2%**	9.6%

2 Operating segments continued

Reconciliation of new reporting – Ross segment (as previously reported)

£m	Adjusted 2020	Adjusted 2019	Reported 2020	Reported 2019
Revenue	**3.2**	5.2	**3.2**	5.2
Contribution profit	**0.2**	0.5	**0.2**	0.6
Contribution margin %	**6.3%**	9.6%	**6.3%**	11.5%
Operating profit	**0.3**	—	**0.3**	0.1
Operating margin %	**9.4%**	0.0%	**9.4%**	1.9%

Reconciliation of new reporting – Portable Power segment (combination of former Portable Power and Ross segments)

£m	Adjusted 2020	Adjusted 2019	Reported 2020	Reported 2019
Revenue	**45.4**	47.8	**45.4**	47.8
Contribution profit	**7.5**	8.7	**7.5**	8.9
Contribution margin %	**16.5%**	18.2%	**16.5%**	18.6%
Operating profit	**4.2**	4.1	**4.2**	4.2
Operating margin %	**9.3%**	8.6%	**9.3%**	8.8%

For the purposes of management reporting to the Chief Operating Decision-Maker (the Board), the Group consists of three operating segments which are the product categories that the Group manufactures and distributes. 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.

£m	**Adjusted 2020**	**Adjustments**	**Reported 2020**	Adjusted 2019	Adjustments	Reported 2019
Revenue						
Wiring Accessories	**81.3**	**—**	**81.3**	70.1	—	70.1
LED Lighting	**49.5**	**—**	**49.5**	54.2	—	54.2
Portable Power	**45.4**	**—**	**45.4**	47.8	—	47.8
	176.2	**—**	**176.2**	172.1	—	172.1
Operating profit						
Wiring Accessories	**23.0**	**—**	**23.0**	12.7	1.6	14.3
LED Lighting	**2.8**	**(0.4)**	**2.4**	1.2	0.5	1.7
Portable Power	**4.2**	**—**	**4.2**	4.1	0.1	4.2
	30.0	**(0.4)**	**29.6**	18.0	2.2	20.2

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

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

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

Revenue by location of customer

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

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

2 Operating segments continued

Non-current assets by location

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

3 Expenses and auditor's remuneration

Included in the Consolidated Income Statement are the following:

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

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

Auditor's remuneration:

£m	2020	2019
Audit of these financial statements	**0.3**	0.3
Amounts receivable by the auditor and its associates in respect of:		
Additional amounts in respect of the audit of prior year's financial statements	**0.1**	0.1
Audit of financial statements of subsidiaries pursuant to legislation and interim review	**0.1**	0.1
Total	**0.5**	0.5

4 Staff numbers and costs

The average monthly number of employees, including the Directors, during the year was as follows:

	Number of employees	
£m	2020	2019
Administration and support	**433**	431
Production	**1,218**	1,075
	1,651	1,506

The aggregate remuneration:

£m	2020	2019
Wages and salaries	**32.1**	29.8
Social security costs	**2.2**	2.1
Other pension costs	**0.7**	0.9
Share-based payment expense (note 21)	**1.0**	0.2
Total staff costs	**36.0**	33.0

5 Net finance expense

Accounting policy
Finance income and expenses
The Group's finance income and finance expense include: interest income, interest expense, dividend income and the financial currency gain or loss on financial assets and financial liabilities.

Interest income or expense is recognised using the effective interest method.

£m	**2020**	2019
Finance income:		
Net gain on remeasurement to fair value of financial instruments	**5.3**	–
Finance expense:		
Net loss on remeasurement to fair value of financial instruments	**–**	(0.9)
Interest on finance leases (IFRS 16)	**–**	(0.1)
Interest on bank borrowings	**(1.3)**	(2.1)
Net finance income/(expense)	**4.0**	(3.1)

6 Taxation

Accounting policy
The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items which are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. This is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction (other than in a business combination) that affects neither the taxable profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on tax laws and rates that have been enacted or substantially enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt within equity.

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

6 Taxation continued

Reconciliation of effective tax rate

£m	2020	2019
Profit for the year	27.9	13.1
Total tax expense	5.7	4.0
Profit before taxation	**33.6**	17.1
Tax using the UK corporation tax rate of 19.00% (2019: 19.00%)	6.4	3.2
Effect of tax rates in foreign jurisdictions	0.1	1.1
Non-deductible expenses	0.3	0.5
Income not taxable	–	(0.4)
Adjustment in respect of previous periods	(0.6)	(0.2)
Recognition of previously not recognised deferred tax	–	(0.2)
Deferred tax on share-based payments	(0.3)	–
Utilisation of unrecognised overseas brought forward tax losses	(0.2)	–
Total tax expense	**5.7**	4.0

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

Factors which may affect future current and total tax charges

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

7 Earnings Per Share

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

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

Pence	2020	2019
Basic Earnings Per Share	18.0	8.3
Diluted Earnings Per Share	17.7	8.3
Adjusted Basic Earnings Per Share	**15.5**	7.7
Adjusted Diluted Earnings Per Share	**15.2**	7.7

8 Dividends

Accounting policy

Dividends proposed by the Board of Directors and unpaid at the period end are not recognised in the financial statements until they have been approved by shareholders at the Annual General Meeting.

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

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

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

9 Property, plant and equipment

Accounting policy

Owned assets

Property, plant and equipment are stated at cost or deemed cost, less accumulated depreciation and accumulated impairment losses.

Depreciation is charged to the Consolidated Income Statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

Buildings	over the lease term, to a maximum of 50 years
Plant and equipment	three to ten years
Fixtures and fittings	one to ten years
Motor vehicles	four years
Tooling	two to five years
Software	three years
Work in progress	no depreciation until the asset comes into economic use

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

Leased assets

Applicable from 1 January 2019, IFRS 16 Leases establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions.

Identifying a lease: At the inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the Group has both the right to direct the identified asset's use and to obtain substantially all the economic benefits from that use. For each lease or lease component, the Group follows the lease accounting model as per IFRS 16 Leases, unless the recognition exemptions can be used.

Recognition exemptions: The Group has elected to account for lease payments as an expense on a straight-line basis over the lease term or another systematic basis for the following two types of leases:

i) leases with a lease term of 12 months or less and containing no purchase options – this election is made by class of underlying asset

ii) leases where the underlying asset has a low value when new – this election can be made on a lease-by-lease basis

9 Property, plant and equipment continued

Lessee accounting: Upon lease commencement the Group recognises a right-of-use asset and a lease liability.

Initial measurement: The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the Group uses the incremental borrowing rate. Variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability and are initially measured using the index or rate as at the commencement date. Amounts expected to be payable by the lessee under residual value guarantees are also included. Variable lease payments that are not included in the measurement of the lease liability are recognised in profit or loss in the period in which the event or condition that triggers payment occurs, unless the costs are included in the carrying amount of another asset under another accounting standard.

Subsequent measurement: After lease commencement, the Group measures right-of-use assets using a cost model. Under the cost model a right-of-use asset is measured at cost less accumulated depreciation and accumulated impairment. The lease liability is subsequently remeasured to reflect changes in: the lease term (using a revised discount rate), the assessment of a purchase option (using a revised discount rate), the amounts expected to be payable under residual value guarantees (using an unchanged discount rate), future lease payments resulting from a change in an index or a rate used to determine those payments (using an unchanged discount rate). The remeasurements are matched by adjustments to the right-of-use asset. Lease modifications may also prompt remeasurement of the lease liability unless they are determined to be separate leases.

Depreciation: The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment.

£m	Land and buildings	Plant and equipment	Fixtures and fittings	Motor vehicles	Tooling	Work in progress	Total
Cost							
Balance at 1 January 2019	15.6	14.4	3.2	—	8.3	—	41.5
Transfer to right-of-use assets	—	(0.9)	—	—	—	—	(0.9)
Reclassification	—	(1.3)	—	—	1.3	—	—
Additions	—	0.9	—	—	0.5	0.6	2.0
Disposals	—	(1.8)	(1.0)	—	(0.3)	—	(3.1)
Effect of movements in foreign exchange	(0.7)	(0.3)	—	—	(0.2)	—	(1.2)
Balance at 31 December 2019	14.9	11.0	2.2	—	9.6	0.6	38.3
Reclassification	**(0.5)**	**0.4**	**—**	**0.2**	**—**	**—**	**0.1**
Additions	**—**	**1.3**	**—**	**—**	**1.2**	**0.8**	**3.3**
Disposals	**—**	**(0.2)**	**(0.1)**	**—**	**(0.5)**	**—**	**(0.8)**
Effect of movements in foreign exchange	**0.4**	**0.1**	**—**	**—**	**0.2**	**—**	**0.7**
Balance at 31 December 2020	**14.8**	**12.6**	**2.1**	**0.2**	**10.5**	**1.4**	**41.6**
Depreciation							
Balance at 1 January 2019	3.6	7.5	2.3	—	6.6	—	20.0
Transfer to right-of-use assets	—	(0.3)	—	—	—	—	(0.3)
Reclassification	—	(1.3)	—	—	1.3	—	—
Depreciation charge for the year	0.7	1.8	0.3	—	2.3	—	5.1
Disposals	—	(0.4)	(0.8)	—	(1.8)	—	(3.0)
Effect of movements in foreign exchange	(0.1)	(0.2)	—	—	(0.2)	—	(0.5)
Balance at 31 December 2019	4.2	7.1	1.8	—	8.2	—	21.3
Transfers	**(0.3)**	**(0.2)**	**—**	**0.2**	**0.1**	**—**	**(0.2)**
Depreciation charge for the year	**0.5**	**1.5**	**0.2**	**—**	**0.9**	**—**	**3.1**
Disposals	**—**	**(0.2)**	**(0.1)**	**—**	**(0.4)**	**—**	**(0.7)**
Effect of movements in foreign exchange	**0.1**	**0.1**	**—**	**—**	**0.1**	**—**	**0.3**
Balance at 31 December 2020	**4.5**	**8.3**	**1.9**	**0.2**	**8.9**	**—**	**23.8**
Net book value							
At 1 January 2019	12.0	6.9	0.9	—	1.7	—	21.5
At 31 December 2019	10.7	3.9	0.4	—	1.4	0.6	17.0
At 31 December 2020	**10.3**	**4.3**	**0.2**	**—**	**1.6**	**1.4**	**17.8**

9 Property, plant and equipment continued

The carrying values of the following right-of-use assets:

£m	Land and buildings	Plant and equipment	Motor vehicles	Total
Cost				
Balance at 1 January 2019	—	—	—	—
Adoption of IFRS 16	2.3	—	0.3	2.6
Transfer cost of right-of-use assets	—	0.9	—	0.9
Additions	0.2	0.4	0.1	0.7
Balance at 31 December 2019	2.5	1.3	0.4	4.2
Reclassification	**—**	**(0.1)**	**—**	**(0.1)**
Additions	**0.9**	**0.1**	**0.2**	**1.2**
Disposals	**(0.2)**	**—**	**—**	**(0.2)**
Effect of movements in foreign exchange	**—**	**—**	**—**	**—**
Balance at 31 December 2020	**3.2**	**1.3**	**0.6**	**5.1**
Depreciation				
Balance at 1 January 2019	—	—	—	—
Transfer of right-of-use assets	—	0.3	—	0.3
Depreciation	0.8	—	0.1	0.9
Balance at 31 December 2019	0.8	0.3	0.1	1.2
Reclassification	**—**	**0.2**	**—**	**0.2**
Depreciation charge for the year	**0.8**	**0.2**	**0.2**	**1.2**
Disposals	**(0.2)**	**—**	**—**	**(0.2)**
Effect of movements in foreign exchange	**—**	**—**	**—**	**—**
Balance at 31 December 2020	**1.4**	**0.7**	**0.3**	**2.4**
Net book value				
At 31 December 2019	1.7	1.0	0.3	3.0
At 31 December 2020	**1.8**	**0.6**	**0.3**	**2.7**

10 Intangible assets

Accounting policy

Goodwill

Goodwill arising on acquisition represents the excess of the cost of acquisition over the share of the aggregate fair value of identifiable net assets (including intangible assets) of a business or a subsidiary at the date of acquisition. All material intangible fixed assets obtained on acquisition have been recognised separately in the financial statements. Goodwill is initially recognised as an asset and allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the combination and is then reviewed at least annually for impairment. Any impairment is recognised immediately in the income statement and is not reversed. Goodwill is accordingly stated in the balance sheet at cost less any provisions for impairment in value.

Development costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally generated intangible asset arising from the Group's development of new and enhanced products is recognised only if all of the following conditions are met:

- An asset is created that can be identified (such as product designs and new processes)
- The costs of developing this asset can be measured reliably
- The technical feasibility of completing the intangible asset so that it will be available for use or sale
- Its intention to complete the intangible asset and use or sell it
- How the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset

Where no internally generated intangible asset can be recognised, the expenditure is recognised as an expense in the period in which it is incurred. The Group has not included any borrowing costs within capitalised development costs.

Customer relationships and tradenames

A fair value exercise which was conducted following the acquisition of Kingfisher Lighting identified customer relationship and tradename intangible assets that met the criteria for separate recognition under IFRS.

Other intangible assets

Expenditure on internally generated goodwill and brands is recognised in the Consolidated Income Statement as an expense as incurred. Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and less accumulated impairment losses.

10 Intangible assets continued

Amortisation

Amortisation is charged to administrative expenses in the Consolidated Income Statement on a straight-line basis over the estimated useful lives of internally generated intangible assets. Other internally generated intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Patents and trademarks	ten years
Capitalised development costs	five years
Customer relationships	ten to 12 years
Tradenames	15 years

Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquisition. Acquisition costs incurred are expensed. The acquired identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition are recognised at their fair value at the date of acquisition, except for non-current assets that are classified as held for resale in accordance with IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after the assessment, the Group's interest in the net fair value of the acquired identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the Consolidated Income Statement.

£m	Goodwill	Patents	Development costs	Customer relationships	Tradenames	Total
Cost						
Balance at 1 January 2019	13.2	0.6	9.0	4.1	1.2	28.1
Other acquisitions – internally developed	—	—	1.6	—	—	1.6
Balance at 31 December 2019	13.2	0.6	10.6	4.1	1.2	29.7
Other acquisitions – internally developed	**—**	**—**	**1.1**	**—**	**—**	**1.1**
Disposals	**—**	**—**	**(4.5)**	**—**	**—**	**(4.5)**
Balance at 31 December 2020	**13.2**	**0.6**	**7.2**	**4.1**	**1.2**	**26.3**
Amortisation						
Balance at 1 January 2019	—	0.3	3.8	0.6	0.1	4.8
Amortisation for the year	—	—	1.9	0.2	0.2	2.3
Balance at 31 December 2019	—	0.3	5.7	0.8	0.3	7.1
Amortisation for the year	**—**	**—**	**1.8**	**0.3**	**0.1**	**2.2**
Disposals	**—**	**—**	**(4.5)**	**—**	**—**	**(4.5)**
Balance at 31 December 2020	**—**	**0.3**	**3.0**	**1.1**	**0.4**	**4.8**
Net book value						
At 1 January 2019	13.2	0.3	5.2	3.5	1.1	23.3
At 31 December 2019	13.2	0.3	4.9	3.3	0.9	22.6
At 31 December 2020	**13.2**	**0.3**	**4.2**	**3.0**	**0.8**	**21.5**

Other judgement – development capitalisation

Detail of judgement	Effect on financial statements	Alternative accounting judgement that could have been applied	Effect of that alternative accounting judgement
The Group is determining what Research and Development ("R&D") activity can be capitalised. The Group has to make key judgements around various aspects of the accounting standard (IAS 38 Intangible Assets) in relation to each R&D project to determine if the R&D activity can be capitalised. Specific examples of the judgements that have to be made regarding R&D are: the technical feasibility and completion of R&D activity, determining if the R&D activity will generate probable future economic benefits and be used, the availability of resource (technical and otherwise) to complete the development and the ability to reliably measure the expenditure during the development phase.	The Group has capitalised £1.1m in the year ended 31 December 2020 relating to R&D. Once the development is ready for use, this asset is depreciated over the useful economic life of R&D, which is five years. The depreciation charge relating to the R&D additions in the year was £0.1m.	The Group could have determined that capitalisation was not appropriate due to an alternative accounting judgement. If so, the Group would have expensed to the profit and loss account the R&D activity and therefore would have not capitalised or depreciated any activity in 2020.	If the Group did not capitalise £1.1m in the year then operating costs (excluding depreciation) would have increased by £1.1m and depreciation would have reduced by £0.1m, in the period.

Impairment testing for cash-generating units containing goodwill

In accordance with the requirements of IAS 36 Impairment of Assets, goodwill is allocated to the Group's CGUs which are identified by the way goodwill is monitored for impairment. The Group's total consolidated goodwill of £13.2m at 31 December 2020 is allocated as follows:

	Goodwill	
£m	**2020**	2019
Portable Power	**2.0**	2.0
Wiring Accessories	**4.0**	4.0
LED Lighting	**7.2**	7.2
	13.2	13.2

Each CGU is assessed for impairment annually and whenever there is a specific indication of impairment.

As part of the annual impairment test review, the carrying value of goodwill has been assessed with reference to value-in-use over a projected period of five years together with a terminal value. This reflects the projected cash flows of each CGU based on the actual operating results, the most recent Board-approved budget, strategic plans and management projections.

The key assumptions on which value-in-use calculations are based relate to business performance over the next five years derived from the Group's Strategic Plan, long-term growth rates beyond 2024 and the discount rates applied. The key estimates are the level of revenue and operating margins anticipated and the proportion of operating profit converted into cash flow in each year. Forecasts are based on past experience and take into account current and future market conditions and opportunities.

Growth rates for the period beyond 2025 are assumed to be 2.0% (2019: 2.0%), which is considered to be a conservative assessment of long-term market trends for these CGUs.

10 Intangible assets continued

Impairment testing for cash-generating units containing goodwill continued

The cash flow projections have been discounted to present value using the Group's weighted average cost of capital adjusted for economic and CGU-specific risk factors including markets and size of business. The pre-tax rates, reflecting factors such as different geographies, expected technological change and growth opportunity risk, have been used for each CGU as follows:

%	2020	2019
Portable Power	7.9	9.4
Wiring Accessories	8.8	10.4
LED Lighting	9.7	10.6

Sensitivity of results to changes in assumptions

Whilst management believe the assumptions are realistic, it is possible that impairment would be identified if any of the above key assumptions were changed significantly. For instance, factors which could cause an impairment are:

- Significant underperformance relative to the forecast results
- Changes to the way the assets are used or changes to the strategy for the business
- A material and unexpected deterioration in the UK economy

The impairment review calculations are based upon anticipated discounted future cash flows. All CGUs have sufficient headroom and the Directors do not foresee that any reasonable or possible changes to the key operating assumptions are sufficient to generate a different outcome to the impairment calculations undertaken.

The following specific individual sensitivities of reasonable change have been considered for each CGU, resulting in the carrying amount not exceeding the recoverable amount for each CGU:

- A 10% increase in unlevered beta
- A 200 basis point increase in the discount factor
- A growth rate of 1% for the periods after 2025
- A 10% reduction in cash flows forecast over the next five years in the Group's Strategic Plan

11 Deferred tax assets and liabilities

Accounting policy

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Recognised deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
£m	2020	2019	2020	2019	2020	2019
Property, plant and equipment	–	–	0.2	–	0.2	–
Intangible assets	–	–	1.4	1.6	1.4	1.6
Losses	(0.4)	(0.5)	–	–	(0.4)	(0.5)
Share-based payments	(1.5)	–	–	–	(1.5)	–
Financial assets and liabilities	(0.3)	(0.1)	0.1	–	(0.2)	(0.1)
Deferred tax liability/(asset)	(2.2)	(0.6)	1.7	1.6	(0.5)	1.0

A deferred tax asset of £0.4m has been recognised against previously carried forward non-trading tax losses of £2.2m (2019: £3.0m) during the period as it is expected that they can be offset against current year profits.

Movement in deferred tax (asset)/liability during the year

£m	1 January 2020	Recognised in income	Recognised in Statement of Changes in Equity	**31 December 2020**
Property, plant and equipment	—	0.2	—	**0.2**
Intangible assets	1.6	(0.2)	—	**1.4**
Losses	(0.5)	0.1	—	**(0.4)**
Share-based payments	—	(0.3)	(1.2)	**(1.5)**
Financial assets and liabilities	(0.1)	(0.1)	—	**(0.2)**
	1.0	(0.3)	(1.2)	**(0.5)**

A deferred tax liability had been recognised from intangible assets acquired when Kingfisher Lighting was acquired in 2017.

Movement in deferred tax (asset)/liability during the prior year

£m	1 January 2019	Recognised in income	31 December 2019
Property, plant and equipment	(0.2)	0.2	—
Intangible assets	1.7	(0.1)	1.6
Losses	(0.5)	—	(0.5)
Financial assets and liabilities	(0.1)	—	(0.1)
	0.9	0.1	1.0

12 Inventories

Accounting policy

Inventories are stated at the lower of cost and net realisable value. Cost includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured inventories, cost includes an appropriate share of overheads based on normal operating capacity.

Provision is made for slow-moving and obsolete stock by comparing the stock holding against the product sales for the financial year and applying a provision which is based on an estimation of the likely sales price with reference to the stock category.

£m	**2020**	2019
Raw materials	**5.0**	1.7
Work in progress	**1.0**	0.6
Finished goods	**31.2**	29.9
	37.2	32.2

In 2020, inventories of £104.0m (2019: £114.9m) were recognised as an expense during the year and are included in "cost of sales".

Write-downs of inventories during the year were £0.1m (2019: £0.5m) and were recognised as an expense in the profit and loss account.

Write-downs and reversals are included in "cost of sales". No reversals of stock provision occurred in the current or prior year.

12 Inventories continued

Other estimate – inventory valuation

Assumption	Sensitivity	Potential impact within the next financial year	Potential impact in the longer term
The Group's valuation of inventory is impacted by the inventory provision. The Group establishes its provision as a specific estimated percentage of inventory cost. Percentages are set taking into consideration inventory status (clearance, discontinued or slow-moving) and historic achieved margin for these inventory items. The stock provision is based on each stock item and status at each geographical location.	The Group has an inventory provision of £2.9m which could be impacted by a change in assumptions. If the net realisable value ("NRV") estimate for inventory was increased by 10% the provision would increase by £0.2m. The sensitivity of the stock provision is more prominent in the countries outside of the UK as a greater proportion of stock has a stock status subject to a stock provision. The provision is not significantly impacted by China as the entity predominately has raw materials. Kingfisher Lighting has a low stock holding due to the business model and is therefore not as sensitive to NRV changes. Rest of World entities typically have a more variable number of product lines as market opportunities and share are sought and therefore are more sensitive to NRV changes.	✔	✔

13 Trade and other receivables

Accounting policy
Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

£m	2020	2019
Trade receivables	70.1	42.8
Prepayments and other receivables	1.7	0.8
	71.8	43.6

The following table provides information about the exposure to credit risk and expected credit losses for trade receivables as at 31 December 2020. The loss rate has improved year-on-year due to a reduction in the value and proportion of overdue receivables within the total balance and better collection of overdue balances in the year.

	31 December 2020			1 January 2020		
Age overdue (days)	**Loss rate (%)**	**Gross debtor (£k)**	**Loss amount (£k)**	Loss rate (%)	Gross debtor (£k)	Loss amount (£k)
Current	**0.75%**	**63,468.4**	**476.0**	0.1%	32,984.4	34.2
0-30	**0.79%**	**4,984.7**	**39.4**	2.0%	6,893.8	135.1
30-60	**0.81%**	**2,209.5**	**17.9**	3.9%	2,101.6	83.0
60-90	**2.38%**	**260.8**	**6.2**	7.0%	820.6	57.5
90-120	**1.19%**	**517.9**	**6.2**	10.1%	208.9	21.2
120+	**34.69%**	**355.0**	**123.1**	72.2%	436.6	315.4
Total	**0.37%**	**71,796.3**	**668.8**	1.5%	43,445.9	646.4

14 Cash and cash equivalents

£m	**2020**	2019
Current cash balances	**6.7**	1.4

15 Interest-bearing loans and borrowings

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

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

Terms and debt repayment schedule

£m	Currency	Nominal interest rate	Year of maturity	**Face value[2] 2020**	**Carrying amount[2] 2020**	Face value[2] 2019	Carrying amount[2] 2019
Revolving credit facility	GBP	1.75% + LIBOR	2023	**13.6**	**13.6**	24.8	24.8
Secured bank loan[1]	GBP	1.75% + base rate	2023	**8.6**	**8.6**	1.2	1.2
				22.2	**22.2**	26.0	26.0

1. The secured bank loan comprises the Group's invoice financing facility which is committed until 31 March 2023. Amounts can be drawn until maturity provided the Group holds qualifying receivables.
2. For more information on fair value/carrying value assessment, see note 19 of the consolidated financial statements.

15 Interest-bearing loans and borrowings continued

Terms and debt repayment schedule continued

Bank loans are secured by a fixed and floating charge over the assets of the Group and include funds advanced under invoice financing arrangements of £8.6m (2019: £1.2m), which are secured by legal charges over the Group's book debts (see note 20).

At 31 December 2020 undrawn facilities were £27.8m (2019: £24.0m).

£m	2020	2019
Net debt as at 31 December represented by:		
Revolving credit facility	**13.6**	24.8
Secured bank loans – invoice financing	**8.6**	1.2
Cash and cash equivalents	**(6.7)**	(1.4)
Finance leases	**2.8**	2.8
	18.3	27.4

£m	2020	2019
Net debt movement:		
As at 1 January	**27.4**	32.2
Impact of IFRS 16 adoption	**–**	3.1
Decrease in bank loans	**(3.8)**	(9.8)
Decrease in finance leases	**–**	(0.9)
Cash (in)/outflow	**(5.2)**	2.7
Effect of exchange rate fluctuations on cash held	**(0.1)**	0.1
As at 31 December	**18.3**	27.4

16 Other financial liabilities and provisions

Accounting policy

The Group has leases for the main warehouse and related facilities, offices and production building, plant and machinery, some IT equipment and some vehicles. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. Variable lease payments which do not depend on an index or a rate (such as lease payments based on a percentage of Group sales) are excluded from the initial measurement of the lease liability and asset. The Group classifies its right-of-use assets in a consistent manner to its property, plant and equipment (see note 9). Leases of vehicles and IT equipment are generally limited to a lease term of three to five years. Leases of property generally have a lease term ranging from three years to seven years. Lease payments are generally fixed other than for property leases where rentals are linked to annual changes in an index (either RPI or CPI).

Each lease generally imposes a restriction that, unless there is a contractual right for the Group to sublet the asset to another party, the right-of-use asset can only be used by the Group. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to purchase the underlying leased asset outright at the end of the lease, or to extend the lease for a further term. The Group is prohibited from selling or pledging the underlying leased assets as security. For leases over office buildings and factory premises the Group must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Group must insure items of property, plant and equipment and incur maintenance fees on such items in accordance with the lease contracts.

Provisions

£m	2020	2019
Non-current liabilities		
Provisions	**1.1**	0.8

Provisions relate to the estimated cost of lease dilapidation obligations.

£m	2020	2019
Current liabilities		
Lease liabilities	**1.2**	1.1
Non-current liabilities		
Lease liabilities	**1.6**	1.7

Finance lease liabilities

Finance lease liabilities are payable as follows:

	Future minimum lease payments		Interest		Present value of minimum lease payments	
£m	**2020**	2019	**2020**	2019	**2020**	2019
Less than one year	**1.2**	1.1	**—**	—	**1.2**	1.1
Between one and five years	**1.9**	1.9	**(0.3)**	(0.2)	**1.6**	1.7
	3.1	3.0	**(0.3)**	(0.2)	**2.8**	2.8

Reconciliation of interest payments from cash flow

£m	2020	2019
Interest paid from leases under IFRS 16	**0.1**	0.1
Interest paid excluding interest from leases under IFRS 16	**1.2**	2.0
Interest paid per cash flow	**1.3**	2.1

17 Trade and other payables

Accounting policy

Trade and other payables comprise amounts outstanding for trade purchases and ongoing costs and are measured at amortised cost using the effective interest method. The Directors consider that the carrying amount of trade payables approximates to their fair value. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

£m	2020	2019
Current liabilities		
Trade payables	**39.7**	22.1
Other payables and accrued expenses	**23.9**	16.9
Trade and other payables	**63.6**	39.0

Trade payables increased due to the increased activity in quarter four as result of strong demand.

18 Employee benefits

Defined contribution plans

Accounting policy

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the Consolidated Income Statement in the periods during which services are rendered by employees.

The Group operates a number of defined contribution pension plans. UK-based employees of the Group have the option to be members of a defined contribution pension scheme managed by a third-party pension provider. For each employee who is a member of the scheme, the Company will contribute a fixed percentage of each employee’s salary to the scheme. The only obligation of the Group with respect to this scheme is to make the specified contributions.

The total expense relating to these plans in the current year was £0.7m (2019: £0.9m).

19 Financial instruments

Accounting policy

Financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

a) They include no contractual obligations upon the Company (or Group as the case may be) to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company (or Group)

b) Where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called-up share capital and share premium account exclude amounts in relation to those shares.

Where a financial instrument that contains both equity and financial liability components exists, these components are separated and accounted for individually under the above policy.

Derivative financial instruments and hedge accounting

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the Consolidated Income Statement. Remeasurements to fair value recognised immediately in the Consolidated Income Statement are excluded from adjusted measurements as explained on page 111. However, where derivative transactions qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Investments in subsidiaries are carried at cost less impairment in the Parent Company financial statements.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses, so as to produce a constant rate of return over the period to the date of expected redemption. In instances where the Company has an early redemption option, the term over which financing costs are amortised is the period to the earliest date the option can be exercised, unless there is no genuine commercial possibility that the option will be exercised.

Intra-Group financial instruments

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its Group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

Impairment excluding inventories and deferred tax assets
The Company recognises loss allowances for expected credit losses ("ECLs") on financial assets measured at amortised cost, debt investments measured at FVOCI and contract assets (as defined in IFRS 15).

The Company measures loss allowances at an amount equal to lifetime ECL, except for other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition, which are measured as 12-month ECL.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- The financial asset is more than 120 days past due and if we believe that it will default

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs
ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets
At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit impaired. A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Write-offs
The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the Consolidated Income Statement.

19 Financial instruments continued

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value-in-use and its fair value less costs to sell. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets ("cash-generating unit" or "CGU"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to groups of CGUs which are expected to benefit from the synergies of the combination. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in the Consolidated Income Statement. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro-rata basis.

Financial risk management

Overview

The Group has exposure to the following risks arising from financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

Risk management framework

The Board has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The exposure to credit risk at the reporting date was as follows:

	Carrying amount	
£m	**2020**	2019
Trade receivables	**70.1**	42.8
Cash and cash equivalents	**6.7**	1.4
Financial assets held for trading	**5.5**	—
	82.3	44.2

Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk. The Group's credit risk is significantly reduced as the Group utilises Letters of Credit for its largest customer.

Rapid sales in the last quarter of the year, in part due to strong demand and in part due to Brexit concerns, led to higher trade receivables year-on-year.

The Group has established a credit policy under which each new customer is analysed individually for creditworthiness before standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer and are reviewed regularly. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

All significant Group customers have been transacting with the Group for over three years and, whilst this creates a concentration of credit risk, no impairment losses have been recognised against these customers. In monitoring customer credit risk, customers are grouped according to their characteristics, including whether they are an independent or major multi-national company, geographic location, industry, ageing profile, maturity and existence of previous financial difficulties.

As at 31 December 2020, the Group had an allowance for impairment of £0.6m (2019: £0.6m). The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was as follows:

	Carrying amount	
£m	**2020**	2019
Europe	**65.9**	35.6
North America	**0.2**	0.2
Rest of World	**4.0**	7.0
	70.1	42.8

Of this total balance, £29.6m is with our largest customer and of which £26.2m is under a Letter of Credit.

Cash and cash equivalents

The Group held cash of £6.7m at 31 December 2020 (2019: £1.4m), which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with bank and financial institution counterparties, which are rated "A" to "AA–" based on rating agency ratings.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, both under normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. It has access to a number of sources of finance to manage its liquidity risk.

The following are the contractual maturities of financial liabilities excluding the impact of netting agreements.

31 December 2020 (£m)	Carrying amount	Within 1 year	1-2 years	2-5 years
Non-derivative financial liabilities:				
Secured bank loans – invoice financing	**8.6**	**–**	**–**	**8.6**
Revolving credit facility	**13.6**	**–**	**–**	**13.6**
Financial assets held for trading	**0.5**	**0.5**	**–**	**–**
Finance leases	**2.8**	**1.2**	**0.7**	**0.9**
Trade payables	**39.7**	**39.7**	**–**	**–**
	65.2	**41.4**	**0.7**	**23.1**

19 Financial instruments continued

Liquidity risk continued

31 December 2019 (£m)	Carrying amount	Within 1 year	1-2 years	2-5 years
Non-derivative financial liabilities:				
Secured bank loans – invoice financing	1.2	1.2	—	—
Revolving credit facility	24.8	—	24.8	—
Financial assets held for trading	0.3	0.3	—	—
Finance leases	2.8	1.1	0.7	1.0
Trade payables	21.3	21.3	—	—
	50.4	23.9	25.5	1.0

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Group's income. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Interest rate risk

The Group adopts a policy of monitoring its exposure to changes in interest rates on borrowings to ensure that likely changes do not constitute a material risk to the profitability of the Group.

At 31 December 2020, the Group did not have any interest rate swaps. Interest rate risk is not currently considered to be material given relative stable monetary policies in the jurisdictions in which the Group borrows and the Group's reduced indebtedness.

For the year ended 31 December 2020, a change of 100 basis points in interest rates at the reporting date would have increased/(decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit or loss	
£m	**100bps increase**	**100bps decrease**
31 December 2020		
Variable rate instruments	**(0.2)**	**0.2**
Cash flow sensitivity (net)	**(0.2)**	**0.2**
31 December 2019		
Variable rate instruments	(0.3)	0.3
Cash flow sensitivity (net)	(0.3)	0.3

The Group's capital structure policy is to ensure net debt remains in a range of 1.0 to 2.0 times Adjusted EBITDA (the definition of the adjustments made and reconciliations to the reported figures can be found in note 1 of the consolidated statements on page 108 to 112).

Currency risk

The Group is exposed to currency risk on the following transactions:

- Sales and purchases by a Group company in a currency other than its functional currency
- Flows arising from the servicing of the Group's debt under foreign currency

The Group is also exposed to fluctuations in exchange rates in the translation of net assets and profits earned by its subsidiaries overseas. These profits are translated at average exchange rates for the year, which is an approximation to the rates at the date of the transaction.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group's policy is to ensure that its net exposure is kept to an acceptable level by buying or selling forward.

Exposure to currency risk

The table below shows the extent to which the Group had monetary assets and liabilities denominated in currencies other than the local currency of the Company in which they are recorded:

	2020			2019		
£m	**RMB**	**USD**	**EUR**	RMB	USD	EUR
Trade receivables	**—**	**33.8**	**0.6**	—	13.4	0.4
Bank facilities	**0.3**	**(26.6)**	**0.3**	—	1.2	0.1
Trade payables	**(8.2)**	**(1.7)**	**(0.2)**	(5.8)	(0.7)	—
Net statement of financial position exposure	**(7.9)**	**5.5**	**0.7**	(5.8)	13.9	0.5

The following significant exchange rates were applied during the year:

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

Sensitivity analysis

A strengthening/(weakening) of sterling, as indicated below, against the US dollar and RMB at 31 December would have increased/(decreased) equity and profit or loss by the amounts shown below. This quantifies the impact of a change in value of assets and liabilities denominated in a currency other than the functional currency of that business unit. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the reporting date. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecasted sales and purchases. The analysis is performed on the same basis for 2019, as indicated below.

£m	Equity	Profit/(loss)
31 December 2020		
GBP strengthens against the USD by 10%	**(0.5)**	**(0.5)**
GBP strengthens against the EUR by 10%	**(0.1)**	**(0.1)**
GBP strengthens against the RMB by 10%	**0.7**	**0.7**
31 December 2019		
GBP strengthens against the USD by 10%	(1.3)	(1.3)
GBP strengthens against the EUR by 10%	—	—
GBP strengthens against the RMB by 10%	0.5	0.5

A weakening of sterling against the above currencies at 31 December would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

The Group holds financial derivative instruments to manage the currency risks on USD and RMB used to transact the current and future settlement of monetary assets and liabilities.

19 Financial instruments continued

Accounting classifications and fair values

Fair values versus carrying amounts

The following assets' and liabilities' carrying values meet the definition of financial instruments and are classified according to the following categories:

£m	2020	2019
Assets carried at amortised cost:		
Trade receivables	70.1	42.8
Cash and cash equivalents	6.7	1.4
Assets carried at fair value:		
Financial assets held for trading	5.5	—
Financial assets	82.3	44.2
Liabilities carried at amortised cost:		
Secured bank loans – invoice financing	8.6	1.2
Revolving credit facility	13.6	24.8
Finance leases	2.8	2.8
Trade payable	39.7	21.3
Liabilities carried at fair value		
Financial assets held for trading	0.5	0.3
Financial liabilities	65.2	50.4

The fair value of financial assets and liabilities that are held at amortised cost are considered to be the same as the carrying amounts for the Group.

For trade and other receivables/payables with a remaining life of less than one year, the carrying amount is deemed to reflect the fair value. For cash and cash equivalents, the amount reported on the Consolidated Balance Sheet approximates to fair value. For borrowing at floating rates, the carrying value is deemed to reflect the fair value as it is considered to represent the price of the instrument in the marketplace. For borrowing at fixed rates, the fair values are considered to be the same as the carrying amount reported on the Consolidated Balance Sheet due to the frequent updating of these funding facilities in a competitive market.

The table below analyses financial instruments into a fair value hierarchy based on the valuation technique used to determine fair value.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The only Level 2 instruments for 2020 are financial assets held for trading, which relate to forward exchange contracts. The fair value asset/(liability) is shown below:

£m	2020	2019
Financial asset/(liability) held for trading	5.0	(0.3)

At 31 December 2020, undrawn facilities were £27.8m (2019: £24.0m).

20 Capital management

The Group's primary capital resources comprise share capital, bilateral bank facilities, invoice financing facilities and operating cash flow.

The core debt requirements of the Group are met via a £30m revolving credit facility and £20m invoicing financing facility. Day-to-day working capital requirements are funded primarily by the revolving credit facility.

The Board's policy is to maintain a strong capital base to maintain market confidence and sustain the development of the business, whilst maximising the return on capital to the Group's shareholders. The Group's strategy will be to maintain facilities appropriate to the working requirements of the Group, to grow organically and through acquisition and service its debt requirements through cash flow generation.

The Group has set the following capital structure policies:

- Maintain a net debt : Adjusted EBITDA ("Leverage Ratio") within a target range of 1.0 to 2.0:1, averaging 1.5 across each economic cycle
- Maintain Adjusted EBITDA : Net finance expense ("Interest Cover Ratio") of at least 4.0:1
- Apply a progressive dividend policy, with a payout rate of 40%-60% of adjusted earnings
- Provided it is in compliance with its Leverage Ratio, Interest Cover Ratio and dividend policies, the Company will reinvest cash generated by the business in organic and acquisitive growth opportunities that it believes will generate long-term shareholder value. If insufficient opportunities are available to reinvest cash in this way, the Company will seek ways to return surplus cash to shareholders in order to maintain its Leverage Ratio policy

The Adjusted EBITDA to net debt ratio is calculated in accordance with the Group's loan agreements, as follows:

£m	**2020**	2019
Adjusted EBITDA (see note 1)	**36.1**	25.9
Net debt (see note 15)	**18.3**	27.4
Net debt : Adjusted EBITDA	**0.5**	1.1

The Adjusted EBITDA : Net finance expense ratio is calculated as follows:

Adjusted EBITDA (see note 1)	**36.1**	25.9
Adjusted Net finance expense (see note 1)	**1.3**	2.2
Adjusted EBITDA : Adjusted Net finance expense	**27.8**	11.77

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

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

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

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

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

21 Share-based payments

Accounting policy

Incentives in the form of shares are provided to employees through the following schemes: Company Share Option Plan ("CSOP"), Share Incentive Plan ("SIP") and Long-Term Incentive Plan ("LTIP"). Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of shares that will eventually vest.

The grant date fair value of an equity-settled payment under the SIP is measured as the face value of the award on the date of grant.

The grant date fair value of the awards under the Group's LTIP is measured by the use of the Monte Carlo simulation for any market-related performance conditions (given the increased uncertainty around the potential vesting of share options).

The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. Charges made to the income statement in respect of share-based payments are credited to the reserves.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market-based vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The Group operates an employee share benefit trust as part of its incentive plans for UK-based employees. All assets and liabilities of the trust are recorded in the balance sheet as assets and liabilities of the Company until such time as the assets are awarded to the beneficiaries. All income and expenditure of the trust is similarly brought into the results of the Company. The Company fulfils exercised options with treasury shares the Company has purchased. The proceeds received, net of any directly attributable transaction costs, are credited to treasury shares (nominal value) and share premium.

The share-based payments charge relates to option awards from the LTIP, CSOP and SIP schemes. Vesting periods for the plans range from one to three years and if the options remain unexercised after a period of ten years from the date of grant, the options expire. In addition, options are forfeited if the employee voluntarily leaves the Group before the options vest.

The Group recorded a share-based payment charge of £1.0m (2019: £0.2m) included in the Consolidated Income Statement within administrative expenses.

Share Incentive Plan

All UK-based employees are eligible to participate in the SIP. The scheme enables employees to buy shares in the Group out of their salary, before tax deductions, up to a limit of £1,800 per tax year. The shares acquired are called partnership shares and are held in trust, managed by a third party, on behalf of the employee.

For every partnership share bought by the employee, the Group can award:

a) Matching shares. One share at nil cost

b) Free shares. Up to two shares at nil cost, the number depending on service, subject to a maximum of £3,600 free shares per tax year

For the SIP conditions to be met, the employees must be continuously employed by the Group for a period of at least three years from the date of the award grant. If employees voluntarily leave the Group within the three-year period they must take their shares out of the plan and they will not be entitled to the matching and free shares.

	Number of free shares		Number of partnership and matching shares	
	2020	2019	**2020**	2019
Outstanding at 1 January	**64,666**	67,204	**618,702**	335,250
Granted during the year	**—**	—	**211,566**	331,996
Forfeited during the year	**(4,042)**	(700)	**(12,711)**	(10,821)
Released during the year	**(14,709)**	(1,838)	**(26,233)**	(37,723)
Outstanding at 31 December	**45,915**	64,666	**791,324**	618,702

For the purposes of IFRS 2, the fair value of these matching shares and free shares is determined as the market value of the shares at the date of grant. No valuation model is required to calculate the fair value of awards under the SIP. The fair value of an equity-based payment under the SIP is the face value of the award on the date of grant because the participants are entitled to receive the full value of the shares and there are no market-based performance conditions attached to the awards.

The Group recognised a total expense of £0.1m (2019: £0.1m) in the year relating to matching and free share awards.

Company Share Option Plan ("CSOP")

At the time the free shares were awarded, all eligible employees of the Group were also granted CSOP options. The CSOP options had an exercise price equal to the market value of the share at the date of grant. The ordinary free shares award is subject to condition that it will be automatically exercised at the time the CSOP option is exercised. The options can only be exercisable after the performance period determined by the Board, being three years. CSOP options will normally be exercisable from release until the tenth anniversary of the grant date.

Long-Term Incentive Plan

Awards have been granted to the Chief Executive Officer and the Chief Financial Officer, and other key management personnel within the Group, under the Luceco 2017 Performance Share Plan ("PSP"), which was approved by shareholders at the Company's AGM held on 25 May 2017.

The following awards have been granted in the form of nominal cost options over the number of ordinary shares of 0.05p in the Company under the terms of the PSP, as set out on page 85:

Executive Directors	Role	Number of shares awarded
John Hornby	Chief Executive Officer	329,736
Matt Webb	Chief Financial Officer	282,631

The awards made to the Chief Financial Officer in 2018 have a linked tax-qualifying option over 72,904 shares at an exercise price of 45.15p. On exercise, the number of shares under the nominal cost option will be reduced proportionally to take account of the exercise of the tax-qualifying option such that the individual will not receive a greater number of shares than is subject to the nominal cost option.

Measurement of fair values

The 2020 LTIP awards will vest subject to the satisfaction of performance conditions measuring the Company's Earnings Per Share ("EPS") and total shareholder return ("TSR") performance. The extent to which awards will vest will depend on the extent to which the performance conditions are satisfied over the performance period. For the EPS condition, this runs from 1 January 2020 to 31 December 2022. For the TSR condition, this runs for three years from the three-month average TSR to 14 July 2020, the date of the grant, to the three-month average TSR to 13 July 2023. No consideration was paid for any of the awards.

As the options under the 2020 award include a TSR performance condition, given the increased uncertainty around potential vesting, they have been valued using the Monte Carlo model with the following assumptions:

Directors' and employee share options LTIP award 2020	**2020**	2019
Three-day average share price before options were issued (pence)	**109.33**	75.55
Fair value of share options	**92.2p**	66.9p
Average expected volatility	**85%**	36%
Expected life	**3 years**	3 years
Risk-free rate	**-0.11%**	0.69%

The share-based payments charge of £1.0m (2019: £0.2m) included in the Consolidated Income Statement within administrative expenses is attributable to the LTIP nominal cost options.

21 Share-based payments continued

Measurement of fair values continued

A summary of the number and weighted-average exercise prices of share options under the share option programmes were as follows:

	2020		2019	
	Options	**Weighted-average exercise price**	Options	Weighted-average exercise price
Outstanding at 1 January	**4,790,293**	**0.05p**	3,543,928	0.05p
Granted during the year	**1,516,782**	**0.05p**	1,603,461	0.05p
Forfeited during the year	**(140,853)**	**0.05p**	—	—
Lapsed during the year	**—**	**0.05p**	(357,096)	0.05p
Outstanding at 31 December	**6,166,222**	**0.05p**	4,790,293	0.05p

As at 31 December 2020, a total of 6,166,222 options were outstanding which had an average exercise price of 0.05p, and a weighted average remaining contractual life to vesting of 17 months.

During the year 413,615 tax-qualifying share options were granted to employees (2019: nil) at an average price of nil (2019: nil). During the year the fair value of options granted was £1.5m (2019: £0.4m).

The Group has previously purchased its own shares on the basis that they will be used to fulfil the LTIP and the number of share options granted when they come to be exercised. The purchased shares are held in a Trust which is managed by a third party. At 31 December 2020, the Trust had 6,676,363 shares held at a cost of £6.7m (31 December 2019: 4,749,530 shares at cost of £4.1m). These shares are held within the treasury reserve and are shown in the Consolidated Statement of Changes in Equity.

22 Capital and reserves

Share capital

	Allotted, called up and fully paid		Number of shares in issue (thousands)	
	2020 £	2019 £	**2020 Number**	2019 Number
At 1 January	**80,400**	80,400	**160,800**	160,800
At 31 December	**80,400**	80,400	**160,800**	160,800

All ordinary shares, except for those shares held by the Employee Benefit Trust (“EBT”), carry one vote per share at general meetings of the Company, participate equally with the distribution of dividends and capital (including on a winding up) and are not redeemable.

Reserves

The nature and purpose of each reserve is given below:

- The share premium represents the excess of share value paid for shares
- The treasury reserve arose when the Group bought back equity share capital and this is held in trust by the Trustee of the Group’s EBT to satisfy the Group’s share option schemes. Treasury shares cease to be accounted for as such when the interest is transferred in full to the participant pursuant to the terms of the relevant plan. At 31 December 2020, the EBT held 6,676,363 of the Company’s shares (2019: 4,749,530 shares)
- The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations, as well as the foreign currency translation differences on investments in overseas entities

23 Related parties

Key personnel include executive and non-executive Board members and the senior management team.

The Group has a related party relationship with its subsidiaries and its Directors. Transactions between Group companies, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Company and its subsidiaries are disclosed below. In addition, the remuneration of the Directors, and the details of their interests in the share capital of the Company, are provided in the audited part of the Remuneration Committee Report.

Transactions with key personnel

Key management personnel are defined as Executive and Non-Executive Directors and the senior management team. The compensation of key management personnel is as follows:

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

The aggregate remuneration paid or receivable by Executive and Non-Executive Directors and the value of contributions to money purchase pension schemes in respect of qualifying services are disclosed on page 77. The remuneration figure reflects £2.7m in respect of the Chief Financial Officer's 2018 Performance Share Plan. There were no other gains exercised on share options or under long-term incentive schemes in respect of qualifying services made by any other Executive or Non-Executive Directors in respect of 2020 (2019: nil).

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

24 Ultimate Parent Company, controlling party and changes in significant accounting policies

There is no controlling party.

Company Balance Sheet
at 31 December 2020

£m	Note	2020	2019
Non-current assets			
Investments	26	**1.7**	0.7
Debtors	27	**50.3**	37.9
Net assets		**52.0**	38.6
Capital and reserves			
Called-up share capital	28	**0.1**	0.1
Share premium account		**24.8**	24.8
Treasury reserve		**(6.8)**	(4.1)
Profit and loss account		**33.9**	17.8
Equity		**52.0**	38.6

The accompanying notes on pages 146 to 149 form an integral part of these financial statements.

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

JOHN HORNBY
Chief Executive Officer

MATT WEBB
Chief Financial Officer

Company registered number: 05254883

Company Statement of Changes in Equity

for the year ended 31 December 2020

£m	Share capital	Share premium	Retained earnings	Treasury reserve	Total equity
Balance at 1 January 2019	0.1	24.8	6.0	(1.2)	29.7
Total comprehensive income					
Profit for the year	–	–	13.5	–	13.5
Total comprehensive income for the year	–	–	13.5	–	13.5
Transactions with owners in their capacity as owners:					
Dividends	–	–	(1.9)	–	(1.9)
Purchase of own shares	–	–	–	(2.9)	(2.9)
Share-based payments charge	–	–	0.2	–	0.2
Total transactions with owners in their capacity as owners	–	–	(1.7)	(2.9)	(4.6)
Balance at 31 December 2019	0.1	24.8	17.8	(4.1)	38.6
Total comprehensive income					
Profit for the year	**–**	**–**	**20.0**	**–**	**20.0**
Total comprehensive income for the year	**–**	**–**	**20.0**	**–**	**20.0**
Transactions with owners in their capacity as owners:					
Dividends	**–**	**–**	**(4.9)**	**–**	**(4.9)**
Purchase of own shares	**–**	**–**	**–**	**(2.7)**	**(2.7)**
Share-based payments charge	**–**	**–**	**1.0**	**–**	**1.0**
Total transactions with owners in their capacity as owners	**–**	**–**	**(3.9)**	**(2.7)**	**(6.6)**
Balance at 31 December 2020	**0.1**	**24.8**	**33.9**	**(6.8)**	**52.0**

The accompanying notes on pages 146 to 149 form an integral part of these financial statements.

Notes to the Company Financial Statements

for the year ended 31 December 2020

25 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except as noted below.

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £0.1m. The financial statements are prepared on the historical cost basis.

Under s408 of the Companies Act 2006, the Company is exempt from the requirement to present its own profit and loss account. The Company did not trade during the year.

In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to the end of the period
- Cash flow statement and related notes
- Key management personnel compensation

As the consolidated financial statements of the Company include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 102 in its next financial statements.

Going concern

As highlighted in note 1 to the consolidated financial statements, the Group meets its day-to-day working capital requirements through its cash reserves and a number of funding facilities.

The Group's forecasts and projections show that the Group should be able to operate within the level of funding available.

After making enquiries, the Board has a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. 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 financial statements and therefore have prepared the financial statements on a going concern basis.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

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

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Basic financial instruments

Trade and other debtors/creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

26 Fixed asset investments

Accounting policy – investments

These are the separate financial statements of the Company. Investments in subsidiaries are carried at cost less impairment.

Accounting policy – share-based payments

Incentives in the form of shares are provided to employees through the Company's Share Incentive Plan ("SIP") and Long-Term Incentive Plan ("LTIP") schemes. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of shares that will eventually vest.

The grant date fair value of an equity-settled payment under the SIP is measured as the face value of the award on the date of grant.

The grant date fair value of the awards under the Group's LTIP is measured by the use of the Monte Carlo simulation for any market-related performance conditions (given the increased uncertainty around the potential vesting of share options).

The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. Charges made to the income statement in respect of share-based payments are credited to reserves.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market-based vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The Company fulfils exercised options with treasury shares the Company has purchased. The proceeds received net of any directly attributable transaction costs are credited to Treasury shares (nominal value) and share premium.

The Group operates an employee share benefit trust as part of its incentive plans for UK-based employees.

All assets and liabilities of the trust are recorded in the balance sheet as assets and liabilities of the Company until such time as the assets are awarded to the beneficiaries. All income and expenditure of the trust is similarly brought into the results of the Company.

Where the Company grants options over its own shares to the employees of its subsidiaries, it recognises, in its individual financial statements, an increase in the cost of investment in its subsidiaries equivalent to the equity-settled share-based payment charge recognised in its consolidated financial statements, with the corresponding credit being recognised directly to equity.

Luceco Holdings Limited is the only company which is owned directly. All other companies are owned and controlled by virtue of the Company's holding in Luceco Holdings Limited.

£m	**2020**	2019
Balance at 1 January	**0.7**	0.5
Share-based payment charge relating to subsidiaries	**1.0**	0.2
Balance at 31 December	**1.7**	0.7

Notes to the Company Financial Statements continued
for the year ended 31 December 2020

26 Fixed asset investments continued

The Company holds 100% of the share capital of the following companies (with only Luceco Holdings Limited being a direct investment) whose principal activities were as follows:

Company	Registered office	Principal activity	% of shares held
Luceco Holdings Limited	Luceco Distribution Centre Stafford Park 1, Telford TF3 3BD, UK	Intermediate holding company	100
Luceco UK Limited	Luceco Distribution Centre Stafford Park 1, Telford TF3 3BD, UK	Electrical accessories importer and distributor	100
BG Electrical Limited	Luceco Distribution Centre Stafford Park 1, Telford TF3 3BD, UK	Electrical accessories importer and distributor	100
Luceco Electrical (Jiaxing) Limited	1,438 Jiachung Road Xiuzhou Industrial Park, Jiaxing, Zhejiang 314000, China,	Manufacturing company	100
Masterplug International Trading (Shanghai) Co Limited	Room 101D, 1st Floor Market Business Building No. 2001 North Yangao Road Waigaoqiao Free Trade Zone, Shanghai, China	Dormant	100
Luceco (Hong Kong) Limited Nexus Industries (Hong Kong) Limited	Room 2401, 24th Floor, CC Wu Building, 302-308 Hennessy Road, Wanchai, Hong Kong	Registered office	100
Luceco Inc	Batallon de San Patricio 109 Sur, Col. Valle Oriente San Pedro Garza Garcia, Mexico	Administrative and development office	100
Luceco SAS	3 Rue de Courtalin, 77700 Magny Le Hongre, France	Administrative and development office	100
Luceco GmbH	Holstenplatz 20b, 22765 Hamburg, Germany	Administrative and development office	100
Luceco Mexico	Batallon de San Patricio 109 Sur, Col. Valle Oriente San Pedro Garza Garcia, Mexico	Administrative and development office	100
BG Electrical SDN	No. 2 Jalan SS 24/17, 47301 Petaling Jaya, Selangor, Malaysia	Administrative and development office	100
Nexus Industries PTE Limited	3,791 Jalan Bukit Merah #09-25 (E-center@redhill), Singapore, 159471	Administrative and development office	100
Nexus Industries Design Limited	1,438 Jiachung Road, Xiuzhou Industrial Park Jiaxing, Zhejiang 314000, China	Administrative and development office	100
Luceco Southern Europe SL	CL Bobinadora 1-5, Local 7, 08302 Mataro Barcelona, Spain	Administrative and development office	100
Luceco Middle East FLE	Building 5EB, Office 342, DAFZA PO Box 371128, Dubai	Administrative and development office	100
Kingfisher Lighting Limited	Luceco Distribution Centre Stafford Park 1, Telford TF3 3BD, UK	Electrical accessories importer and distributor	100

27 Debtors

£m	2020	2019
Amounts owed by Group undertakings	**50.3**	37.9

Amounts owed by the Group's subsidiaries are repayable at the Company's discretion and attract interest no interest.

28 Capital and reserves

Accounting policy
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a reduction from equity, net of any tax effects.

	Allotted, called up and fully paid		Number of shares in issue (thousands)	
	2020 £	2019 £	**2020 Number**	2019 Number
At 1 January 2020	**80,400**	80,400	**160,800**	160,800
At 31 December 2020	**80,400**	80,400	**160,800**	160,800

Each ordinary share carries one vote, participates equally with the other ordinary shares in distribution of dividends and capital (including on a winding up) and is not redeemable.

29 Ultimate parent and controlling party

There is no controlling party.

Company Information

Financial calendar

Dividend record date	23 April 2021
Dividend reinvestment plan final date for election	7 May 2021
Annual General Meeting	13 May 2021
Dividend paid	28 May 2021
Half-year end	30 June 2021
Half-year end trading update	20 July 2021
Half-year interim management statement	7 September 2021
Year end	31 December 2021
Full-year preliminary statement	March 2022

Share price history

The following table sets out the reported high, low, average and financial year end (31 December or immediately preceding business day) closing middle market quotations of Luceco's ordinary shares on the London Stock Exchange for the period 1 January 2020 to 31 December 2020.

Share price (pence)	High	Low	Average	Financial year end[1]
2020	**267.0**	**44.0**	**151.0**	**253.0**
2019	130.0	33.0	87.9	126.4

1. Last trading day at the London Stock Exchange, 30 December 2020.

Shareholder queries

Shareholders who change address, lose their share certificates, wish to amalgamate multiple shareholdings or have payments paid directly into their bank account, or otherwise have a query or require information relating to their shareholding, should contact the Company's registrar.

This can be done by writing to **Link Group, 10th Floor, Central Square, 29 Wellington Street, Leeds LS1 4DL**. Alternatively, shareholders can contact **Link Group** on **+44 (0)371 664 0300** (calls cost 12p per minute plus network extras; lines are open 9.00am to 5.30pm Monday to Friday), or on **+44 (0)371 644 0300** if calling from overseas, or email their enquiry to **shareholderenquiries@linkgroup.co.uk**, indicating they are a Luceco shareholder.

Shareholders are also able to access and amend details of their shareholding, via the registrar's website at **www.signalshares.com**. If you have not previously registered to use this facility you will need your investor code, which can be found on your proxy card or on any share certificate issued by Link Asset Services.

You can access the service via the investor relations section of Luceco's website at **www.lucecoplc.com**.

Online shareholder services

Luceco provides a number of services online in the investor relations section of its website at www.lucecoplc.com, where shareholders and other interested parties may:

- View and/or download annual and half-year reports
- Check and/or download current or historic share prices
- Check the amounts and dates of historic payments to shareholders
- Use interactive tools to calculate the value of shareholdings
- Chart Luceco ordinary share price changes against indices
- Register to receive email alerts regarding press releases, including regulatory news announcements, Annual Reports and Company presentations

ShareGift

Luceco supports ShareGift, the share donation charity (registered charity number 1052686). ShareGift was set up so that shareholders who have only a very small number of shares which might be considered uneconomic to sell are able to dispose of them by donating them for the benefit of UK charities. Donated shares are aggregated and sold by ShareGift, the proceeds being passed on to a wide range of UK charities. Donating shares to charity gives rise neither to a gain nor a loss for UK capital gains purposes and UK taxpayers may also be able to claim income tax relief on the value of the donation.

Further information about donating shares to ShareGift is available either from its website at **www.sharegift.org**, by writing to **ShareGift** at **4th Floor Rear, 67/68 Jermyn Street, London SW1Y 6NY** or by contacting them on **+44 (0)20 7930 3737**.

Even if the share certificate has been lost or destroyed, the gift can be completed. The service is generally free; however, there may be an indemnity charge for a lost or destroyed share certificate where the value of the shares exceeds £100.

Unsolicited mail

The Company is obliged by law to make its share register publicly available should a request be received. As a consequence, shareholders may receive unsolicited mail from organisations that use it as a mailing list. Shareholders wishing to limit the amount of such mail should either write to **Mailing Preference Service, DMA House, 70 Margaret Street, London W1W 8SS**, register online at **www.mpsonline.org.uk** or call the Mailing Preference Service (“MPS”) on **+44 (0) 207 291 3310**. MPS is an independent organisation which offers a free service to the public.

Warning to shareholders – boiler room scams

Each year in the UK, £1.2bn is lost to investment fraud, with the average victim losing around £20,000. What is more, it is estimated that only 10% of the people that become victims of investment fraud actually report it.

Investment scams are becoming ever-more sophisticated – designed to look like genuine investments, they are increasingly difficult to spot. They are targeted at those most at risk, typically people in retirement who are actively seeking an investment opportunity.

Protect yourself

1. Reject cold calls

   If you have been cold called with an offer to buy or sell shares, it is likely to be a high-risk investment or scam. You should treat the call with extreme caution. The safest thing to do is hang up.

   If you are offered unsolicited investment advice, discounted shares, a premium price for shares you own, or free company or research reports, you should get the name of the person and organisation contacting you and take these steps before handing over any money.

2. Check the firm on the Financial Services Register at www.fca.org.uk/register

   The Financial Services Register is a public record of all the firms and individuals in the financial services industry that are regulated by the FCA.

   Use the details on the Financial Services Register to contact the firm.

3. Get impartial advice

   Think about getting impartial financial advice before you hand over any money. Seek advice from someone unconnected to the firm that has approached you.

   REMEMBER, if it sounds too good to be true, it probably is!

   If you use an unauthorised firm to buy or sell shares or other investments, you will not have access to the Financial Ombudsman Service or Financial Services Compensation Scheme if things go wrong.

Report a scam

If you suspect you have been approached by fraudsters, please tell the FCA using the share fraud reporting form at https://www.fca.org.uk/consumers/report-scam-us#Report where you can find out more about investment scams. You can also call the FCA Consumer Helpline on **+44 (0)800 111 6768**.

If you have lost money to investment fraud, you should report it to Action Fraud on **+44 (0)300 123 2040** or online at **www.actionfraud.police.uk**.

Find out more at **www.fca.org.uk/scamsmart**.

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Statutory Auditor
Chartered Accountants
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Cautionary statement

This Annual Report and Financial Statements has been prepared for the shareholders of Luceco plc, as a body, and no other persons. Its purpose is to assist shareholders of the Company to assess the strategies adopted by the Group, the potential for those strategies to succeed and for no other purpose. The Company, its Directors, employees, agents or advisers do not accept or assume responsibility to any other person to whom this document is shown or into whose hands it may come and any such responsibility or liability is expressly disclaimed.

This Annual Report and Financial Statements contains certain forward-looking statements that are subject to risk factors associated with, amongst 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 Strategic Report will be realised.

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

Strategic and Directors' Reports

The Strategic Report, the Corporate Governance Report and Financial Statements form a Directors' Report. Both the Directors' Report and Strategic Report have been drawn up and presented in accordance with English company law and the liabilities of the Directors in connection with those reports shall be subject to the limitations and restrictions provided by such law. In particular, the Directors would be liable to the Company (but not to any third party) if the Strategic Report and/or Directors' Report contain errors as a result of recklessness or knowing misstatement or dishonest concealment of a material fact, but would not otherwise be liable.

The Strategic Report forms part of the Annual Report and Financial Statements, full copies of which can be obtained free of charge from the Group's website at **www.lucecoplc.com** or from the Company's registered office.

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