

**LUCECO PLC
2021 INTERIM RESULTS**

Strong progress and well positioned for long-term growth

Luceco plc (“Luceco”, or the “Group” or the “Company”), a manufacturer and distributor of high quality and innovative wiring accessories, LED lighting, and portable power products, today announces its unaudited results for the six months ended 30 June 2021 (“H1 2021” or “the period”).

Six months ended 30 June (£m)	Reported results					Adjusted ¹ results				
	2021	2020	2019	Change vs 2020 (%)	Constant currency change vs 2020 ² (%)	2021	2020	2019	Change vs 2020 (%)	Constant currency change vs 2020 ² (%)
Revenue	108.2	71.6	82.7	51.1%	58.4%	108.2	71.6	82.7	51.1%	58.4%
Gross margin %	38.5%	38.4%	35.0%	0.1ppts		38.5%	38.4%	35.0%	0.1ppts	(0.8ppts)
Operating profit	19.0	8.8	7.0	115.9%		19.2	9.0	7.2	113.3%	123.3%
Operating margin %	17.6%	12.3%	8.5%	5.3ppts		17.7%	12.6%	8.7%	5.1ppts	5.1ppts
Profit before tax	16.6	8.4	5.3	97.6%		18.5	8.3	6.1	122.9%	
Profit after tax	13.4	6.8	4.1	97.1%		15.0	6.7	4.9	123.9%	
Basic earnings per share	8.7p	4.4p	2.6p	97.7%		9.8p	4.3p	3.1p	127.9%	
Net debt	24.3	22.7	36.4	7.0%						
Net debt : EBITDA ³						0.5x	0.8x	1.5x	(37.5%)	
Free cash flow	5.0	6.7	2.1	(25.4%)		5.0	10.2	5.1	(51.0%)	
Return on capital invested						42.5%	24.5%	18.3%	18.0ppts	
Dividend per share ⁴	2.6p	1.5p	0.6p	73.3%						

1. The definitions of the adjustments made and reconciliations to the reported figures can be found in note 1 of the condensed consolidated financial statements

2. H1 2021 translated at H1 2020 exchange rates. These were 1.26 for £: US dollar and 9.04 for £: RMB. Further details in note 10 of the condensed consolidated financial statements

3. Last 12 months earnings before net finance expense, tax, depreciation and amortisation

4. H1 2020 excludes the one-off special interim dividend of 1.7p paid in 2020 in lieu of the suspended final dividend payment for 2019

Financial highlights

- Revenue increased to £108.2m:
 - £36.6m (51.1%) higher than a COVID-disrupted H1 2020
 - £25.5m (30.8%) higher than H1 2019, underlining the extent of our ongoing market share gains
- Gross Margin of 38.5%:
 - 0.1ppts higher than H1 2020
 - 2.3ppts lower than H2 2020's record levels, as expected, due to temporary compression from cost inflation, but with operating margins supported by high operating leverage on increased sales
- Adjusted Operating Profit of £19.2m, more than double H1 2020 and H1 2019:
 - Material expansion in Adjusted Operating Margin to 17.7%
- Net debt to Adjusted EBITDA at 0.5x providing substantial capacity for future investment in growth
- Proposed interim dividend of 2.6p, 73.3% higher than H1 2020

Business highlights

- Generally favourable market conditions:
 - Healthy UK residential RMI market throughout the first half
 - Improving conditions in UK commercial and institutional and overseas markets
 - Sources of growth increasingly diversified



- Progress in favourable conditions maximised by:
 - Steady pipeline of new business wins
 - Superior channel access
 - Actions taken to increase product availability despite widespread supply chain delays, facilitated by our vertically integrated model
- Impact of cost inflation on gross margin mitigated by manufacturing efficiency gains, proactive selling price updates and hedging, in an increasingly challenging environment
- On track to deliver ambitious ESG objectives for 2021
- On track to launch new EV charger range in H2 2021
- Luceco has performed well during COVID and should continue to prosper as the effects of the pandemic recede:
 - Shift toward home working should drive a structural uplift in our core residential RMI market
 - COVID has accelerated the existing shift in electrical product distribution toward our largest sales channels
 - Agile business model and vertical integration has proved a clear advantage in changing market conditions
 - Healthy post-COVID profitability, cash generation and balance sheet will support investment in future growth

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

“The Group has outperformed the market throughout its history thanks to its leading brands, strong channel relationships, well-invested product innovation and operational agility. The competitive advantages of our business model have been accentuated during COVID, accelerating our market share gains. As a result, in the first half, we have increased Group revenue by 31% and doubled Adjusted Operating Profit against pre-pandemic levels.

COVID has also brought severe supply chain disruption to our industry, driving significant cost inflation and making it harder for all participants to serve the customer. We have navigated these challenges comparatively well, adjusting inventory cover, production levels and prices proactively. We have managed to protect our overall margins and deliver strong profit growth in favourable market conditions. Cost pressures are expected to increase in the near-term as the global economy gathers steam at the end of the pandemic. Our gross margins will inevitably see some temporary compression during this phase, but I expect this to be compensated by good operating leverage from sales growth.

Thanks in large measure to the dedication of the entire Luceco team, I believe the Group is well positioned to continue to prosper as markets eventually adapt to a post-pandemic future.”

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

Luceco plc	Contact
John Hornby, Chief Executive Officer	020 3128 8572 (Via MHP Communications)
Matt Webb, Chief Financial Officer	020 3128 8572 (Via MHP Communications)

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There will also be a live presentation relating to the 2021 Interim Results via the *Investor Meet Company* platform on 13 September 2021 at 11:00am BST. The presentation is open to all existing and potential shareholders. Questions can be submitted pre-event via your *Investor Meet Company* dashboard up until 9am the day before the meeting or at any time during the live presentation. Investors can sign up to *Investor Meet Company* for free via:

<https://www.investormeetcompany.com/luceco-plc/register-investor>

Investors who already follow Luceco on the platform will automatically be invited.

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

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



Business summary

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

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

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

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

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

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

Further information on the Group can be found on www.lucecoplc.com.

Forward-looking statements

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

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

Use of alternative performance measures

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



CHIEF EXECUTIVE OFFICER'S REVIEW

Overview

The Group has a long track record of outperforming the market. Since its formation in 2000, it has grown twice as fast as the UK Construction RMI market that it largely serves. Our strategy for success – leading brands sold through established sales channels, supported by product innovation and an agile supply chain – endured throughout the 19 years that followed until the world encountered COVID.

COVID has created an appalling global public health crisis. It also created a set of market conditions that accentuated our sources of competitive advantage. Our diverse sales channel access, with a bias toward multi-channel distributors, provided continuous and relatively healthy demand as markets responded differently to COVID. Our production capacity increased faster than others to meet robust post-lockdown market demand. Our team on the ground in China secured scarce sea containers amid a global shortage to ensure deliveries were made on time. Our sales teams continued to win new business throughout the pandemic as customers recognised our ability to deliver consistently in changing circumstances. Widening the gap between us and the competition in these and other ways accelerated our rate of market outperformance. Our revenue is now 31% higher than it was pre-pandemic. This trend has continued as our key markets have begun to transition from a pandemic to endemic footing this year, suggesting the advantage we have gained is here to stay.

In 2020, COVID created relatively good conditions in the Residential RMI market, as people spent more time and money in and on their homes. This has continued into the first half of 2021 and been joined by an improvement in demand for LED retrofits in commercial and institutional settings in the second quarter, broadening our sources of growth.

We have made a decent start to the third quarter. We have an encouraging order book from Hybrid and Retail customers that we are working hard to ship amid continued sea container shortages, and macro leading indicators such as planning applications and architect/surveyor workloads suggest a good second half. We have recently seen a softening in late July and August in previously very robust UK Professional Wholesale demand which has slowed the Group's rate of revenue growth compared to H1. This could be attributable to both contractors and homeowners taking well-earned post-lockdown holidays *en masse* at the end of the academic year, but we are keeping the situation under review.

Healthy market conditions have been beneficial to our performance but increased demand for goods over services during COVID has also brought widespread supply chain disruption, making it more difficult for us all to serve the customer, and resulting in cost inflation. The average cost of copper and plastic in 2021 to date has been 37% and 71% higher than 2020 respectively. The cost of a sea container from China to the UK has increased nearly five-fold over the same period. We estimate the total annual cost of inflation to Luceco to date will be £20m, a 15% increase in our cost of goods sold, of which £13m will arise in 2021 and £7m will be deferred into later years by hedging arrangements.

We have had little option but to update our selling prices in response to this industry-wide phenomenon, albeit with a slight lag due to notice periods and order lead times. We expect 75% of our update to be in place by the start of the fourth quarter, with the remaining 25% to follow in early 2022. Some of the profit gap caused by the lag has been filled by impressive efficiency gains from earlier manufacturing investment, whilst strong operating leverage from 2021's sales growth has further mitigated the impact at the operating margin level.

A selling price update of this magnitude whilst gaining share underlines both the value of our brands and the widespread nature of the underlying inflation. We have navigated the inflation challenge well to date but we are not complacent. The mathematical reality is that cost inflation will always dilute the gross margin % even if every pound is passed through. This situation is also fast moving. For instance, we have recently received notification of a further 40% increase in sea container rates for the fourth quarter that we may not be able to pass through until early 2022. All of this leads me to conclude that we will see some gross margin compression as we navigate this post-lockdown inflationary phase in the second half, albeit mitigated by solid operating leverage on strong sales growth. We continue to expect to achieve Adjusted Operating Profit of £39m for FY 2021, as previously guided, although temporary margin compression and the recent softening in Professional Wholesale demand over the summer may have curtailed any potential upside.

We have worked hard to insulate our customers from widespread supply chain disruption. We have delivered a further increase in output from our production facility in China, from last year's record levels. Our team there have had an outstanding year to date. We have leveraged our extensive network of OEM component suppliers in China and Taiwan to mitigate global integrated circuit shortages. We have increased our inventory cover to combat extended third-party supplier lead times, with the latter increasing through COVID from an average of 87 to 134 days. We successfully implemented market-leading software to manage our fulfilment operations, improving order fill rates and delivery capacity. These agile actions collectively turned a cause of potential disruption into a source of market share gain. Whilst I am very pleased with our efforts to maximise product availability during COVID, it would be remiss of me not to highlight that there is still the potential for the more contagious delta variant to disrupt supply chains in countries



with lower vaccination levels or COVID-free strategies, such as China which is of course important to us. Recent partial closures of the Meidong and Yantian ports in China illustrate the potential of localised COVID outbreaks to still impact our short-term forecasts.

Whilst COVID continues to challenge us in different ways, we have found time to advance our strategy. We have accelerated our manufacturing transformation initiative, improving efficiency and adding capacity for the future. We have continued to invest in our supply chain transformation initiative, implementing new software and adopting more efficient working practices as previously described. We have been very active in seeking M&A opportunities and, whilst we have not completed any acquisitions in the period, I am increasingly positive about the role that M&A can play in both bringing additional professional brands into our portfolio and perhaps adding some geographic diversity to our sources of supply. We have increased our marketing efforts with a focus on improving our brand presence and engagement with the contractor directly. We have made good progress in the ESG area, delivering many of the targets we had set for ourselves this year, as described in more detail in the Chief Financial Officer's Review. We have also launched our new Commercial Power range and plan to expand significantly our range of EV chargers before the year-end.

As we look ahead with cautious optimism to a world in which we hope COVID can be managed safely and with less economic disruption, I believe Luceco has emerged from the COVID pandemic to date stronger and well positioned for the future, with clear long-term growth drivers. Whilst our core Residential RMI market has undoubtedly been buoyant during COVID, there are reasons to believe there will be a permanent shift in consumer spend toward the home following an inevitable permanent shift in working location. Surveys suggest COVID has driven more contractors permanently toward multi-channel distribution, which favours some of our key sales channels. We are well positioned to exploit the electrification of energy to meet climate goals, particularly within EV charging. Our balance sheet, profitability and cash flow have all improved during COVID, unlike many others.

In short, we are well positioned to continue to invest in both organic and acquisition opportunities to maintain the market outperformance that has been Luceco's hallmark.

Performance by sales channel

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 following table, at constant exchange rates, outlines revenue by channel and the growth rates versus H1 2020 and H1 2019:

	£m	% of	Growth v	Growth v
Revenue by sales channel at constant exchange rates	2021	Total	2020 %	2019 %
Retail	37.5	33%	55.4%	33.9%
Hybrid	30.2	27%	80.1%	79.9%
Professional Wholesale	31.6	28%	63.1%	35.5%
Professional Projects	14.1	12%	24.4%	(6.3%)
TOTAL at constant exchange rates	113.4	100%	58.4%	36.4%
Currency impact	(5.2)		(7.3%)	(5.6%)
TOTAL	108.2		51.1%	30.8%

The table makes clear that our 31% increase in revenue versus pre-pandemic levels, significantly better than the wider market, has been broadly based albeit with some obvious highlights.

Progress in the Retail channel has been driven by healthy demand from UK DIY, supported by key business wins in the Wiring Accessories category, and good progress with major DIY chains in Continental Europe.

We estimate that Hybrid operators, of whom we have a greater than average share, outperformed the wider market in 2020 by 32% due to their multi-channel business model and this has continued in 2021. We supplemented this benefit with key business wins, particularly in the Circuit Protection category, leaving Hybrid sales considerably higher than pre-pandemic levels with no sign of a slow-down as contractors regain their choice of distribution channel.

Professional Wholesale recovered very strongly in the first half of 2021 after a prior year punctuated by COVID-enforced branch closures. We believe we served this recovery better than most with good product availability. We continue to see the strongest growth from the minority of wholesalers with good online ordering options.

Professional Projects was the only channel to fall short of pre-pandemic revenue levels, albeit that this shortfall occurred in the first quarter, with second quarter revenue surpassing 2019 levels by 13%. Commercial and institutional demand continues to improve with confidence returning to the LED project market, further diversifying our sources of growth.

Performance by product group

The Group's operating segments are defined by its three major product groups: Wiring Accessories, LED Lighting and Portable Power. Segmental operating profit is stated after the proportional allocation of fixed central overheads. Segmental profit contribution, before fixed central overheads, is also shown to illustrate the likely profit impact of future growth.

Wiring Accessories

	Adjusted ¹			Reported		
	H1 2021	H1 2020	Change	H1 2021	H1 2020	Change
Revenue	£53.7m	£31.3m	71.6%	£53.7m	£31.3m	71.6%
Contribution profit	£19.6m	£10.9m	79.8%	£19.6m	£10.9m	79.8%
Contribution margin %	36.5%	34.8%	1.7ppts	36.5%	34.8%	1.7ppts
Operating profit	£15.2m	£7.3m	108.2%	£15.2m	£7.3m	108.2%
Operating margin %	28.3%	23.3%	5.0ppts	28.3%	23.3%	5.0ppts

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

Wiring Accessories is the Group's largest and most profitable segment, generating 50% of Group revenue, with a brand established over 80 years ago.

Our Wiring Accessories sales are now nearly 60% higher than pre-pandemic levels. We have secured important new business in both the Hybrid and Retail channels and flexed our manufacturing output to meet the extra volume. Our Circuit Protection sales are two-and-a-half times larger than pre-pandemic levels due to new business wins and favourable regulatory changes. This product group was first introduced in 2010 and has grown organically to become a £30m annual sales category, underlining the Group's ability to develop products and extend its brand.

Inflationary pressure on profitability was successfully offset by manufacturing efficiency gains and by achieving increased sales without the need for extra sales resources.

LED Lighting

	Adjusted ¹			Reported		
	H1 2021	H1 2020	Change	H1 2021	H1 2020	Change
Revenue	£26.9m	£19.8m	35.9%	£26.9m	£19.8m	35.9%
Contribution profit	£4.5m	£2.6m	73.1%	£4.5m	£2.6m	73.1%
Contribution margin %	16.7%	13.1%	3.6ppts	16.7%	13.1%	3.6ppts
Operating profit	£2.3m	£0.9m	155.6%	£2.1m	£0.7m	200.0%
Operating margin %	8.6%	4.5%	4.1ppts	7.8%	3.5%	4.3ppts

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

LED Lighting generates 25% of Group revenue.

Revenue increased by 35.9% in the year and by 5.1% over H1 2019. The business experienced a slow start to 2021 with lighting projects curtailed by COVID lockdowns and associated site access constraints. This improved in the second quarter, with LED project revenue surpassing 2019 levels. Our project order book suggests demand will remain good throughout the important educational retrofit cycle in the third quarter.

Segmental profitability improved to an 8.6% Adjusted Operating Margin despite COVID headwinds and inflationary pressures. We secured pricing updates in our most technical lighting categories. We designed and sourced cheaper versions of existing lines to offset increased commodity costs. We won new business in channels with low additional cost to serve. Increasing sea container costs present a challenge to segmental profitability given lighting's relatively low value density.



Portable Power

	Adjusted ¹			Reported		
	H1 2021	H1 2020	Change	H1 2021	H1 2020	Change
Revenue	£27.6m	£20.5m	34.6%	£27.6m	£20.5m	34.6%
Contribution profit	£4.0m	£3.1m	29.0%	£4.0m	£3.1m	29.0%
Contribution margin %	14.5%	15.1%	(0.6ppts)	14.5%	15.1%	(0.6ppts)
Operating profit	£1.7m	£0.8m	112.5%	£1.7m	£0.8m	112.5%
Operating margin %	6.2%	3.9%	2.3ppts	6.2%	3.9%	2.3ppts

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

Portable Power represents 25% of Group revenue. We hold a leading position in the UK portable power market, supported by a brand established over 30 years ago.

Segmental revenue is 20.0% higher than pre-pandemic levels thanks to business wins with UK and European DIY multiples and independent chains, as well as good progress in the US market despite stiffening freight and tariff barriers.

Profitability expanded, but progress was limited by high inflation impacting what is a high copper content and low value density product group. Some margin compression is expected in the second half before pricing resets deliver better profitability during 2022.

Outlook

The Group has outperformed the market throughout its history thanks to its leading brands, strong channel relationships, well-invested product innovation and operational agility. The competitive advantages of our business model have been accentuated during COVID, accelerating our market share gains. As a result, in the first half, we have increased Group revenue by 31% and doubled Adjusted Operating Profit against pre-pandemic levels.

COVID has also brought severe supply chain disruption to our industry, driving significant cost inflation and making it harder for all participants to serve the customer. We have navigated these challenges comparatively well, adjusting inventory cover, production levels and prices proactively. We have managed to protect our overall margins and deliver strong profit growth in favourable market conditions. Cost pressures are expected to increase in the near-term as the global economy gathers steam at the end of the pandemic. Our gross margins will inevitably see some temporary compression during this phase, but I expect this to be compensated by good operating leverage from sales growth.

Thanks in large measure to the dedication of the entire Luceco team, I believe the Group is well positioned to continue to prosper as markets eventually adapt to a post-pandemic future.

JOHN HORNBY
Chief Executive Officer

CHIEF FINANCIAL OFFICER'S REVIEW

Income Statement

Revenue

Revenue increased by £36.6m (51.1%) to £108.2m in the period. The primary drivers are shown below:

Revenue bridge:	£m	Change %
H1 2020	71.6	
Like-for-like increase	41.8	58.4%
H1 2021 in constant currency¹	113.4	
Currency movements	(5.2)	(4.6%)
H1 2021	108.2	

1. H1 2021 translated at H1 2020 exchange rates

Depreciation of the US Dollar against sterling reduced the value of our dollar-denominated Free On Board ('FOB') sales, resulting in a currency headwind to revenue.

Like-for-like growth absent currency movements was 58.4% against a prior year comparative weakened by COVID restrictions in the second quarter of 2020 and 30.8% on a reported basis against pre-pandemic H1 2019. Significant growth during COVID has been achieved by a steady pipeline of new business wins, superior sales channel access and actions taken to maximise product availability despite pandemic-driven supply chain disruption.

The split of revenue by geography is as follows:

Revenue by geographical location of customer	H1 2021 £m	% total revenue	H1 2020 £m	% total revenue	Growth %
UK	89.2	82.5	56.1	78.4	59.0%
Europe	10.1	9.3	7.2	10.1	40.3%
Middle East and Africa	2.6	2.4	3.9	5.4	(33.3%)
Asia Pacific	2.2	2.0	1.3	1.8	69.2%
Americas	4.1	3.8	3.1	4.3	32.3%
Total revenue	108.2	100.0	71.6	100.0	51.1%

Growth by geography largely reflects levels of COVID disruption in each country. The UK continued to allow construction and defined hardware stores as essential throughout, allowing us to grow our sales healthily. European DIY chains have been forced to close at different times in 2021, disrupting progress somewhat, but the situation is now improving.

The Middle East and Africa were not meaningfully impacted by COVID until the second half of 2020, presenting a tough comparative for the first half of this year, but our current pipeline of LED projects indicates a better third quarter.

Growth in the Americas was driven by increased sales of Portable Power products to US DIY chains.

Profitability

The Group has significantly improved its profitability over the last three years. Key to this has been gross margin, which has increased from 27.3% in H1 2018 to 38.5% in H1 2021 through pricing updates and the delivery of sustained reductions in product cost from improved sourcing and manufacturing.

As explained in the Chief Executive Officer's Review, severe cost inflation brought about by COVID has placed the margin of all manufacturers under pressure. We have worked hard to protect ours, delivering Adjusted Operating Margin of 17.7% in H1 2021 versus 17.0% in FY 2020 and 12.6% in a COVID-disrupted H1 2020.



The table below summarises the drivers of our improved profitability in the period:

Profitability bridge:	Adjusted¹ Operating Profit £m	Adjusted¹ Operating Margin
H1 2020	9.0	12.6%
Cost inflation net of selling price updates	(2.4)	(3.5%)
Manufacturing efficiency gain	1.5	2.1%
Operating leverage on sales growth	12.0	6.5%
Currency movements	(0.9)	-
Total movement	10.2	5.1%
H1 2021	19.2	17.7%

1. Half Year 30 June 2020 translated at 2021 exchange rates to calculate constant exchange rates impact

Inflation increased our cost of goods sold by £3.0m and overheads by £0.5m, of which was £1.1m was passed on in selling price updates and £1.5m offset by manufacturing efficiency gains. The benefit of selling price updates lags cost inflation due to notice periods required to implement price changes and order lead times. The resulting net profit gap of £0.9m reduced operating margin by 1.4%, which was offset by strong operating leverage on sales growth, leaving margins ahead of last year overall.

We expect product cost inflation of £3.0m in H1 to increase to £10.0m in H2 as we sell more products at more recent increased cost, experience higher container costs and replace our currency and copper hedging with new cover at higher rates. It is inevitable that cost inflation at these levels will mathematically reduce the margin percentage even when all is passed through. To illustrate, if we had experienced the additional £7.0m of inflation forecast for H2 in H1 and fully offset it with higher selling prices, our profit would have been unchanged, but our gross margin would have reduced from 38.5% to 36.2%. It is therefore reasonable to expect some gross margin compression in the second half even as our selling price updates deliver further benefit. Our profitability will continue to benefit from high operating leverage on good sales growth and we therefore expect H2 2021 Adjusted Operating Margin to be similar to FY 2020 which would be a strong performance in the circumstances.

Strong share price growth over the last three years has accrued unusually significant value in the Group's long-term share option scheme. 2.4m options, granted in 2018 when the Company's share price was approximately one-tenth of its current value, are due to vest for UK scheme participants in H2 2021. The Company will need to pay employers National Insurance on their value. I estimate this will cost approximately £1.5m, with the charge being taken as and when option holders choose to exercise vested options.

Net finance expense

Average debt levels in H1 2021 have been lower than H1 2020 and borrowing costs have reduced, but we have yet to see the full benefit of this within net finance expense. Strong sales have increased bank charges for the letters of credit we use with certain FOB customers, leaving the net finance expense unchanged from prior year at £0.7m. We are moving away from letters of credit in H2 which will save cost and speed up cash collection.

Taxation

An effective tax rate of 18.9% is expected for 2021 versus 19.3% in the prior year. This is lower than earlier years due to better tax planning.

Adjusted Free Cash Flow

	H1 2021	H1 2020	LTM ³ H1 2021
	£m	£m	£m
Adjusted¹ Free Cash Flow			
Operating profit	19.2	9.0	40.2
Depreciation and amortisation	2.9	2.8	6.2
EBITDA	22.1	11.8	46.4
Changes in working capital	(9.8)	1.6	(14.5)
Other items	0.8	0.4	1.5
Operating Cash Flow	13.1	13.8	33.4
Operating cash conversion ²	68.2%	153.3%	83.1%
Net capital expenditure	(3.0)	(1.7)	(5.7)
Interest paid	(0.7)	(0.7)	(1.3)
Tax paid	(4.4)	(1.2)	(8.9)
Free Cash Flow	5.0	10.2	17.5
Free Cash Flow as % Revenue	4.6%	14.2%	8.2%

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

2. Adjusted Operating Cash Conversion is defined as Adjusted Operating Cash Flow divided by Adjusted Operating Profit

3. Results for the 12 months ended 30 June 2021

H1 2021 Adjusted Free Cash Flow margin of 4.6% was lower than recent trends due to a £9.8m increase in working capital. This was driven by an increase in inventory partly offset by quicker collection of receivables. The inventory increase arose from a doubling of sea container lead times from China that left more of our inventory in transit and therefore unproductive. It was also the result of a temporary strategic increase in safety stocks in our sales organisation to ensure customer service continuity in an unsettled supply chain. We expect both factors to ameliorate over time, driving better cash conversion in H2.

Capital expenditure

The Group's net capital expenditure consists of capitalised product development costs and the purchase of physical assets.

During the period we capitalised £3.0m of assets including £0.3m of product development costs. This compares to £1.7m in the prior year. Our capex spend as a percentage of revenue was 2.9%, just under our expected range of 3-4%.

We invested £0.6m in our now completed Warehouse Management System ('WMS') and upgraded our demand planning software. Both will deliver better logistics efficiency and improve stock turn.

We expect a slight increase in capex in the second half of the year as a hopefully more predictable supply chain environment allows us more time to invest in manufacturing automation.

Capital structure and returns

Capital structure

The Group used its £5.0m of Adjusted Free Cash Flow to fund dividends of £7.2m and EBT share purchases of £1.3m. Net debt increased from £18.3m on 31 December 2020 to £24.3m on 30 June 2021, which included an additional £2.3m of IFRS 16 indebtedness from extending the lease on our main UK operating site. Our IFRS 16 debt adjustment now totals £4.5m.

Increased profitability has lowered our net debt leverage and increased our borrowing capacity as shown below:

£m	2021	2020	Change
Reported net debt	£24.3m	£22.7m	£1.6m
Add: Non-recourse debt factoring	—	£1.5m	(£1.5m)
Normalised net debt	£24.3m	£24.2m	£0.1m
Normalised net debt : Adjusted EBITDA	0.5	0.8	(0.3)

Borrowing covenants and covenant headroom:

H1 2021 covenant	Covenant	Actual	Headroom
Net debt : Adjusted EBITDA	2.5 : 1	0.5	Net debt headroom: £91.7 ¹ m Adjusted EBITDA headroom: £36.7m
Adjusted EBITDA : Net finance expense	4.0 : 1	35.7	Adjusted EBITDA headroom: £41.2m Net finance expense headroom: £10.3m

1. Headroom with increased facility. Current facility headroom is £30.2m

The Group's internal leverage policy limit of net debt at or below 2x Adjusted EBITDA affords circa £80m of additional borrowing for acquisitions, assuming those acquisitions are bought for on average 9x Adjusted EBITDA. Our committed borrowing facilities total £50.0m, of which £30.2m was undrawn at period end. We aim to replace these in the second half with an enlarged, longer-dated facility that better matches our capacity to borrow.

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

	Adjusted H1 2021	Adjusted H1 2020
Basic Earnings Per Share (pence)	9.8	4.3
Net debt : Adjusted EBITDA (times)	0.5	0.8
Free Cash Flow (£m)	5.0	10.2

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

The Group complied with its covenant requirements throughout the year with significant headroom on all metrics. The Group has conducted a full going concern review and this is outlined in note 1 of the condensed consolidated financial statements. The Group has a 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.

Return on capital

Return on Capital Invested exceeded our target in the period at 42.5% - above our target range of 30-40%.

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.

Dividends

The Board is proposing a 40% payout of Adjusted Profit After Tax, with a third being paid out at the interim stage. It is therefore proposing an interim dividend of 2.6p which will be paid on 22 October 2021 to shareholders on the register on 17 September 2021.

Impact of foreign exchange movements

A summary of the condensed 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:



	H1 2021	Currency impact		H1 2021	Constant currency		H1 2020
	Adjusted			Adjusted	variance to H1 2020		Adjusted
	actual ¹	£m	%	at constant	£m	%	actual
	£m	£m	%	currency ²	£m	%	£m
Revenue	108.2	(5.2)	(4.6%)	113.4	41.8	58.4%	71.6
Cost of sales	(66.5)	4.3	(6.1%)	(70.8)	(26.7)	60.5%	(44.1)
Gross profit	41.7	(0.9)	(2.1%)	42.6	15.1	54.9%	27.5
Gross margin %	38.5%		0.9ppts	37.6%		(0.8ppts)	38.4%
Operating costs	(22.5)	-	-	(22.5)	(4.0)	21.6%	(18.5)
Operating profit	19.2	(0.9)	(4.5%)	20.1	11.1	123.3%	9.0
Operating margin %	17.7%		-	17.7%		5.1ppts	12.6%

1. Translated at H1 2021 average exchange rates
2. Translated at H1 2020 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 increased from last year creating a revenue headwind. The RMB strengthened slightly against sterling, increasing the cost of our products but our hedging limited the overall currency impact in the period to just £0.9m.

The commentary above focuses on Adjusted metrics (see note 1) which, the Board believes are a better indicator of performance. Our Reported performance was lower than our Adjusted performance due largely to a decrease in the fair value of currency hedging. The following table summarises Reported key lines from the condensed consolidated income statement:

Summary of results (£m)	Reported 2021	Reported 2020
Revenue	108.2	71.6
Operating profit	19.0	8.8
Profit before tax	16.6	8.4
Taxation	(3.2)	(1.6)
Profit for the year	13.4	6.8

Environmental, Social and Governance ('ESG') update

As a reminder, the Group set the following ESG objectives for 2021:

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

75% of the Group's Scope 1 and 2 GHG emissions arise from electricity. We have arranged for this to switch to renewable sources and we will offset the remaining 25% with high quality carbon credits whilst we invest to eliminate the emissions at source over the coming years.

We have now quantified our Scope 3 emissions for the first time, which is a foundational step toward setting science-based targets ('SBTi'). We will publish the emissions details at year-end.

We filed our first submission to the Carbon Disclosure Project, thereby increasing the transparency and scrutiny of our climate performance and goals. We will set targets for our CDP rating once we know the outcome of our first assessment.

We will provide further details on our comprehensive ESG strategy, together with the timeline for participating in the SBTi at year-end.

MATT WEBB
Chief Financial Officer

GOING CONCERN

The directors have reviewed the current financial performance and liquidity of the business, and assessed its resilience to a reduction in sales through a series of scenarios. The directors report that, having reviewed current performance and forecasts, they have a reasonable expectation that the Group has adequate resources to continue its operations for the foreseeable future. For this reason, they have continued to adopt the going concern basis in preparing the interim financial statements.

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

The principal risks identified, and actions taken to minimise their potential impact are: risk associated with coronavirus, concentration risks associated with operations, concentration risk associated with customers and products (including product and shipping cost inflation), macroeconomic and political and environmental, loss of IT / data, loss of key employees, acquisitions, legal and regulatory and finance and treasury. This is not an exhaustive list but those the Board believes may have an adverse effect on the Group's cash flow and profitability. See pages 36 to 41 in the 2020 Annual Report and Accounts for a full review of principal risks and their impact and mitigation of them.

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with *IAS 34 Interim Financial Reporting* as adopted for use in the UK;
- the interim management report includes a fair review of the information required by:
 - (a) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
 - (b) DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

Approved by the Board on 7 September 2021 and signed on its behalf.

JOHN HORNBY
Chief Executive Officer

MATT WEBB
Chief Financial Officer



**Condensed Consolidated Income Statement
for the period ended 30 June 2021**

	Note	Adjusted Adjustments ¹		H1 2021 £m	Adjusted Adjustments ¹		H1 2020 £m	FY 2020 £m
		H1 2021 £m	H1 2021 £m		H1 2020 £m	H1 2020 £m		
Revenue	2	108.2	-	108.2	71.6	-	71.6	176.2
Cost of sales		(66.5)	-	(66.5)	(44.1)	-	(44.1)	(106.0)
Gross profit		41.7	-	41.7	27.5	-	27.5	70.2
Other income		-	-	-	1.0	-	1.0	-
Distribution expenses		(3.7)	-	(3.7)	(3.1)	-	(3.1)	(8.6)
Administrative expenses		(18.8)	(0.2)	(19.0)	(16.4)	(0.2)	(16.6)	(32.0)
Operating profit	2,3	19.2	(0.2)	19.0	9.0	(0.2)	8.8	29.6
Finance income		-	-	-	-	0.3	0.3	5.3
Finance expense		(0.7)	(1.7)	(2.4)	(0.7)	-	(0.7)	(1.3)
Net finance expense		(0.7)	(1.7)	(2.4)	(0.7)	0.3	(0.4)	4.0
Profit before tax		18.5	(1.9)	16.6	8.3	0.1	8.4	33.6
Taxation	4	(3.5)	0.3	(3.2)	(1.6)	-	(1.6)	(5.7)
Profit for the period		15.0	(1.6)	13.4	6.7	0.1	6.8	27.9
Earnings per share (pence)								
Basic	5	9.8	(1.1)	8.7	4.3p	0.1p	4.4p	18.0p
Fully diluted	5	9.5	(1.0)	8.5	4.3p	-	4.3p	17.7p

1. Definition of the adjustments made to the reported figures can be found in note 1 in the notes to the condensed consolidated financial statements

**Condensed Consolidated Statement of Comprehensive Income
for the period ended 30 June 2021**

	H1 2021 £m	H1 2020 £m	FY 2020 £m
Profit for the period	13.4	6.8	27.9
Other comprehensive income – amounts that may be reclassified to profit or loss in the future:			
Foreign exchange translation differences – foreign operations and investments	(0.5)	1.7	0.8
Total comprehensive income for the period	12.9	8.5	28.7

All results are from continuing operations.

The accompanying notes form part of these financial statements.



**Condensed Consolidated Statement of Financial Position
at 30 June 2021**

	Note	H1 2021 £m	H1 2020 £m	FY 2020 £m
Non-current assets				
Property, plant and equipment	7	19.0	17.8	17.8
Right-of-use assets		4.5	3.0	2.7
Intangible assets	8	20.7	22.0	21.5
Financial assets held for trading		0.9	-	1.4
Deferred tax asset		2.6	-	0.5
		47.7	42.8	43.9
Current assets				
Inventories		49.2	29.7	37.2
Trade and other receivables		70.3	42.5	71.8
Financial assets held for trading		3.1	-	4.1
Cash and cash equivalents		2.4	-	6.7
		125.0	72.2	119.8
Total assets		172.7	115.0	163.7
Current liabilities				
Interest-bearing loans and borrowings	9	-	0.2	-
Trade and other payables		64.7	32.5	63.6
Current tax liabilities		2.0	3.2	3.1
Financial assets held for trading		0.4	-	0.5
Other financial liabilities		1.2	1.2	1.2
		68.3	37.1	68.4
Non-current liabilities				
Interest-bearing loans and borrowings	9	22.2	19.4	22.2
Other financial liabilities		3.3	1.9	1.6
Financial assets held for trading		0.3	-	-
Deferred tax liability		-	1.0	-
Provisions		1.1	0.8	1.1
		26.9	23.1	24.9
Total liabilities		95.2	60.2	93.3
Net assets		77.5	54.8	70.4
Equity attributable to equity holders of the parent				
Share capital		0.1	0.1	0.1
Share premium		24.8	24.8	24.8
Translation reserve		(0.6)	0.8	(0.1)
Treasury reserve		(8.1)	(5.3)	(6.8)
Retained earnings		61.3	34.4	52.4
Total equity		77.5	54.8	70.4

The accompanying notes form part of these financial statements.



**Condensed Consolidated Statement of Changes in Equity
for the period ended 30 June 2021**

	Share capital £m	Share premium £m	Translation reserve £m	Retained earnings £m	Treasury reserve £m	Total equity £m
Balance at 1 January 2020	0.1	24.8	(0.9)	27.2	(4.1)	47.1
Total comprehensive income						
Profit for the period	-	-	-	6.8	-	6.8
Currency revaluations of investments	-	-	1.0	-	-	1.0
Currency translation differences	-	-	0.7	-	-	0.7
Total comprehensive income for the period	-	-	1.7	6.8	-	8.5
Transactions with owners in their capacity as owners:						
Purchase of own shares	-	-	-	-	(1.2)	(1.2)
Share-based payments charge	-	-	-	0.4	-	0.4
Total transactions with owners in their capacity as owners	-	-	-	0.4	(1.2)	(0.8)
Balance at 30 June 2020	0.1	24.8	0.8	34.4	(5.3)	54.8
Balance at 1 January 2021	0.1	24.8	(0.1)	52.4	(6.8)	70.4
Total comprehensive income						
Profit for the period	-	-	-	13.4	-	13.4
Currency revaluations of investments	-	-	(0.7)	-	-	(0.7)
Currency translation differences	-	-	0.2	-	-	0.2
Total comprehensive income for the period	-	-	(0.5)	13.4	-	12.9
Transactions with owners in their capacity as owners:						
Dividends	-	-	-	(7.2)	-	(7.2)
Purchase of own shares	-	-	-	-	(1.3)	(1.3)
Deferred tax on share-based payment transactions	-	-	-	2.0	-	2.0
Share-based payments charge	-	-	-	0.7	-	0.7
Total transactions with owners in their capacity as owners	-	-	-	(4.5)	(1.3)	(5.8)
Balance at 30 June 2021	0.1	24.8	(0.6)	61.3	(8.1)	77.5



Condensed Consolidated Cash Flow Statement for the period ended 30 June 2021

	Note	Adjusted Adjustments ¹			Adjusted Adjustments ¹			FY 2020
		H1 2021	H1 2021	H1 2021	H1 2020	H1 2020	H1 2020	
		£m	£m	£m	£m	£m	£m	£m
Cash flows from operating activities								
Profit for the period		15.0	(1.6)	13.4	6.7	0.1	6.8	27.9
Adjustments for:								
Depreciation and amortisation	7,8	2.9	0.2	3.1	2.8	0.2	3.0	6.5
Financial income		-	-	-	-	(0.3)	(0.3)	(5.3)
Financial expense		0.7	1.7	2.4	0.7	-	0.7	1.3
Taxation	4	3.5	(0.3)	3.2	1.6	-	1.6	5.7
Loss on disposal of tangible assets		-	-	-	-	-	-	0.1
Share-based payments charge		0.8	-	0.8	0.4	-	0.4	1.0
Operating cash flow before movement in working capital		22.9	-	22.9	12.2	-	12.2	37.2
Decrease/(increase) in trade and other receivables		1.4	-	1.4	4.6	(3.5)	1.1	(28.5)
(Increase)/decrease in inventories		(12.2)	-	(12.2)	2.5	-	2.5	(4.8)
Decrease/(increase) in trade and other payables		1.0	-	1.0	(5.5)	-	(5.5)	25.2
Cash from operations		13.1	-	13.1	13.8	(3.5)	10.3	29.1
Income taxes paid		(4.4)	-	(4.4)	(1.2)	-	(1.2)	(5.7)
Net cash from operating activities		8.7	-	8.7	12.6	(3.5)	9.1	23.4
Cash flows from investing activities								
Acquisition of property, plant and equipment	7	(2.8)	-	(2.8)	(1.3)	-	(1.3)	(3.3)
Acquisition of other intangible assets	8	(0.3)	-	(0.3)	(0.4)	-	(0.4)	(1.1)
Disposal of tangible assets	7	0.1	-	0.1	-	-	-	-
Net cash used in investing activities		(3.0)	-	(3.0)	(1.7)	-	(1.7)	(4.4)
Cash flows from financing activities								
Proceeds from new loans		(0.6)	-	(0.6)	13.4	-	13.4	-
Repayment of borrowings		(0.6)	-	(0.6)	(20.0)	-	(20.0)	(3.8)
Interest paid		(0.7)	-	(0.7)	(0.7)	-	(0.7)	(1.3)
Dividends paid		(7.2)	-	(7.2)	-	-	-	(4.9)
Finance lease liabilities		(0.7)	-	(0.7)	(0.6)	-	(0.6)	(1.1)
Purchase of treasury shares		(1.3)	-	(1.3)	(1.2)	-	(1.2)	(2.7)
Net cash from financing activities		(11.1)	-	(11.1)	(9.1)	-	(9.1)	(13.8)
Net (decrease)/increase in cash and cash equivalents		(5.4)	-	(5.4)	1.8	(3.5)	(1.7)	5.2
Cash and cash equivalents at 1 January				6.7			1.4	1.4
Effect of exchange rate fluctuations on cash held				(0.1)			0.1	0.1
Cash and cash equivalents² at 30 June/31 December				1.2			(0.2)	6.7

1. The definitions of the adjustments made to the statutory figures can be found in note 1 in the notes to the condensed consolidated financial statements

2. Cash and cash equivalents is £1.2m on the cashflow due to offsetting permissions of IAS7 but £2.4m on the balance sheet as the balances on not offset under IAS32

The accompanying notes form part of these financial statements.



Notes to the Condensed Consolidated Financial Statements for the period ended 30 June 2021

1. Basis of preparation

Luceco plc (the 'Company') is a company incorporated and domiciled in the United Kingdom. These condensed consolidated interim financial statements ("interim financial statements") for the period ended 30 June 2021 comprise the Company and its subsidiaries (together referred to as the "Group"). The Group is primarily involved in the manufacturing and distributing of high quality and innovative wiring accessories, LED lighting and portable power products to global markets (see note 2).

This condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted for use in the UK.

The annual financial statements of the group for the year ending 31 December 2021 will be prepared in accordance with UK-adopted international accounting standards. As required by the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority, the condensed set of financial statements has been prepared applying the accounting policies and presentation that were applied in the preparation of the company's published consolidated financial statements for the year ended 31 December 2020 which were prepared in accordance with International Financial Reporting Standards (IFRSs) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

The interim financial statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2020 were approved by the Board of Directors and have been delivered to the Registrar of Companies. The audit report on those accounts was unqualified and did not contain any statement under section 498(2) or (3) of the Companies Act 2006.

The interim financial information have been reviewed, not audited.

Risks and uncertainties

An outline of the key risks and uncertainties faced by the Group is described in the 2020 Annual Report and Accounts. Risk is an inherent part of doing business and the Directors believe that the Group is well placed to manage the key risks it faces.

Going concern

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 12 months from the date of signing these accounts.

The Group has reported a profit before tax of £16.6m for the six months to 30 June 2021 (30 June 2020: £8.4m and 31 December 2020: £33.6m), has net current assets of £56.7m (30 June 2020: £35.1m and 31 December 2020: £51.4m) and net assets of £77.5m (30 June 2020: £54.8m and 31 December 2020: £70.4m).

The capital resources at the Group's disposal at 30 June 2021 were as follows:

- a revolving credit facility of £30.0m, £14.2m drawn at 30 June 2021
- an invoice financing facility of £20.0m, £8.0m was drawn at 30 June 2021

Both bank facilities mature on 31 March 2023, the Company is currently negotiating an extension of bank facilities which is expected to be effective from H2 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. At the 30 June 2021 this ratio was 0.5 – with headroom on net debt of £91.7m (assuming a higher facility) and EBITDA of £36.7m.
- Adjusted EBITDA of no less than 4.0 times Adjusted Net Finance Expense, both for the preceding 12-month period. At the 30 June 2021 this ratio was 35.7 – with headroom on Net Finance Expense of £10.3m and EBITDA of £41.2m.

The Directors ran scenario tests on the severe but plausible downside case during the year end and they have updated their forecasts based on the first half performance of 2021. The assumptions in these scenarios 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). These 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 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Standards and interpretations issued

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

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

The following accounting standards and amendments that are applicable to the Group have been issued by the IASB but had either not been adopted by the UK or were not yet effective at 30 June 2021.

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

Statutory and non-statutory measures of performance - adjusted measures

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

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

In following the guidelines on Alternative Performance Measures (APMs) issued by the European Securities and Markets Authorities, the Group has included a Condensed Consolidated Income Statement and Condensed Consolidated Cash Flow Statement that have both Statutory and Adjusted performance measures.

The measures used in these interim financial statements are defined in the table on page 109 of the 2020 Annual Report and Financial Statements and the principles to identify adjusting items have been applied on a consistent basis.



The unaudited measures used in the interim financial statements and adjustments made are summarised in the table below for H1 2021 and H1 2020 respectively:

	Adjusted 2021 £m	Remeasurement to fair value of hedging portfolio ¹ £m	Amortisation of acquired intangibles and related acquisition costs ² £m	H1 2021 Total adjustments £m	H1 2021 Reported £m
Revenue	108.2	-	-	-	108.2
Cost of sales	(66.5)	-	-	-	(66.5)
Gross profit	41.7	-	-	-	41.7
Other income	-	-	-	-	-
Distribution expenses	(3.7)	-	-	-	(3.7)
Administrative expenses	(18.8)	-	(0.2)	(0.2)	(19.0)
Operating profit	19.2	-	(0.2)	(0.2)	19.0
Net finance expense	(0.7)	(1.7)	-	(1.7)	(2.4)
Profit before tax	18.5	(1.7)	(0.2)	(1.9)	16.6
Taxation	(3.5)	0.3	-	0.3	(3.2)
Operating profit	15.0	(1.4)	(0.2)	(1.6)	13.4
Gross margin	38.5%				38.5%

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

	Adjusted 2020 £m	Remeasurement to fair value of hedging portfolio ¹ £m	Amortisation of acquired intangibles and related acquisition costs ² £m	H1 2021 Total adjustments £m	H1 2021 Reported £m
Revenue	71.6	-	-	-	71.6
Cost of sales	(44.1)	-	-	-	(44.1)
Gross profit	27.5	-	-	-	27.5
Other income	1.0	-	-	-	1.0
Distribution expenses	(3.1)	-	-	-	(3.1)
Administrative expenses	(16.4)	-	(0.2)	(0.2)	(16.6)
Operating profit	9.0	-	(0.2)	(0.2)	8.8
Net finance expense	(0.7)	0.3	-	0.3	(0.4)
Profit before tax	8.3	0.3	(0.2)	0.1	8.4
Taxation	(1.6)	-	-	-	(1.6)
Operating profit	6.7	0.3	(0.2)	0.1	6.8
Gross Margin	38.4%				38.4%

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

2. Operating segments

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

	Adjusted H1 2021 £m	Adjustment ¹ £m	H1 2021 £m	Adjusted H1 2020 £m	Adjustment ¹ £m	H1 2020 £m
Revenue						
Wiring Accessories	53.7	-	53.7	31.3	-	31.3
LED Lighting	26.9	-	26.9	19.8	-	19.8
Portable Power	27.6	-	27.6	20.5	-	20.5
	108.2	-	108.2	71.6	-	71.6
Operating profit						
Wiring Accessories	15.2	-	15.2	7.3	-	7.3
LED Lighting	2.3	(0.2)	2.1	0.9	(0.2)	0.7
Portable Power	1.7	-	1.7	0.8	-	0.8
Operating profit	19.2	(0.2)	19.0	9.0	(0.2)	8.8

1. Relating to Kingfisher Lighting

Revenue by location of customer

	H1 2021 £m	H1 2020 £m
UK	89.2	56.1
Europe	10.1	7.2
Middle East and Africa	2.6	3.9
Asia Pacific	2.2	1.3
Americas	4.1	3.1
Total revenue	108.2	71.6

3. Expenses recognised in the Condensed Consolidated Income Statement

Included in the Condensed Consolidated Income Statement are the following:

	H1 2021 £m	H1 2020 £m	FY 2020 £m
Research and development costs expensed as incurred	1.9	0.8	2.2
Depreciation of property, plant and equipment and right-of-use assets	2.1	2.1	4.3
Amortisation of acquired intangible assets	0.2	0.2	0.4
Amortisation of internally developed intangible assets	0.8	0.7	1.8

4. Income tax expense

A tax charge for the six-month period has been included in the Condensed Consolidated Income Statement at £3.2m (H1 2020: £1.6m) and has been calculated using the anticipated effective tax rate on the taxable profit of the Group. The anticipated effective tax rate for the year ending 31 December 2021 was calculated at 19.3% (H1 2020: 19.0%).

5. Earnings per share

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

	H1 2021 £m	H1 2020 £m	FY 2020 £m
Reported earnings for calculating basic earnings per share	13.4	6.8	27.9
Adjusted for:			
Amortisation of acquired intangibles and related acquisition costs	0.2	0.2	0.4
(Gain)/loss on remeasurement to fair value of hedging portfolio	1.7	(0.3)	(5.3)
Income tax on above items	(0.3)	-	1.0
Adjusted earnings for calculating adjusted basic earnings per share	15.0	6.7	24.0

	H1 2021 Number million	H1 2020 Number million	FY 2020 Number Million
Weighted average number of ordinary shares			
Basic	153.7	155.2	154.7
Dilutive effect of share options on potential ordinary shares	4.2	1.8	2.7
Diluted	157.9	157.0	157.4

	H1 2021 Pence	H1 2020 Pence	FY 2020 Pence
Basic earnings per share	8.7	4.4	18.0
Diluted earnings per share	8.5	4.3	17.7
Adjusted basic earnings per share	9.8	4.3	15.5
Adjusted diluted earnings per share	9.5	4.3	15.2

6. Dividend

An interim dividend of 2.6 pence per share will be paid to shareholders on 22 October 2021. This compares to a 1.5p interim dividend in 2020. Note an additional payment of 1.7p in lieu of the 2019 final dividend was also paid in the second half of 2020.

7. Property, plant and equipment

During the six months ended 30 June 2021, the Group purchased assets at a cost of £2.8m (H1 2020: £1.3m, FY 2020: £3.3m); including plant and equipment £1.7m, construction in progress £0.5m and tooling £0.6m. Assets with a net book value of £0.1m were disposed of (H1 2020: nil, FY 2020: nil). Total depreciation for the period was £1.5m (H1 2020: £1.5m; FY 2020 £3.1m).

During the period there were lease additions totalling £2.4m and a depreciation charge of £0.6m. The net book value of right-of-use assets at 30 June 2021 was £4.5m (30 June 2020: £3.0m, 31 December 2020: £2.7m).

The Group has not included any borrowing costs in additions for either 2021 or 2020. There were no funds specifically borrowed for the assets and the amount eligible as part of the general debt instruments pool (after applying the appropriate capitalisation rate) is not considered material.

8. Intangible assets and goodwill

Development expenditure is capitalised and included in intangible assets when it meets the criteria laid out in *IAS 38 Intangible Assets*. During the six months ended 30 June 2021, the Group capitalised internally generated development costs of £0.3m (H1 2020: £0.4m, FY 2020: £1.1m). Amortisation for the period on development costs was £0.8m (H1 2020: £0.7m; FY 2020 £1.8m). There were no capitalised borrowing costs.

The Group recognised an amortisation charge of £0.2m in the first half year (H1 2020: £0.2m; FY 2020: £0.4m) in respect of acquired intangible assets from Kingfisher Lighting. In the Condensed Consolidated Income Statement these amounts



have been included within “adjustments” in calculating the Adjusted Operating Profit/loss (refer to note 1 in the Notes to the Condensed Consolidated Financial Statements).

There have been no triggers to necessitate an impairment review of goodwill since the review undertaken as part of the year ended 31 December 2020. Goodwill has been allocated to cash-generating units and can be referred to in the Group’s 2020 Annual Report and Accounts.

9. Interest-bearing loans and borrowings

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

	H1 2021 £m	H1 2020 £m	FY 2020 £m
Current liabilities			
Revolving credit facility	-	0.2	-
Non-current liabilities			
Revolving credit facility	14.2	4.9	13.6
Secured bank loans – invoice financing	8.0	14.5	8.6
	22.2	19.6	22.2

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

10. Exchange rates

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

	Average rate		Reporting date spot rate	
	H1 2021	H1 2020	H1 2021	H1 2020
USD	1.39	1.26	1.38	1.23
EUR ¹	1.15	1.14	1.16	1.10
RMB	8.91	9.04	8.93	8.72

11. Financial risk management and financial instruments

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

These interim financial statements do not include all financial risk management information and disclosures required in the Annual Report and Accounts. They should therefore be read in conjunction with the Group’s Annual Report and Accounts for the year ended 31 December 2020. There have been no changes to the risk management policies since the year ended 31 December 2020.

12. Related party transactions

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

13. Date of approval of financial information

The interim financial information covers the period 1 January 2021 to 30 June 2021 and was approved by the Board on 7 September 2021. Further copies of the interim financial information can be accessed via the Luceco plc website: www.lucecoplc.com.



INDEPENDENT REVIEW REPORT TO LUCECO PLC

Conclusion

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2021 which comprises Condensed consolidated income statement, Condensed consolidated statement of comprehensive income, Condensed consolidated statement of changes in equity, Condensed consolidated statement of total financial position, Condensed consolidated statement of cash flows and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2021 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted for use in the UK and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in note 1, the latest annual financial statements of the group were prepared in accordance with International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and the next annual financial statements will be prepared in accordance with UK-adopted international accounting standards. The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted for use in the UK.

Our responsibility

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

The purpose of our review work and to whom we owe our responsibilities

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

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

7 September 2021

Additional information

Financial calendar

Interim ex-dividend date	16 September 2021
Last date for Dividend Reinvestment Plan (DRIP) elections	1 October 2021
2020 Q3 trading update	21 October 2021
Interim dividend payment date	22 October 2021
2021 Year end	31 December 2021
2021 Full year trading update	20 January 2022
2021 Full year results statement	22 March 2022
AGM	12 May 2022
2022 Half year end	30 June 2022
2022 Half year trading update	19 July 2022
2022 Half year interim results statement	6 September 2022

Company's registered office

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Liberum

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