

LUCECO PLC
2021 FULL YEAR RESULTS

Profit doubled over two years
Well positioned for continued market outperformance

Luceco plc (“Luceco”, or the “Group” or the “Company”), a manufacturer and distributor of high quality and innovative wiring accessories, LED lighting, and portable power products, today announces its audited results for the year ended 31 December 2021 (“2021” or “the year”).

Year ended 31 December (£m)	Reported results				Adjusted ¹ results			
	2021	2020	2019	Change vs 2020 (%)	2021	2020	2019	Change vs 2020 (%)
Revenue	228.2	176.2	172.1	29.5%	228.2	176.2	172.1	29.5%
Gross margin %	37.1%	39.8%	37.5%	(2.7ppts)	37.1%	39.8%	37.5%	(2.7ppts)
Operating profit	35.3	29.6	20.2	19.3%	39.0	30.0	18.0	30.0%
Operating margin %	15.5%	16.8%	11.7%	(1.3ppts)	17.1%	17.0%	10.5%	0.1ppts
Profit before tax	33.3	33.6	17.1	(0.9%)	37.4	28.7	15.8	30.3%
Profit after tax	27.1	27.9	13.1	(2.9%)	31.2	24.0	12.1	30.0%
Basic earnings per share	17.6p	18.0p	8.3p	(2.2%)	20.2p	15.5p	7.7p	30.3%
Net Debt	38.1	18.3	27.4	108.2%				
Covenant Net Debt : EBITDA ²					0.7x	0.4x	1.0x	75.0%
Free cash flow	18.0	17.7	13.0	1.7%	18.8	22.7	18.9	(17.2%)
Return on capital invested					36.4%	35.7%	21.8%	0.7ppts
Dividend per share ³	8.1p	6.2p	2.3p ³	30.6%				

1. The definitions of the adjustments made and reconciliations to the reported figures can be found in note 1 of the consolidated financial statements
2. Includes pro-forma adjustment for EBITDA of acquired businesses, as shown in note 1 of the consolidated financial statements
3. 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 of £228.2m:
 - £52.0m (29.5%) higher than 2020
 - £56.1m (32.6%) higher than 2019
 - Strongly outperforming a favourable market
- Adjusted Operating Profit increased by £9.0m (30.0%) to £39.0m:
 - More than doubled versus pre-COVID 2019
 - Temporary gross margin compression from input cost inflation, as expected
 - Strong operating leverage on additional sales growth
 - Adjusted Operating Margin increased by 0.1% to 17.1%
- Adjusted EPS increased by 30.3% to 20.2p
- Dividends increased by 1.9p (30.6%) to 8.1p, including proposed final dividend of 5.5p

Business Highlights

- Business model enabled market outperformance and profitable growth:
 - Vertical integration and operational agility ensured continued customer service and share gain
- Successfully implemented selling price increases to mitigate cost price inflation
- Demonstrable success in “Grow, Innovate, Sustain” strategy:
 - Acquisition of DW Windsor, a leading UK-based exterior lighting brand
 - Entry into EV charger market, a key growth opportunity for the Group, including acquisition of UK-based charge point supplier Sync EV for £10.0m in March 2022
 - Sustaining progress with investment in manufacturing and fulfilment

ESG Success and Targets

- Carbon neutral operations in 2021
- Carbon Disclosure Project joined in 2021
- Science-Based Target Initiative (“SBTi”) to be joined in 2022
- Targeting £100m of low carbon sales by 2025

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

“Luceco has a long history of market outperformance. The accelerated progress we have made over the last two years, in which our profit has doubled, is the product of our market focus and business model. We favour RMI construction markets because of their resilience in uncertain times, and undoubtedly benefited from that focus in 2021. But it was our advantaged business model, with its inbuilt resilience and agility, combined with our “can-do” culture, that allowed us to prosper more than most. We moved quickly, won new business and saw growth opportunities across our diversified customer base.

Such strong progress in 2021 naturally creates a tough comparative, particularly in the first half when UK residential RMI activity was at a lockdown-driven peak. We therefore expect revenue in the first half of 2022 to be broadly in line with last year. We are mindful that recent geopolitical developments, and their associated impact on inflation, may make progress harder during the year.

We have strong positions in attractive markets with an advantaged business model and a clear strategy. We have a well-funded business with clear growth opportunities, particularly from our recent entry into the electrical vehicle charger market. We face the future better prepared than ever and I am confident we have what it takes to continue to outperform our market.”

A webcast and conference call for analysts and institutional investors will be held at 9:30am GMT today, Tuesday 22 March 2022. To register for this event please follow this link:

<https://webcasting.brrmedia.co.uk/broadcast/61e989a97eb59509ae2fc7c0>

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An open presentation and Q&A session for retail investors will be held via the Investor Meet Company platform on 28 March 2022 at 11:00am BST. Investors can register for the event via this link:

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

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.

Note to Editors

Luceco plc - Bringing Power To Life

Luceco plc (LSE:LUCE) is a manufacturer and distributor of high quality and innovative wiring accessories, LED lighting and portable power products for a global customer base.

For more information, please visit 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 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

Compelling financial outcomes

Luceco's performance throughout the COVID-19 pandemic has outperformed the industry in terms of revenue, market share and profitability. Whilst our pre-COVID financial momentum was strong, the results we have achieved over the last two years have been particularly compelling, highlighting the Group's operational agility and excellent customer service in uncertain times. I am proud that our strong culture of moving quickly and delivering what we promise has been strikingly clear in such a challenging environment.

Group revenue increased by 29.5% to £228.2m in 2021, with growth within each product group. Revenue from our largest segment, Wiring Accessories, grew 28.5% to £104.5m, supported by key business wins and increased demand, which we were able to meet given the control we have over our manufacturing and supply chain. Our sources of growth broadened beyond residential renovation activity as the year progressed, with increasing economic confidence resulting in increased demand for LED retrofits into non-residential settings. Our LED Lighting business generated revenue growth of 27.7% to £63.2m. In our Portable Power segment, we secured business wins in the UK and Europe which contributed to revenue growth of 33.3% to £60.5m for the year.

We also achieved healthy growth across each sales channel in the year. It was an exceptionally strong start to 2021 in our Retail, Hybrid and Professional Wholesale channels, all of which benefited from a rapid post-lockdown recovery in residential demand as consumers spent more money on their homes. In the second half of the year, we saw some natural normalisation in UK Residential repair, maintenance and improvement ("RMI") Construction markets, leading to a modest slowdown in growth within our Hybrid and Professional Wholesale channels. Growth accelerated during the year in our overseas businesses, and within the Professional Projects channel as confidence returned to UK Non-Residential RMI Construction markets, underlining the benefit of our sales channel diversity.

The rapid post-lockdown recovery, whilst very welcome, led to supply constraints in our industry. Increasing optimism and buoyant demand resulted in inflationary pressures and global supply chain disruption. We navigated these issues well, succeeding in maintaining our superior customer service levels by acting quickly to maintain product availability thanks to our vertically integrated model. Price increases were successfully implemented without impacting our competitiveness, demonstrating our competitive strength and the industry-wide impact of the associated inflation.

Supply chain challenges are still present. Recent COVID outbreaks in China have not impacted our business, but could conceivably result in some short term disruption, albeit tempered by the inventory we hold elsewhere in our supply chain. Recent devastating developments in Ukraine have triggered a further round of input cost inflation. We do not yet know the full impact, but our achievements this year highlight that we have the means to manage change well. While general inflation and tighter monetary policy may have an impact on discretionary construction, particularly in the residential sector, I have every confidence that we will continue to outperform in whatever market we are faced with.

Gross margins came under pressure for all manufacturers given inflation in raw materials and freight costs. Cost inflation increased progressively through the year, costing £13.6m in 2021 and expected to cost £25.0m on an annualised basis. We swiftly and successfully implemented selling price updates designed to offset the £25.0m annualised impact in full, albeit with an inevitable modest lag due to notice periods and order lead times.

Temporary gross margin compression from the implementation lag was mitigated by hedging arrangements, further manufacturing efficiency gains from automation, and solid operating leverage on strong sales growth. The latter is illustrated by the fact that in the last two years the Group has added no extra overheads despite £52.5m of organic revenue growth. As a result of these measures, the Group's Adjusted Operating Margin for the year was 17.1%,

marginally ahead of 2020 despite significant input cost inflation. Growth in revenue and margins led to a 30.0% increase in Adjusted Operating Profit to £39.0m (2020: £30.0m) and operating profit increased 19.3% to £35.3m (2020: £29.6m). Strong cash generation, particularly in the second half, led to Covenant Net Debt of 0.7x Covenant EBITDA (2020: 0.4x), below our capital structure target of 1.0-2.0x. Our balance sheet remains strong and able to support continued investment in future growth, both organically and by acquisition. In 2021, we demonstrated our appetite for M&A through the acquisition of DW Windsor.

Strong operational performance – strength of business model

In my last review, I said that 2020 had been a year like no other. We saw further upheaval and volatility in 2021 and I must thank my colleagues for their continued dedication, resilience, and adaptability in a challenging and ever-changing environment.

Our advantaged business model has helped us gain market share for an extended period, with market conditions in the last two years accentuating this growth. Our superior product availability has been evident throughout the COVID period and I am proud that we have remained so agile in such a challenging environment.

Our vertically integrated manufacturing and distribution model proved itself more than ever in a year defined by supply chain disruption. It enabled us to add capacity more quickly than those businesses reliant on outsourced models, further increasing our market share. Output from our manufacturing facility in China continued to increase, to record levels, aided by strong regional supplier relationships which we utilised to mitigate global shortages of key components such as integrated circuits. We acted quickly to increase our inventory cover to help offset extended supplier lead times which have almost doubled in the last two years. Earlier in the year, we temporarily increased safety stocks in our sales organisation to ensure product availability and continuity of customer service in an unsettled supply chain. Also key to maximising service to our customers was the investment we made in our UK Distribution Centre to both improve capacity and order fill rates, as well as lowering operating costs. With supply chain uncertainty continuing in 2022, the advantages of our business model position the Group comparatively well to respond rapidly to change.

Strategic progress

Even with the presence of COVID-related challenges, we managed to progress our strategic priorities in the year and to redefine them under three simple headings: Grow, Innovate and Sustain.

Grow

Luceco has a proven track record of growth. Since 2000, we have grown our sales twice as fast as the UK market and supplemented that by launching our successful business model overseas. We now have leading positions of scale in our key UK end markets, and yet have £1.8bn of share still available to us in the markets we currently address. Our strategy is to seize this opportunity.

Given the white space around us, we prioritise our growth opportunities with care and then exploit them in full. Our focus over the last three years has been to maximise the potential of our most profitable source of growth, namely the sale of all existing products to all existing customers through our well-developed UK infrastructure, with a particular focus on growing our share of sales to professional installers. This has proved successful as customers have rewarded our structural ability to deliver, accentuated during the pandemic, with new business that has been very beneficial to profit.

We have used our balance sheet to accelerate share gains with professional installers with the acquisition of DW Windsor, which is highly complementary to our existing UK outdoor lighting offering. We have a decent pipeline of other M&A opportunities at various stages of progression.

Our continual re-appraisal of growth opportunities led us to invest to accelerate growth in our Southern European business in the year. This will be funded in part by our exit from Northern Europe in 2022, where regrettably the structure of the market has made progress harder and long-term prospects less attractive than other available opportunities.

Innovate

Luceco also has a proven track record of using innovation to grow. We use it to upsell higher function, higher margin devices in existing product categories, and to enter new product categories that can be sold to existing customers. I am pleased to say we made progress on both fronts in 2021.

We expanded our range of USB wiring accessories by being the first in the UK market to integrate high power USB-C connectivity, which an increasing number of consumer electronic devices use, into mains sockets. We hope this will future-proof our USB wiring device offering, which has been a very successful product line for the Group. We also expanded our range of consumer Smart Home devices, particularly in lighting. Both are now being sold successfully to our existing customer base.

Our push into new product categories, with a focus on those that are professionally installed, was accelerated by the recent launch of both private realm EV chargers and commercial power products. The market potential of both categories totals £700m in the UK alone and we are very well positioned to take our share of this opportunity. Our lower power Mode 2 EV charger range launched mid-year, generating sales of £1m. Our higher power Mode 3 charger will launch in early Q2 2022 under our established British General brand and we expect keen interest from our loyal electrical contractor customers.

Sustain

The Group's investment in its infrastructure, to sustain the competitive advantage it has built, bore fruit in 2021. We implemented new software to manage our fulfilment operations, which improved order fill rate, logistics efficiency and delivery capacity. Investment in fulfilment capabilities in the UK has increased output by 40% in five years with no change in footprint. Similarly in Southern Europe, we moved our operations into a larger distribution centre that can support growth (which has averaged 42% per annum over the last five years).

Purpose and culture

Strategies only succeed if they are set within the context of a clear purpose and supportive culture: we have both at Luceco.

Our purpose as an organisation is to bring power into people's lives sustainably. I am proud to say that our products play an expanding role in everyday life and they are increasingly the choice of discerning professional installers who want to get the job done right.

Our products support essential societal climate goals by offering a diminishing carbon footprint and by supporting the adoption of "green" substitution such as LED lighting and EV charging. I am proud to announce that we are targeting annual revenue of £100m from such low carbon products by 2025, underlining both the size of the market opportunity presented to us by decarbonisation, as well as our desire to help society to achieve essential climate goals.

Our culture has come to the fore in the last two years. We have been bold, agile and innovative. Our teams have worked incredibly hard and closely together throughout the customer journey to deliver exceptional service in very trying circumstances. I am very proud of their achievements.

Attractive market backdrop

We estimate the total value of markets we address with our current product portfolio to be worth £2.0bn in the UK alone. Continued expansion into new product categories installed by professional electricians opens up a market worth up to £3.5bn in the UK alone. In short, our markets offer ample room for further growth. They also exhibit healthy, long-term growth. We estimate that 80% of our business is driven by RMI construction activity, the majority of which is professionally installed. Since 2000, UK RMI construction has expanded by 16% more than UK GDP and has grown in 18 of the subsequent 21 years.

The events of the last two years have underlined the relative resilience of our markets, a period in which construction has rebounded faster than wider economic activity. I am delighted that consistent growth faster than the competition, means we now have leading positions in such structurally attractive end markets.

John Hornby

Chief Executive Officer

22 March 2022

CHIEF FINANCIAL OFFICER'S REVIEW

In 2019, I reported that the deployment of our advantaged business model in our attractive and relatively stable end markets should lead to the consistent delivery of compelling Group financial performance. I supported this with the publication of detailed “through the economic cycle” financial targets to capture our ambition and aid investor decision-making.

Both the original targets and the subsequent performance are summarised below, including 2021. The fact that we have largely achieved or exceeded the targets despite the unprecedented economic disruption of COVID underlines both our structural resilience, as well as our greater long-term potential.

Component	Metric	Target ¹	2019 results	2020 results	2021 results
Revenue	Total revenue growth	5 to 10%	5.0%	2.4%	29.5%
Profit	Adjusted Operating Margin %	15 to 20%	10.5%	17.0%	17.1%
Cash	Adjusted Operating Cash Conversion %	>100%	151.1%	113.7%	89.7%
	Adjusted Free Cash Flow Margin %	10 to 15%	11.0%	12.9%	8.2%
Dividends	Earnings payout ratio	40 to 50%	7.8%	40.0%	40.0%
Capex	Net capital expenditure as % revenue	3 to 4%	2.1%	2.5%	2.8%
Capital structure and returns	Return on Capital Invested %	30 to 40%	21.8%	35.7%	36.4%
	Covenant Net Debt ² : Covenant EBITDA	1.0 to 2.0x	1.0x	0.4x	0.7x
	Adjusted Net Cash Flow ³ as % revenue	5.0%	8.2%	8.6%	2.8%

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

2. Covenant Net Debt excludes IFRS 16 Finance Leases for bank purposes

3. Adjusted Free Cash Flow less dividends and EBT share purchases (i.e. cash remaining for acquisitions or capital returns)

The table highlights that 2021 was a truly outstanding year.

We grew revenue by 29.5%. New business wins, favourable channel access and our ability to maintain excellent product availability when competitors were impacted by supply chain disruption allowed us to make the most of undoubtedly favourable market conditions.

Expanding our Adjusted Operating Margin in a year in which annualised input cost inflation was greater in quantum than 2019's entire Adjusted Operating Profit illustrates quite how far we have come in maximising profit and managing risk.

Cash conversion was understandably held back slightly by extra investment in inventory to minimise supply chain volatility. However, its impact on overall cash generation was limited by faster cash collection from customers, leaving the business with only slightly increased Covenant Net Debt leverage despite money spent on acquisitions.

The original financial targets were set as performance ranges to be maintained throughout the economic cycle. We do not want the upper limits of the range to inadvertently suggest a limit to our ambition, so the targets have been reset largely as minimum performance expectations to better capture our proven resilience in tough economic times and confidence in our long-term potential.

Component	Metric	Old target	New target ¹
Revenue	Total revenue growth	5 to 10%	>5%
Profit	Adjusted Operating Margin %	15 to 20%	>15%
Cash	Adjusted Operating Cash Conversion %	>100%	>100%
	Adjusted Free Cash Flow Margin %	10 to 15%	>10%
Dividends	Earnings payout ratio	40 to 60%	40 to 60%
Capex	Net capital expenditure as % revenue	3 to 4%	3 to 4%
Capital structure and returns	Return on Capital Invested %	30 to 40%	>30%
	Covenant Net Debt ² : Covenant EBITDA	1.0 to 2.0x	1.0 to 2.0x
	Adjusted Net Cash Flow ³ as % revenue	5.0%	>5.0%

1. Minimum performance for the existing business excluding the impact of future acquisitions

2. Covenant Net Debt excludes IFRS 16 Finance Leases for bank purposes

3. Adjusted Free Cash Flow less dividends and EBT share purchases (i.e. cash remaining for acquisitions or capital returns)

Summary of reported results

Summary results (£m)	2021	2020
Revenue	228.2	176.2
Operating profit	35.3	29.6
Profit before tax	33.3	33.6
Taxation	(6.2)	(5.7)
Profit for the year	27.1	27.9

Profit for the year reduced by £0.8m to £27.1m. Whilst the Group delivered strong conversion of revenue growth into underlying profit growth, this progress was held back by restructuring costs incurred in Germany and France and changes in the fair value of our hedging portfolio. Weakening of the US dollar versus Chinese renminbi increased the value of our hedges in 2020, creating a one-off profit in that year, and this was not repeated in 2021.

Adjusting items

Operating profit was £35.3m in 2021. Adjustments of £3.7m were excluded from Adjusted Operating Profit of £39.0m.

The Adjustments were as follows:

- Restructuring costs from the closure of operations in Germany and France: £2.3m, of which £0.5m will be paid in cash, delivering annual savings of £0.8m
- Amortisation of acquired intangibles and related acquisition costs: £1.4m, of which £0.7m was paid in cash.

Revenue

Revenue increased by £52.0m (29.5%) to £228.2m. The primary drivers are shown below:

Revenue bridge:	£m	Change %
2020 revenue	176.2	
Like-for-like increase ¹	56.9	32.3%
Acquisition	3.6	2.0%
2021 in Constant Currency²	236.7	34.3%
Currency movements	(8.5)	(3.6%)
2021 revenue	228.2	

1. Like-for-like revenue increase excludes the impact of currency movements and acquisitions, see footnote 2 for currency calculation

2. 2021 revenue translated at 2020 exchange rates

Like-for-like growth of 32.3% was significantly greater than that of the market. Our ability to continually deliver competitively priced, high quality products even amid COVID-driven disruption was rewarded with new tender wins with our most strategic customers and in our most profitable product categories. Our overweight positions with multi-channel capable distributors who themselves outperformed the market during COVID was also beneficial. The UK Residential RMI market, consisting of both consumer and professional renovation activity and into which approximately two-thirds of our sales are made, enjoyed a very strong start to the year as people continued with COVID-driven home improvement projects. Whilst this activity naturally moderated as the year progressed, it was compensated by increasing activity overseas and within the UK Non-Residential RMI market. Consequently, like-for-like growth of 36% versus a pre-COVID 2019 comparative was maintained throughout the year, highlighting the benefits of our increasingly diversified sources of growth.

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

Performance by sales channel was as follows:

Revenue by sales channel:	£m 2021	% of Total	Growth v 2020 %	Growth v 2019 %
Retail	83.0	35.1%	37.9%	38.2%
Hybrid	59.8	25.3%	39.4%	74.1%
Professional Wholesale	59.3	25.0%	24.7%	26.5%
Professional Projects	34.6	14.6%	34.2%	13.2%
TOTAL at Constant Currency	236.7	100.0%	34.3%	37.7%
Currency impact	(8.5)			
TOTAL	228.2		29.5%	32.6%

Our growth in 2020, early in the pandemic, was heavily skewed towards the Hybrid channel, which consists of multi-channel capable distributors that remained open and gained share when traditional branch networks within the Professional Wholesale channel were forced to close.

It is notable that our growth in 2021 became more broadly based. Fewer COVID restrictions allowed Retail, Hybrid and Professional Wholesale customers to make the most of buoyant Residential RMI market conditions. We supplemented this with new business wins, particularly within the Wiring Accessories category, as competitors who lack our vertically integrated model struggled to meet healthy demand. We also benefited from our leadership of the DIY/small electrical contractor market, where market conditions were at their most buoyant.

2021 also saw the return to growth of our Professional Projects channel, largely consisting of LED projects sold into commercial and institutional settings, as fewer COVID restrictions encouraged business owners to spend discretionary capex. A sales decline of 6.3% versus a pre-COVID 2019 comparative in the first half was replaced by growth of 10.3% in the second half.

2021 also brought a broader base of growth overseas, particularly in the second half, as international markets increasingly benefited from their vaccine rollout programmes:

Revenue by geographical location of customer	2021 £m	2020 £m	Change %
UK	181.2	140.3	29.2%
Europe	24.0	18.4	30.4%
Middle East and Africa	7.6	7.0	8.6%
Asia Pacific	10.6	6.7	58.2%
Americas	4.8	3.8	26.3%
Total revenue	228.2	176.2	29.5%

UK revenue grew by 29.2% in the period, which was broadly based by channel, as described above.

European growth emanated from our rapidly expanding Southern European business based in Barcelona, which moved into a new distribution facility in the year to sustain future growth. Our operations in France were subsumed therein to share resources and save cost. Our progress in Southern Europe contrasted with that of our Northern European business which incurred an Adjusted Operating Loss of £0.5m in the year. We announced the closure of this business towards the end of the year, with an associated one-off cost of £1.6m related to asset write-downs and stock provisions. We will cease operations there in the first half of 2022, allowing resources to be redeployed to better effect elsewhere.

Revenue in the Americas grew significantly in the period following strong growth in our Mexican business and increased sales of Portable Power products to US DIY chains.

Sales in the Middle East and Africa recovered strongly from a disappointing start to the year as a more active global economy drove up energy prices and therefore appetite for regional construction projects in the Gulf states.

Growth in Asia Pacific benefited from market share gains with retailers in Thailand and the Philippines.

Profitability

Adjusted Operating Profit grew by £9.0m to £39.0m. Adjusted Operating Margin increased by 0.1 percentage points to 17.1%. This was delivered by strong revenue growth, tight control of overheads and the close management of rapid input cost inflation, as follows:

Adjusted Operating Profit	£m
2020 Adjusted Operating Profit	30.0
Input cost inflation	(10.0)
Currency movements	(3.6)
Selling price increases	7.0
Manufacturing efficiency gain	1.9
Operating leverage on sales growth	13.8
Acquisition	(0.1)
2021 Adjusted Operating Profit	39.0

Input cost inflation added £10.0m to the cost base in 2021, the majority of which arose from industry-wide increases in sea freight and copper prices. Strengthening of the Chinese renminbi, the currency in which the Group makes most of its purchases, increased our cost base in 2021 by a further £3.6m. Both factors therefore produced a cost headwind totalling £13.6m in the year and at current prices they would increase our annualised cost base by £25.0m, with the remaining £11.4m to flow through in later years as hedging arrangements and inventory cover unwinds.

We combated this input cost inflation with gradual selling price increases and manufacturing efficiency gains totalling £8.9m. Whilst this left a net profit headwind of £4.7m in 2021, we expect to close this gap in full as selling price updates already in place deliver their full annualised benefit in 2022 and beyond. We therefore expect our Adjusted Gross Margin from now on to exceed the 35.8% delivered in the second half of 2021 and for it to return to over 40% in time.

The net profit headwind from cost inflation and currency in 2021 was more than compensated by very fulsome conversion of rapid top line growth into bottom line profit. It is notable that the Group has added no additional overheads since 2019 to support £52.5m of additional organic sales. This reflects highly synergistic sources of growth and tight control of discretionary spending.

The net result was 30% growth in Adjusted Operating Profit and a 0.1 percentage point expansion in Adjusted Operating Margin to 17.1% in 2021 – an excellent outcome in a tumultuous year.

Inflationary trends stabilised in the final quarter of 2021 compared to the second and third quarters but have resumed in the wake of recent tragic events in Ukraine. We are mindful of the impact that real wage deflation could have on consumer spending, including home improvement, and therefore remain vigilant.

The table below provides a more detailed view of the currency impact in the year:

	Adjusted 2021 actual ¹	Currency impact		Adjusted 2021 at Constant Currency ²	Constant Currency variance to 2020		Adjusted 2020 actual
		£m	£m		%	£m	
Revenue	228.2	(8.5)	(3.6%)	236.7	60.5	34.3%	176.2
Cost of sales	(143.5)	5.1	(3.4%)	(148.6)	(42.6)	40.2%	(106.0)
Gross profit	84.7	(3.4)	(3.9%)	88.1	17.9	25.5%	70.2
Gross margin %	37.1%		(0.1ppts)	37.2%		(2.6ppts)	39.8%
Operating costs	(45.7)	(0.2)	0.4%	(45.5)	(5.3)	13.2%	(40.2)
Operating profit	39.0	(3.6)	(8.5%)	42.6	12.6	42.0%	30.0
Operating margin %	17.1%		(0.9ppts)	18.0%		1.0ppts	17.0%

1. Year ended 31 December 2021 translated at 2021 average exchange rates

2. Year ended 31 December 2021 translated at 2020 average exchange rates

Operating costs

Adjusted Operating Costs increased by £5.5m to £45.7m.

£1.7m of the increase relates to DW Windsor, acquired by the Group in October 2021. £0.8m relates to extra delivery costs from much increased sales. £0.8m relates to increased share-based payment charges and National Insurance payable on exercised options. The remaining £2.2m relates to a number of smaller increases within professional fees, travel and entertainment as well as strategic investment in IT and marketing.

2022 is likely to see a circa £2.0m increase in National Insurance costs as particularly valuable employee share options reach maturity. The final amount will depend upon to what extent, and at what price, option holders exercise their awards. Option costs will then reduce in subsequent years.

Net finance expense

Covenant Net Debt increased by £14.4m to £30.6m, largely reflecting the acquisition of DW Windsor for £16.3m in the year. Adjusted Net Finance Expense increased by £0.3m to £1.6m, reflecting the increased indebtedness and arrangement fees payable on our newly increased banking facilities which now provide access to up to £120m of borrowing capacity.

Another year of strong cash generation enabled the Group to maintain a strong balance sheet, with Covenant Net Debt leverage in the year at 0.7x Covenant EBITDA despite cash spent on acquisitions.

Taxation

The effective tax rate on Adjusted Profit Before Tax increased slightly by 0.2% to 16.6% in 2021. The Group's mix of profits by country would indicate a typical effective tax rate of circa 19.5%. We outperformed this in 2021 because of work done over recent years to maximise tax incentives in China. As a result, it is reasonable to expect the Group to maintain an effective tax rate below 19% in 2022 until a higher UK corporation tax rate takes effect in 2023.

Adjusted Free Cash Flow

	Adjusted ¹ 2021	Adjusted ¹ 2020
Adjusted¹ Free Cash Flow (£m)		
Operating profit	39.0	30.0
Depreciation and amortisation	6.7	6.1
EBITDA	45.7	36.1
Changes in working capital	(12.6)	(3.1)
Other items	1.9	1.1
Operating Cash Flow	35.0	34.1
Operating cash conversion ²	89.7%	113.7%
Net capital expenditure	(6.4)	(4.4)
Interest paid	(1.7)	(1.3)
Tax paid	(8.1)	(5.7)
Free Cash Flow	18.8	22.7
Free Cash Flow as % Revenue	8.2%	12.9%

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 converted 89.7% of Adjusted Operating Profit into Adjusted Operating Cash Flow, slightly short of its target of >100%. This reflects prudent investment in additional inventory to maintain service and mitigate cost inflation. Delivery times from China increased by 38 days to 135 in 2021, necessitating a 27 day increase in inventory cover to 134 days. The resulting £14.6m organic increase in inventory was partly funded by collecting cash from customers on average 11 days quicker – a great performance in the circumstances. The Group expects healthy cash conversion in 2022 as supply chain stability allows stock to be gradually reduced.

The Group delivered strong Adjusted Free Cash Flow of £18.8m (2020: £22.7m). This represented 8.2% of revenue (2020: 12.9%), consisting of a disappointing margin of 4.6% in the first half and 11.5% in the second half as supply chains stabilised.

Capital expenditure

The Group's net capital expenditure consists of capitalised product development costs and the purchase of physical assets. It increased by £2.0m to £6.4m (2020: £4.4m) and equalled 2.8% of revenue (2020: 2.5%), marginally below our target range of 3-4%. We continue to see opportunities to invest in low risk, high return automation projects in our Chinese production facility which we intend to accelerate now that COVID-19 driven disruption appears to be reducing.

Return on capital

Return on Capital Invested is broadly consistent with the prior year at 36.4% (2020: 35.7%) thanks to strong profitability and tight control of capital expenditure 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.

Acquisitions

DW Windsor Group was acquired for £16.3m in cash in October 2021 with no deferred or contingent consideration. Based in Hertfordshire, UK, it operates through two business units: DW Windsor and Urban Control.

DW Windsor is a leader in the design and UK-based manufacture of high quality outdoor and streetlighting equipment for the specification market, selling mainly to UK local authority end customers. It is highly complementary to the Group's Kingfisher Lighting business, which supplies non-public sector projects, and we are excited about the opportunity to offer the expanded product portfolio to both customer groups.

Urban Control provides network solutions for infrastructure assets facilitating data collection and control, including the monitoring and control of streetlights.

For the unaudited 12-month period ended 30 September 2021 (adjusted for non-underlying items) DW Windsor generated revenue of £23.9m, operating profit of £1.9m and EBITDA of £2.3m. It generated an Adjusted Operating Loss of £0.1m in the period from the date of acquisition to 31 December 2021 in what is a seasonally slow period for the business. The integration of the business is on track and we are beginning to exploit product development, sales and sourcing synergies.

Capital structure

Adjusted Free Cash Flow of £18.8m (2020: £22.7m) was used to fund the acquisition of DW Windsor Group outlined in the section above. The business continues to consistently generate ample funds to support a dividend at the 40% payout level and to fund M&A activity.

£m	2021	2020	Change
Reported net debt	£38.1m	£18.3m	108.2%
Less: IFRS 16 Finance Leases	(£8.2m)	(£2.8m)	192.9%
Finance Leases - pre-IFRS 16	£0.7m	£0.7m	-
Covenant Net Debt	£30.6m	£16.2m	88.9%
Covenant Net Debt : Covenant EBITDA	0.7	0.4	0.3

At 31 December 2021, the Group's non-utilised facilities totalled £43.2m, with an option (subject to lender consent) to add a further £40.0m under the terms of its new syndicated bank facility signed in October 2021. The facility matures in September 2024 with two subsequent one-year renewal options. The Group therefore has significant capacity to fund future acquisitions.

The Company's covenant position and headroom at 31 December 2021 was as follows:

2021 full-year covenant	Covenant	Actual	Headroom
Covenant Net Debt : Covenant EBITDA	3.0 : 1	0.7 : 1	Covenant Net Debt headroom: £110.1m ¹ Covenant EBITDA headroom: £36.7m
Covenant EBITDA : Adjusted Net Finance Expense	4.0 : 1	29.3 : 1	Covenant EBITDA headroom: £40.5m Net Finance Expense headroom: £10.1m

1. Headroom with increased facility. Current facility headroom is £43.2m.

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

	2021	2020
Adjusted ¹ Earnings Per Share (pence)	20.2	15.5
Covenant Net Debt : Covenant EBITDA (times)	0.7	0.4
Adjusted ¹ Free Cash Flow (£m)	18.8	22.7

1. 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 117 of the Annual Report and Accounts. The Group has a very strong balance sheet and significant facility headroom under even a realistic severe but plausible downside scenario. No covenant breaches occur in any of our severe but plausible downside scenarios, all of which are before any mitigating actions, illustrating our financial resilience.

Dividends

The Board is recommending to pay dividends equal to 40% of earnings. It is therefore proposing a final dividend of 5.5p per share which, with the interim dividend of 2.6p per share, is a full-year dividend of 8.1p. The final dividend will be paid on 20 May 2022 to shareholders on the register on 8 April 2022.

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		
	2021	2020	Change	2021	2020	Change
Revenue	£104.5m	£81.3m	28.5%	£104.5m	£81.3m	28.5%
Contribution profit	£36.3m	£29.5m	23.1%	£36.3m	£29.5m	23.1%
Contribution margin %	34.7%	36.3%	(1.6ppts)	34.7%	36.3%	(1.6ppts)
Operating profit	£29.2m	£23.0m	27.0%	£29.2m	£23.0m	27.0%
Operating margin %	27.9%	28.3%	(0.4ppts)	27.9%	28.3%	(0.4ppts)

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

Wiring Accessories is the Group's largest and most profitable segment, generating 46% of Group revenue, with a brand established over 80 years ago.

We continue to significantly outperform in this category, delivering segmental revenue growth of 28.5% since 2020 and 49.1% since 2019. We have gained an increasing market share over an extended period thanks to our advantaged business model. However, the accelerated outperformance in the last two years has been driven by: business wins with strategic accounts, strong demand in the circuit protection category due to regulatory changes, and superior product availability, principally thanks to our vertical integration, in the second half's recovering market.

Despite increasing input prices and supply chain restraints, Adjusted Operating Margin reduced only marginally by 40 basis points.

LED Lighting

	Adjusted ¹			Reported		
	2021	2020	Change	2021	2020	Change
Revenue	£63.2m	£49.5m	27.7%	£63.2m	£49.5m	27.7%
Contribution profit	£7.4m	£5.7m	29.8%	£4.1m	£5.3m	(22.6%)
Contribution margin %	11.7%	11.5%	0.2ppts	6.5%	10.7%	(4.2ppts)
Operating profit	£3.4m	£2.8m	21.4%	£0.1m	£2.4m	(95.8%)
Operating margin %	5.4%	5.7%	(0.3ppts)	0.2%	4.8%	(4.6ppts)

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

The Group entered the lighting market in 2013 as the industry adopted LED technology and it represents 28% of Group revenue.

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 £63m revenue business in seven years, largely organically but bolstered by the acquisition of Kingfisher Lighting in 2017 and DW Windsor in 2021.

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.

Segmental growth accelerated in the second half of the year with revenue of £36.3m versus £26.9m in the first half of 2021. This was due to an increase in LED retrofit activity as outlined in the sales channels commentary above.

Portable Power

	Adjusted ¹			Reported		
	2021	2020	Change	2021	2020	change
Revenue	£60.5m	£45.4m	33.3%	£60.5m	£45.4m	33.3%
Contribution profit	£10.3m	£7.5m	37.3%	£9.9m	£7.5m	32.0%
Contribution margin %	17.0%	16.5%	0.5ppts	16.4%	16.5%	(0.1ppts)
Operating profit	£6.4m	£4.2m	52.4%	£6.0m	£4.2m	42.9%
Operating margin %	10.6%	9.3%	1.3ppts	9.9%	9.3%	0.6ppts

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

The Group enjoys a leading position in the UK portable power market and this represents 26% of Group revenue.

Revenue in the period was 33.3% higher than the prior year and 26.6% higher than 2019 as the Group won new business with retailers in Europe and the USA. Our use of outsourced manufacturing and Free on Board (“FOB”) delivery means low overhead costs, allowing good conversion of the sales growth into profit, offsetting input cost inflation. Adjusted Operating Margin improved from 9.3% in the prior year to 10.6% in the current year.

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 66 to 67 and the Group’s Going Concern Statement can be found on page 117 of the 2021 Annual Report and Accounts.

MATT WEBB

Chief Financial Officer

22 March 2022

Environmental, Social and Governance ('ESG') update

2021 has been a further year of progression of our sustainability program even against a challenging backdrop resulting from COVID-19 and supply chain constraints. Our product portfolio combined with our Business Model and experience puts us in a strong position to capture future ESG opportunities, however we recognise there is more to do and we look forward to continuing to progress our sustainability agenda moving forwards.

Leveraging our Business Model

The nature of the Group's Business Model means we are able consider and minimise our impact on the environment right through from initial product designs, to how those designs are made, through to how our orders are fulfilled.

Design: Our efficient product designs not only help manage our costs but further enable our customers to enjoy our products knowing they have chosen a more sustainable option.

- As far as possible, we use recycled materials for packaging our products and we are further enhancing our products with increased use of recycled materials, particularly recycled plastics.
- Our designers intensely focus on driving down the power consumption of our products using the most efficient designs and technologies.

Make: The way we produce our products is a key component in our environmental considerations and will be a significant area of focus as we progress our environmental agenda.

- Emissions arising from production are controlled at source through lean and efficient manufacturing processes which minimise inefficient rework or quality issues.
- We ensure wherever possible that the energy used to power our sites is sourced renewably.
- We employ a solar PV array at our China manufacturing facility, which delivers 8% of our total electricity consumptions.
- We obtain high-quality carbon offsets, to mitigate emissions we have not yet been able completely mitigate.

Market: The way we build relationships and understanding with our customers means we are not only well positioned to adapt to their changing needs, but also to advise them on their individual requirements.

- Our electric vehicle charging range is expanding and we are excited about the benefits this will have on our customers and society as a whole.
- Our experienced project sales teamwork with the customer to bring ideas they may not have considered, such as absence detection, bringing an end to lights being left on when not required.

Fulfil: It has been a challenging year for our teams focused on managing the delivery of our products given current global supply chain constraints, but we are proud to have progressed our environmental agenda even against this backdrop.

- We have invested in a new Warehouse Management System at our Telford site, designed to increase levels of automation as well as minimise waste and inefficiency. Better planning of stock availability has resulted in a significant reduction in the number of deliveries required to fulfil each customer order, lowering associated emissions.
- We are reviewing the packaging dimension of all our product ranges not only to reduce packaging, but also to ensure maximum efficiency when shipping.
- We continue to focus on Free on Board sales, which significantly reduce the miles over which our products travel to customers.

Our key achievements and targets set in 2021 are:

- Carbon neutral operations in 2021: electricity moved to renewable sources and residual emissions offset with high quality Voluntary Emission Reduction certificates.
- Targeting £100m of low carbon sales by 2025: currently consisting of sales of highly efficient LED luminaires and EV chargers.
- Carbon Disclosure Project joined in 2021
- Science-Based Target Initiative ("SBTi") to be joined in 2022

Our ESG objectives for 2022 are as follows:

- Make significant progress towards delivering £100m of revenue from low carbon products in 2025
- Commit to the Science Based Target Initiative ("SBTi") and seek the validation of associated emission reductions targets
- Ensure all products sold in the year use recyclable plastic packaging
- Ensure 30% of plastic packaging used in the year is recycled

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

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

See also pages 60 to 65 in the 2021 Annual Report and Accounts.

In determining whether it is appropriate to adopt the going concern basis in the preparation of the financial statements, the Directors have considered these principal risks and uncertainties. The Viability Statement on pages 66 to 67 of the 2021 Annual Report and Accounts considers the prospects of the Group should a number of these risks crystallise together.

Risk management process

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

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

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

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

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

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

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

Principal risks

Risks associated with the coronavirus

Risk and impact:	Mitigation
<ul style="list-style-type: none">Operational disruption or enforced site closure limits the rate of product supply	Regular review of local virus case data to respond to emerging threats to operations
<ul style="list-style-type: none">Risk of unexpected changes in product demand	COVID-19-secure protocols are in place at relevant global sites
<ul style="list-style-type: none">Communication and corporate alignment are compromised by remote working and/or inability to travel to international operating sites	Sales order book and access to customer sales data gives visibility of changing demand patterns Virtual communication tools ensure close collaboration Increased communication with team members during the pandemic

Concentration risks associated with operations

Risk and impact:	Mitigation
<ul style="list-style-type: none">The Group's products are overwhelmingly sourced from one country (China) and a large proportion are made in one location (Jiaxing)	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
<ul style="list-style-type: none">Disruption to our Jiaxing facility could compromise our ability to serve our customers	Production facilities in China are spread across multiple buildings on the same site to mitigate risk
<ul style="list-style-type: none">General disruption to trading between China and our selling markets (particularly UK) could increase our costs or limit our ability to serve our markets	The Group owns its product designs and production tooling, allowing manufacturing to be moved between suppliers more easily Business Continuity Plans are in place for Jiaxing site
<ul style="list-style-type: none">China could be impacted by events in Ukraine/Russia, which impacts our ability to manufacture products	Business Interruption Insurance is in place for the Jiaxing site and our OEM supplier of Portable Power products

Concentration risks associated with customers and products:

Risk and impact:	Mitigation
<ul style="list-style-type: none">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	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
<ul style="list-style-type: none">The Group's committed order book extends 2-3 months forward. Orders thereafter are uncommitted	The cost of range changes for large customers is high, reducing the likelihood of occurrence
<ul style="list-style-type: none">Geopolitical instability creates prices changes and shortages of materials and the impact of inflation on input costs from energy and material costs impacting product cost and profitability	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
<ul style="list-style-type: none">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 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
<ul style="list-style-type: none">The Group has a material exposure to the purchase price of copper. An adverse move could reduce profits and/or price competitiveness	

Macroeconomic, political and environmental:

Risk and impact:	Mitigation
<ul style="list-style-type: none">• A failure to respond to governmental, cultural, customer or investor requirements on ESG in the following areas: changing customer behaviour and demands (e.g. electric vehicle charging), increased stakeholder concern, negative feedback or non-compliance on ESG strategy, increased severity and frequency of extreme weather events accelerating ESG progress. All of which could result in reduced profits or a reduced share price• The Group has a concentrated exposure to the UK market. UK economic headwinds from global input prices, higher living costs and geopolitical instability could lead to lower profits or a reduced share price.	<p>The Group has commenced participation in the Carbon Disclosure Project and prepared itself for participation in the Science-Based Target Initiative beginning in 2022</p> <p>The Group is expanding and developing its product range of low carbon products (e.g. LED lighting and electric vehicle charging)</p> <p>The Group is largely exposed to the RMI cycle, which is less susceptible to macroeconomic forces</p> <p>The Group's overseas businesses are expected to grow faster than the UK, diluting the UK exposure</p> <p>UK buffer stock is held in the event of supply disruption in China</p> <p>Airfreight can be used to expedite deliveries if required</p> <p>Management liaises closely with investors and customers to understand their future ESG needs and responds accordingly</p>

Loss of IT / data:

Risk and impact:	Mitigation
<ul style="list-style-type: none">• 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• Increased cloud server usage increases risk of data loss or compromise and cyber risk is on an upward trend impacting operations and reputational risk	<p>Market-leading cyber security tools are in place following engagement with cyber security consultants</p> <p>Market-leading data backup tools are in place</p> <p>IT disaster recovery plans are in place throughout the Group</p> <p>We conduct regular penetration testing</p> <p>IT incidents are reported to the Board</p>

Loss of key employees:

Risk and impact:	Mitigation
<ul style="list-style-type: none">• Loss of key employees could damage business relationships or result in a loss of knowledge• Depending on the job role and team, COVID-19 has changed employee's and employer's work place expectations. A more fluid working environment in both the office and home is more common place. The risk of not adapting to this change in working practices could lead to loss of employees and an inability to attract talent	<p>Key relationships are typically shared between more than one employee</p> <p>The Group's service offering is multi-faceted, reducing the risk that the loss of an employee would result in lost sales</p> <p>Retention of key employees is driven by long-term personal development and incentive plans. These plans are reviewed by the Nomination and Remuneration Committees</p> <p>Workforce engagement surveys ensure employee needs are identified and addressed, promoting retention</p> <p>Adoption of hybrid practices within appropriate teams</p>

Acquisitions:**Risk and impact:**

- An ill-judged acquisition could destroy shareholder value
- Unable to grow or develop an acquired business in line with expectations leading to lower profits
- 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

Legal and Regulatory**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

Finance and treasury**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

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The following statement will be contained in the 2021 Annual Report and Accounts.

We confirm that to the best of our knowledge:

- The financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
- The Strategic Report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation, taken as a whole, together with a description of the principal risks and uncertainties that they face.
- We consider the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

JOHN HORNBY

Chief Executive Officer

MATT WEBB

Chief Financial Officer

22 March 2022

**Consolidated Income Statement
for the year ended 31 December 2021**

	Note	Adjusted Adjustments ¹		2021	Adjusted Adjustments ¹		2020
		£m	£m	£m	£m	£m	£m
Revenue	2	228.2	-	228.2	176.2	-	176.2
Cost of sales		(143.5)	-	(143.5)	(106.0)	-	(106.0)
Gross profit		84.7	-	84.7	70.2	-	70.2
Distribution expenses		(7.8)	-	(7.8)	(8.6)	-	(8.6)
Administrative expenses		(37.9)	(3.7)	(41.6)	(31.6)	(0.4)	(32.0)
Operating profit	2,3	39.0	(3.7)	35.3	30.0	(0.4)	29.6
Finance income		-	-	-	-	5.3	5.3
Finance expense		(1.6)	(0.4)	(2.0)	(1.3)	-	(1.3)
Net finance expense		(1.6)	(0.4)	(2.0)	(1.3)	5.3	4.0
Profit before tax		37.4	(4.1)	33.3	28.7	4.9	33.6
Taxation	4	(6.2)	-	(6.2)	(4.7)	(1.0)	(5.7)
Profit for the period		31.2	(4.1)	27.1	24.0	3.9	27.9
Earnings per share (pence)							
Basic	5	20.2p	(2.6p)	17.6p	15.5p	2.5p	18.0p
Fully diluted	5	19.8p	(2.6p)	17.2p	15.2p	2.5p	17.7p

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

**Consolidated Statement of Comprehensive Income
for the year ended 31 December 2021**

	2021	2020
	£m	£m
Profit for the period	27.1	27.9
Other comprehensive income – amounts that may be reclassified to profit or loss in the future:		
Foreign exchange translation differences – foreign operations	0.3	0.8
Total comprehensive income for the year	27.4	28.7

All results are from continuing operations.

The accompanying notes form part of these financial statements.

**Consolidated Balance Sheet
at 31 December 2021**

	Note	2021 £m	2020 £m
Non-current assets			
Property, plant and equipment	7	21.2	17.8
Right-of-use assets		7.8	2.7
Intangible assets	8	32.9	21.5
Investment in associate		2.1	-
Financial assets held for trading		4.3	1.4
Deferred tax asset		0.1	0.5
		68.4	43.9
Current assets			
Inventories		57.3	37.2
Trade and other receivables		69.7	71.8
Financial assets held for trading		0.4	4.1
Cash and cash equivalents		6.9	6.7
		134.3	119.8
Total assets		202.7	163.7
Current liabilities			
Trade and other payables		66.5	63.6
Current tax liabilities		1.8	3.1
Financial assets held for trading		0.1	0.5
Other financial liabilities		2.2	1.2
		70.6	68.4
Non-current liabilities			
Interest-bearing loans and borrowings	9	36.8	22.2
Other financial liabilities		6.0	1.6
Provisions		1.6	1.1
		44.4	24.9
Total liabilities		115.0	93.3
Net assets		87.7	70.4
Equity attributable to equity holders of the parent			
Share capital		0.1	0.1
Share premium		24.8	24.8
Translation reserve		0.2	(0.1)
Treasury reserve		(6.7)	(6.8)
Retained earnings		69.3	52.4
Total equity		87.7	70.4

The accompanying notes form part of these financial statements.

**Consolidated Statement of Changes in Equity
for the year ended 31 December 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	-	-	-	27.9	-	27.9
Currency revaluations of investments	-	-	0.3	-	-	
Currency translation differences	-	-	0.5	-	-	
Total comprehensive income for the period	-	-	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
Total comprehensive income						
Profit for the period	-	-	-	27.1	-	27.1
Currency revaluations of investments	-	-	(1.1)	-	-	(1.1)
Currency translation differences	-	-	1.4	-	-	1.4
Total comprehensive income for the period	-	-	0.3	27.1	-	27.4
Transactions with owners in their capacity as owners:						
Dividends	-	-	-	(11.2)	-	(11.2)
Purchase of own shares	-	-	-	-	(1.3)	(1.3)
Disposal of own shares	-	-	-	(1.3)	1.4	0.1
Deferred tax on share-based payment transactions	-	-	-	0.7	-	0.7
Share-based payments charge	-	-	-	1.6	-	1.6
Total transactions with owners in their capacity as owners	-	-	-	(10.2)	0.1	(10.1)
Balance at 31 December 2021	0.1	24.8	0.2	69.3	(6.7)	87.7

Consolidated Cash Flow Statement for the year ended 31 December 2021

	Note	Adjusted £m	Adjustments ¹ £m	2021 £m	Adjusted £m	Adjustments ¹ £m	2020 £m
Cash flows from operating activities							
Profit for the period		31.2	(4.1)	27.1	24.0	3.9	27.9
Adjustments for:							
Depreciation and amortisation	7,8	6.7	1.0	7.7	6.1	0.4	6.5
Financial income		-	-	-	-	(5.3)	(5.3)
Financial expense		1.6	0.4	2.0	1.3	-	1.3
Taxation	4	6.2	-	6.2	4.7	1.0	5.7
Loss on disposal of tangible assets		-	-	-	0.1	-	0.1
Increase in provisions		0.2	-	0.2	-	-	-
Share-based payments charge		1.7	-	1.7	1.0	-	1.0
Operating cash flow before movement in working capital		47.6	(2.7)	44.9	37.2	-	37.2
Decrease/(increase) in trade and other receivables		6.2	-	6.2	(23.5)	(5.0)	(28.5)
(Increase)/decrease in inventories		(14.6)	1.5	(13.1)	(4.8)	-	(4.8)
Decrease/(increase) in trade and other payables		(4.2)	0.4	(3.8)	25.2	-	25.2
Cash from operations		35.0	(0.8)	34.2	34.1	(5.0)	29.1
Income taxes paid		(8.1)	-	(8.1)	(5.7)	-	(5.7)
Net cash from operating activities		26.9	(0.8)	26.1	28.4	(5.0)	23.4
Cash flows from investing activities							
Acquisition of property, plant and equipment	7	(5.7)	-	(5.7)	(3.3)	-	(3.3)
Acquisition of other intangible assets	8	(0.9)	-	(0.9)	(1.1)	-	(1.1)
Disposal of tangible assets	7	0.2	-	0.2	-	-	-
Acquisition of subsidiary		(16.3)	-	(16.3)	-	-	-
Investment in associate		(2.1)	-	(2.1)	-	-	-
Net cash used in investing activities		(24.8)	-	(24.8)	(4.4)	-	(4.4)
Cash flows from financing activities							
Origination/(Repayment) of borrowings		14.5	-	14.5	(3.8)	-	(3.8)
Interest paid		(1.7)	-	(1.7)	(1.3)	-	(1.3)
Dividends paid		(11.2)	-	(11.2)	(4.9)	-	(4.9)
Finance lease liabilities		(1.4)	-	(1.4)	(1.1)	-	(1.1)
Purchase of own shares		(1.3)	-	(1.3)	(2.7)	-	(2.7)
Net cash from financing activities		(1.1)	-	(1.1)	(13.8)	-	(13.8)
Net increase in cash and cash equivalents		1.0	(0.8)	0.2	10.2	(5.0)	5.2
Cash and cash equivalents at 1 January				6.7			1.4
Effect of exchange rate fluctuations on cash held				-			0.1
Cash and cash equivalents at 31 December				6.9			6.7

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

The accompanying notes form part of these financial statements.

Notes to the Consolidated Financial Statements for the year ended 31 December 2021

1. Basis of preparation

Luceco plc (the 'Company') is a company incorporated and domiciled in the United Kingdom. These consolidated financial statements for the year ended 31 December 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).

The financial information is derived from the Group's consolidated financial statements for the year ended 31 December 2021, which have been prepared on the going concern basis in accordance with UK adopted international accounting standards (UK adopted IFRS) in conformity with the requirements of the Companies Act 2006. The financial statements have been prepared on the historical cost basis except for certain financial instruments which are carried at fair value.

The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 December 2021 and 31 December 2020 but is derived from those accounts. Statutory accounts for 2020 have been delivered to the Registrar of Companies, and those for 2021 will be delivered in due course. The Auditors have reported on the 2021 statutory accounts; their report was (i) unqualified and (ii) did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006. The text of the Auditors' report can be found in the Company's full 2020 Annual Report and Accounts on pages 105 to 112.

The 2021 Annual Report and Accounts and the Notice of the 2021 Annual General Meeting will be published on the Company's website at <http://www.lucecoplc.com> as soon as practicable. They will also be submitted to the National Storage Mechanism where they will be available for inspection at:

<https://data.fca.org.uk/#/nsm/nationalstoragemechanism>.

The Group's accounting policies can be referred to in note 1 of the consolidated financial statements in the 2021 Annual Report and Accounts.

Going concern

The Directors have concluded that it is reasonable to adopt a going concern basis in preparing the financial statements. This is based on an expectation that the Company and the Group have adequate resources to continue in operational existence for at least 12 months from the date of signing these accounts. The Group has reported a profit before tax of £33.3m for the year to 31 December 2021 (2020: £33.6m), has net current assets of £63.7m (2020: £51.4m) and net assets of £87.7m (2020: £70.4m), net debt of £38.1m (2020: £18.3m) and cash generated from operations of £26.1m (2020: £23.4m). The bank facilities mature on 30 September 2024 as detailed below:

The capital resources at the Group's disposal at 31 December 2021 and 28 February 2022 were as follows:

- A revolving credit facility of £80.0m, £36.8m drawn at 31 December 2021 and £36.8m drawn at 28 February 2022

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

- Closing Covenant Net Debt of no more than 3.0 times Covenant EBITDA for the preceding 12-month period
- Covenant EBITDA of no less than 4.0 times Covenant Net Finance Expense for the preceding 12-month period

The Directors ran scenario tests on the severe but plausible downside case. The assumptions in this scenario were as follows: Concentration risks with associated operations (25% reduction in revenue for 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.

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 as a result of intermittent activities such as a corporate acquisition. The Group separately reports acquisition costs, other exceptional items and other specific items in the Consolidated Income Statement which, in the Directors' judgement, need to be disclosed separately by virtue of their nature, size and incidence in order for users of the financial statements to obtain a balanced view of the financial information and the underlying performance of the business.

In following the guidelines on Alternative Performance Measures (APMs) issued by the European Securities and Markets Authorities, the Group has included a Consolidated Income Statement and Consolidated Cash Flow Statement that have both Statutory and Adjusted performance measures. The definitions of the measures used in these results are 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.	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	A breakdown of the adjusting items from 2021 and 2020, which reconciles the adjusted measures to statutory figures, can be found on the following page	
Adjusted Operating Profit	Operating profit	Consolidated Income Statement		
Adjusted Basic EPS	Basic EPS	Consolidated Income Statement		
Constant Currency			Current period reviewed translated at the average exchange rate of the prior year	Allows management to identify the relative year-on-year performance of the business by removing the impact of currency movements that are outside of management's control
EBITDA	Operating profit	Consolidated Income Statement	Consolidated earnings before interest, tax, depreciation and amortisation	Provides management with an approximation of cash generation from the Group's operational activities
Adjusted EBITDA	Operating profit	Consolidated Income Statement	Consolidated earnings before interest, tax, depreciation and amortisation and the adjusting items excluded from Adjusted Operating Profit aside from the amortisation of acquired intangibles	Provides management with an approximation of cash generation from the Group's underlying activities
Covenant EBITDA	Operating profit	Consolidated Income Statement	As above definition of 'Adjusted EBITDA' but including EBITDA generated from acquisitions between 1 January and the date of acquisition	Aligns with the definition of EBITDA used for bank covenant testing
Contribution profit	Operating profit and operating costs	Consolidated Income Statement	Contribution profit is after allocation of adjusted operating expenses for each operating segment	Provides management with an assessment of profitability by operating segment

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

The following tables indicate how alternative performance measures are calculated:

	2021 £m	2020 £m
Adjusted EBITDA		
Adjusted Operating Profit	39.0	30.0
Adjusted Depreciation and Amortisation	6.7	6.1
Adjusted EBITDA	45.7	36.1
	2021 £m	2020 £m
Covenant EBITDA		
Adjusted EBITDA	45.7	36.1
EBITDA from acquisitions from 1 January 2021 to the date of acquisition	1.2	-
Covenant EBITDA	46.9	36.1
	2021 £m	2020 £m
Adjusted Operating Cash Conversion		
Cash from operations (from Consolidated Cash Flow Statement)	34.2	29.1
Adjustments to operating cash flow (from Consolidated Cash Flow Statement)	0.8	5.0
Adjusted Operating Cash Flow	35.0	34.1
Adjusted Operating Profit	39.0	30.0
Adjusted Operating Cash Conversion	89.7%	113.7%
	2021 £m	2020 £m
Adjusted Net Cash Flow as % of revenue		
Adjusted Free Cash Flow (see below)	18.8	22.7
EBT Purchases	(1.3)	(2.7)
Dividends	(11.2)	(4.9)
Adjusted Net Cash Flow	6.3	15.1
Revenue	228.2	176.2
Adjusted Net Cash Flow as % of revenue	2.8%	8.6%

	2021 £m	2020 £m
Adjusted Operating Cash Flow (see table above)	35.0	34.1
Net Cash used in investing activities excluding acquisitions (from Consolidated Cash Flow Statement)	(6.4)	(4.4)
Interest paid (from Consolidated Cash Flow Statement)	(1.7)	(1.3)
Tax paid (from Consolidated Cash Flow Statement)	(8.1)	(5.7)
Adjusted Free Cash Flow	18.8	22.7
Revenue	228.2	176.2
Adjusted Free Cash Flow as % revenue	8.2%	12.9%

	2021 £m	2020 £m
Return on Capital Investment		
Net assets	87.7	70.4
Net debt	38.1	18.3
Capital invested	125.8	88.7
Average capital invested (from last two years)	107.3	84.1
Adjusted Operating Profit (from above)	39.0	30.0
Return on Capital Invested (Adjusted Operating Profit/average capital invested)	36.4%	35.7%

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

	2021 £m	Amortisation of acquired intangibles and related acquisition costs ¹ £m	Re- measurement to fair value of hedging portfolio ² £m	Restructuring ³ £m	2021 Adjustments £m	2021 Adjusted £m
Revenue	228.2	-	-	-	-	228.2
Cost of sales	(143.5)	-	-	-	-	(143.5)
Gross profit	84.7	-	-	-	-	84.7
Distribution expenses	(7.8)	-	-	-	-	(7.8)
Administrative expenses	(41.6)	1.4	-	2.3	3.7	(37.9)
Operating profit	35.3	1.4	-	2.3	3.7	39.0
Net finance expense	(2.0)	-	0.4	-	0.4	(1.6)
Profit before tax	33.0	1.4	0.4	2.3	4.1	37.4
Taxation	(6.2)	0.1	(0.1)	-	-	(6.2)
Operating profit	27.1	1.5	0.3	2.3	4.1	31.2
Gross margin	37.1%					37.1%

1. Relating to Kingfisher Lighting and DW Windsor
2. Relating to currency hedges
3. Relating to the closure of Germany and France operation

	2020 £m	Amortisation of acquired intangibles and related acquisition costs ¹ £m	Re- measurement to fair value of hedging portfolio ² £m	2020 Adjustments £m	2020 Adjusted £m
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
Net finance expense	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)
Operating profit	27.9	0.4	(4.3)	(3.9)	24.0
Gross margin	39.8%				39.8%

1. Relating to Kingfisher Lighting

2. Relating to currency hedges

Standards and interpretations issued

The following UK-adopted IFRSs have been issued but have not been applied in these financial statements. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated from 1st January 2021:

- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current
- Amendments to References to the Conceptual Framework in IFRS 3
- Amendments to IAS 16: Property, Plant and Equipment - Proceeds before Intended Use
- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to introduce a new definition for accounting estimates
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statements 2 Making Materiality Judgements
- Amendments to IAS 12 Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction

2. Operating segments

The Group's principal activities are in the manufacturing and supply of Wiring Accessories, LED Lighting and Portable Power equipment. For the purposes of management reporting to the Chief Operating Decision-Maker (the Board), the Group consists of three operating segments which are the product categories that the Group 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 2021 £m	Adjustments £m	Reported 2021 £m	Adjusted 2020 £m	Adjustments £m	Reported 2020 £m
Revenue						
Wiring Accessories	104.5	-	104.5	81.3	-	81.3
LED Lighting	63.2	-	63.2	49.5	-	49.5
Portable Power	60.5	-	60.5	45.4	-	45.4
	228.2	-	228.2	176.2	-	176.2
Operating profit						
Wiring Accessories	29.2	-	29.2	23.0	-	23.0
LED Lighting	3.4	(3.3)	0.1	2.8	(0.4)	2.4
Portable Power	6.4	(0.4)	6.0	4.2	-	4.2
Operating profit	39.0	(3.7)	35.3	30.0	(0.4)	29.6

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

	2021			2020	
	Total £m	Amortisation of acquired intangibles and related costs ¹ £m	Restructuring ² £m	Total £m	Amortisation of acquired intangibles and related costs ¹ £m
Cost of sales					
Wiring Accessories	-	-	-	-	-
LED Lighting	-	-	-	-	-
Portable Power	-	-	-	-	-
Gross Profit	-	-	-	-	-
Administration expenses					
Wiring Accessories	-	-	-	-	-
LED Lighting	(3.3)	(1.4)	(1.9)	0.4	0.4
Portable Power	(0.4)	-	(0.4)	-	-
Total	(3.7)	(1.4)	(2.3)	0.4	0.4
Operating profit					
Wiring Accessories	-	-	-	-	-
LED Lighting	(3.3)	(1.4)	(1.9)	0.4	0.4
Portable Power	(0.4)	-	(0.4)	-	-
Operating profit	(3.7)	(1.4)	(2.3)	0.4	0.4

1. Relating to Kingfisher Lighting in 2020 and Kingfisher Lighting and DW Windsor in 2021

2. Relating to currency hedges

Revenue by location of customer

	2021 £m	2020 £m
UK	181.2	140.3
Europe	24.0	18.4
Middle East and Africa	7.6	7.0
Americas	10.6	6.7
Asia Pacific	4.8	3.8
Total revenue	228.2	176.2

Revenues exceeded 10% or more of total revenue for one customer. This customer's revenue represents 30% (2020: 31%) of total revenue and is across all operating segments.

Non-current assets by location

	2021 £m	2020 £m
UK	51.1	29.2
China	16.3	14.1
Other	1.0	0.6
Total non-current assets	68.4	43.9

3. Expenses recognised in the Consolidated Income Statement

Included in the Consolidated Income Statement are the following:

	2021	2020
	£m	£m
Research and development costs expensed as incurred	3.0	2.2
Depreciation of property, plant and equipment and right-of-use assets	5.3	4.3
Amortisation of intangible assets	2.4	2.2

4. Income tax expense

	2021	2020
	£m	£m
Current tax expense		
Current year – UK	5.4	5.4
Current year – overseas	0.6	1.0
Adjustment in respect of prior years	0.6	(0.4)
Current tax expense	6.6	6.0
Deferred tax expense/(credit)		
Origination and reversal of temporary differences	(0.6)	(0.1)
Adjustment in respect of prior years	0.2	(0.2)
Deferred tax (credit)/expense	(0.4)	(0.3)
Total tax expense	6.2	5.7

	2021	2020
	£m	£m
Reconciliation of effective tax rate		
Profit for the year	27.1	27.9
Total tax expense	6.2	5.7
Profit before tax	33.3	33.6
Tax using the UK corporation tax rate of 19.0% (2020: 19.0%)	6.3	6.4
Effect of tax rates in foreign jurisdictions	-	0.1
Tax credits	(0.4)	-
Non-deductible expenses	0.1	0.3
Adjustment in respect of previous periods	0.5	(0.6)
Effect of rate change in calculation of deferred tax	0.2	-
Deferred tax on share-based payments	(0.3)	(0.3)
Utilisation of unrecognised overseas brought forward tax losses	(0.2)	(0.2)
Total tax expense	6.2	5.7

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 £0.5m 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

An increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This will increase the company's future current tax charge accordingly. The deferred tax liability at 31 December 2021 has been calculated based on these rates, reflecting the expected timing of reversal of the related temporary/timing differences (2020: 19%).

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.

	2021 £m	2020 £m
Earnings for calculating basic earnings per share	27.1	27.9
Adjusted for:		
Restructuring of European operations	2.3	-
Amortisation of acquired intangibles and related acquisition costs	1.4	0.4
Remeasurement to fair value of hedging portfolio	0.4	(5.3)
Income tax on above items	-	1.0
Adjusted earnings for calculating adjusted basic earnings per share	31.2	24.0

	2021 Number Million	2020 Number million
Weighted average number of ordinary shares		
Basic	154.1	154.7
Dilutive effect of share options on potential ordinary shares	3.8	2.7
Diluted	157.9	157.4

	2021 Pence	2020 Pence
Basic earnings per share	17.6	18.0
Diluted earnings per share	17.2	17.7
Adjusted basic earnings per share	20.2	15.5
Adjusted diluted earnings per share	19.8	15.2

6. Dividend

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

	2021 £m	2020 £m
Final dividend for the year ended 31 December 2020 of 4.7p (2019: 1.7p) per ordinary share	7.2	2.6
Interim dividend for the year ended 31 December 2021 of 2.6p (2020: 1.5p) per ordinary share	4.0	2.3
Total dividend recognised during the year	11.2	4.9

7. Property, plant and equipment

During the year, the Group purchased assets at a cost of £5.7m (2020: £3.3m); including plant and equipment £2.9m, tooling £1.5m, construction in progress £0.7m, land and buildings £0.4m and fixtures and fittings £0.2m. In addition, assets with a net book value of £0.9m were acquired through the acquisition of DW Windsor Group Limited. Assets with a net book value of £0.2m were disposed of (2020: £0.1m). Total depreciation for the period was £3.5m (2020 £3.1m).

During the year there were lease additions totalling £3.4m and a depreciation charge of £1.8m. In addition, lease assets with a net book value of £3.6m were acquired through the acquisition of DW Windsor Group Limited. The net book value of right-of-use assets at 31 December 2021 was £7.8m (31 December 2020: £2.7m).

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

For further information refer to note 9 of the consolidated financial statements in the 2021 Annual Report and Accounts.

8. Intangible assets and goodwill

Development expenditure is capitalised and included in intangible assets when it meets the criteria laid out in IAS 38, "Intangible Assets". During the year, the Group incurred internally generated development costs of £0.9m (2020: £1.1m). The Group has not included any borrowing costs within capitalised development costs. There were no funds specifically borrowed for this asset and the amount eligible as part of the general debt instruments pool (after applying

the appropriate capitalisation rate) is not considered material. As a result of the acquisition of DW Windsor Group Limited during the year, the Group recognised £5.4m of goodwill, £2.5m of development costs, £3.2m of customer relationships and £1.8m of brand names. Amortisation totalled £2.4m (2020: £2.2m). Net book value at 31 December 2021 was £32.9m (31 December 2020: £21.5m).

Goodwill impairment is reviewed annually. Further details on the review conducted at 31 December 2021 can be found in note 10 to the 2021 Annual Report and Accounts. No impairment charge was recorded in either 2021 or 2020.

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 20 in the 2021 Annual Report and Accounts.

	2021 £m	2020 £m
Non-current liabilities		
Revolving credit facility	36.8	13.6
Secured bank loans – Invoice financing	-	8.6
	36.8	22.2

Bank loans are secured by a fixed and floating charge over the assets of the Group.

10. Exchange rates

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

	Average rate		Reporting date spot rate	
	2021	2020	2021	2020
USD	1.38	1.28	1.35	1.36
EUR	1.16	1.12	1.19	1.11
RMB	8.87	8.92	8.59	8.91

11. Related party transactions

Transactions with key personnel

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

	2021 £m	2020 £m
Remuneration (including benefits in kind)	6.9	7.2
Element of share-based payments expense	1.7	1.0
	8.6	8.2

12. Post Balance Sheet Events

The Group held a 20% investment in associate with EV Charge Points UK T/A EVCP Limited ("Sync EV") for £2.1m from August 2021, based in Crawley, England. The business manufactures electrical equipment for the electric vehicle charging sector. On 21 March 2022, the remaining 80% of the business was acquired by the Group at a cash and debt free enterprise value of £8.0m.

13. Annual General Meeting

The 2022 AGM will take place on 12 May 2022 at Numis Securities, 45 Gresham Street, London EC2V 7BF. The notice of AGM and any related documents will be sent to shareholders within the prescribed timescales. Shareholders will be encouraged to submit their proxy votes online.

14. Date of approval of financial information

The financial information covers the year 1 January 2021 to 31 December 2021 and was approved by the Board on 22 March 2022. A copy of the 2021 Annual Report and Accounts will be published on the Luceco plc investor relations website, www.lucecoplc.com as soon as practicable.

Additional information

Financial calendar

Dividend record date	8 April 2022
Dividend reinvestment plan final date for election	28 April 2022
Annual General Meeting	12 May 2022
Dividend paid	20 May 2022
Half-year end	30 June 2022
Half-year end trading update	19 July 2022
Half-year interim management statement	6 September 2022
Year end	31 December 2022
Full-year preliminary statement	March 2023

Company's registered office

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Liberum

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