21 March 2023

LUCECO PLC
2022 FULL YEAR RESULTS

Well positioned to progress as market conditions improve

Luceco plc ("Luceco", or the "Group" or the "Company"), the supplier of wiring accessories, EV chargers, LED lighting, and portable power products, today announces its audited results for the year ended 31 December 2022 ("2022" or "the year").

Year ended 31 December (£m)	Reported results				Adjusted[1] results			
	2022	**2021**	**2019[4]**	**Change vs 2019 (%)**	**2022**	**2021**	**2019[4]**	**Change vs 2019 (%)**
Revenue	**206.3**	228.2	172.1	19.9%	**206.3**	228.2	172.1	19.9%
Gross margin %	**36.0%**	37.1%	37.5%	(1.5ppts)	**36.0%**	37.1%	36.2%	(0.2ppts)
Operating profit	**20.0**	35.3	20.2	(1.0%)	**22.0**	39.0	18.0	22.2%
Operating margin %	**9.7%**	15.5%	11.7%	(2.0ppts)	**10.7%**	17.1%	10.5%	0.2ppts
Profit before tax	**11.7**	33.3	17.1	(31.6%)	**19.4**	37.4	15.8	22.8%
Profit after tax	**11.0**	27.1	13.1	(16.0%)	**17.2**	31.2	12.1	42.1%
Basic earnings per share	**7.1p**	17.6p	8.3p	(14.5%)	**11.1p**	20.2p	7.7p	44.2%
Net Debt	**29.4**	38.1	27.4	7.3%				
Covenant Net Debt : EBITDA[2]					**0.8x**	0.7x	1.1x	(27.3%)
Free cash flow	**30.3**	18.0	13.0	133.1%	**30.7**	18.8	18.9	62.4%
Return on capital invested					**18.2%**	36.4%	21.8%	(3.6ppts)
Dividend per share[3]	**4.6p**	8.1p	2.3p[3]	100.0%				

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. Restated to include a 1.7p dividend paid in 2020 in lieu of the final dividend payment for 2019 that was temporary suspended due to COVID
4. Pre-COVID comparator

Performance highlights

- 2022 results in line with January Trading Update:
  - Revenue: £206.3m
  - Adjusted Operating Profit: £22.0m
  - Adjusted EPS: 11.1p

- Results reflect normalisation after a record 2021 performance:
  - Slowdown in Residential RMI demand post-lockdown
  - Significant but temporary headwind from distributor customer destocking

- Results remain well ahead of pre-pandemic levels:
  - Versus 2019:
    - Revenue +20%
    - Adjusted Operating Profit +22%
    - Adjusted EPS +44%
  - Gained share in attractive markets

- Improving momentum in the second half:
  - Strong Non-Residential demand
  - Resilient Professional Residential RMI demand
  - Customer destocking nearing completion
  - Gross margin improving and input costs reducing
  - Strong cash generation
  - Healthy balance sheet

Outlook

- 2023 trading in line with expectations
- Seeing expected tailwinds from improving trends in:
  - customer destocking
  - gross margin
  - input costs

- Slower Residential RMI market, as expected

- Comparatives get easier as the year progresses

- Well positioned to progress as market conditions improve

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

"These results are significantly ahead of pre-pandemic levels and, although they don't match the record benchmark set last year, they underline the strategic progress we have made over recent years. A record cash flow performance for the year has also left our balance sheet in great shape.

Our trading performance relative to prior year reflects the particularly buoyant demand we experienced in 2021, boosted by COVID lockdowns and stocking up by our distributor customers. It also reflects slower demand in 2022 as residential RMI markets have normalised and as our customers have run their stocks down. I am pleased to report that destocking by our customers is nearly complete.

Trading in early 2023 has been in line with our expectations, with tailwinds from reduced customer destocking, improved gross margin and lower input costs balancing less residential RMI activity. Whilst the macroeconomic outlook for 2023 remains difficult to judge, I am encouraged by the healthy underlying trading momentum we are carrying into the year which leaves us well positioned to progress as market conditions improve."

A meeting for analysts will be held at 9:30am GMT today, Tuesday 21 March 2023 at the offices of Liberum, 25 Ropemaker Street, London EC2Y 9LY. To register to attend please email luceco@mhpgroup.com. To register to watch a live webcast of the meeting, please follow this link:

https://stream.brrmedia.co.uk/broadcast/63ce7074777efd4a8b513ae0

An open presentation and Q&A session for retail investors will be held via the Investor Meet Company platform at 9:00am GMT on 23 March 2023. Investors can register for the event via this link:

https://www.investormeetcompany.com/

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

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

Note to Editors

Luceco plc - Bringing Power To Life

Luceco plc (LSE:LUCE) is a supplier of wiring accessories, EV chargers, LED lighting, and portable power products.

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

Performance highlights

In 2022, we delivered revenue of £206.3m (2021: £228.2m; 2019: £172.1m) and Adjusted Operating Profit of £22.0m (2021: £39.0m; 2019: £18.0m).

The reduction in trading performance versus the prior year reflects particularly buoyant demand in our core residential RMI construction market in 2021 as well as previously flagged destocking by our major distributor customers in 2022.

Whilst it proved difficult to keep pace with our exceptional 2021 results, we have delivered significant growth in both revenue and profit versus pre-COVID 2019 comparatives, underlining the strategic progress we have made over recent years which positions us well for the future.

The slower activity versus a buoyant 2021, combined with diligent working capital management, generated a record cash inflow in 2022. This has left our balance sheet in great shape, allowing us to plan and invest with confidence.

I am also encouraged by the way in which our performance improved as the year progressed, providing healthy earnings momentum as we start a new financial year.

Customer stock movements

Nearly all of our sales are made to distributors, who in turn sell to the end users of our products, namely consumers or professional installers. The demand we experience is therefore a product of end user activity plus stock movements in the distribution channel. The pandemic caused some very unusual distributor stock movements.

In 2021, the combination of strong end user demand and exceptionally constrained global supply chains caused our distributor customers to materially increase their stock of our products, adding to our sales. In 2022, they largely unwound the extra inventory added as both demand and supply chain constraints eased, reducing our sales.

This sharp transition from stocking up to stocking down had a significant impact on our year-on-year performance. Customer stock movements explain all of our revenue and profit reduction in 2022. The data we have from our major customers shows that they reduced their stock levels by c.£20m in 2022, with a further c.£5m reduction expected in 2023. We therefore believe that we are nearing the end of this temporary, post-pandemic destocking phase, which is encouraging for the future.

Cost inflation

Aside from customer stock movements, the other key driver of our results in 2022 was our close management of input cost inflation.

Global supply and demand imbalances in the wake of the pandemic resulted in significant industry-wide input cost inflation from late 2020 onwards. We identified these trends early and reset selling prices accordingly without impacting on our competitive position.

Despite protection from hedging arrangements and inventory cover, unusually rapid inflation resulted in costs rising faster than selling prices in 2021, leading to an under-recovery of inflation in that year. As anticipated, this gap closed in 2022 as selling price updates delivered their full expected benefit. Indeed, the cost of key items such as sea freight and commodities retreated as the year progressed, which is encouraging for 2023. In short, we have the prices we need in the market to manage the current wave of global inflation and the proven ability to adapt if circumstances change.

Underlying demand

The prevalence of pandemic-driven customer stock movements and cost inflation in 2022 makes it harder to isolate our underlying performance trends.

Our analysis shows that our like-for-like revenue absent customer stock movements was broadly flat year-on-year, with a 9% average price increase offsetting a 9% volume decline. The volume decline largely arose from the residential RMI market, particularly in the DIY segment following the start of the Ukraine conflict, whilst the non-residential market remained more resilient. Encouragingly, the rate of volume decline slowed as the year progressed due to the combination of easier comparatives and growing demand for LED retrofit projects as energy prices increased.

Whilst this is encouraging, we remain mindful that 2023 could bring continued pressure on discretionary consumer spending. However, any future volume slowdown would be mitigated by the improvements we have made throughout the year to gross margin, which was above 38% at the end of 2022, with a full-year average of 36%.

Supply chain management

For professional contractors, time is money. We know that product availability is a key driver of their loyalty. We gained market share during the pandemic by helping our distributor customers to remain in stock of our products despite unprecedented turmoil in the global supply chain.

Our vertically integrated manufacturing model allowed us to respond with agility to rapid changes in demand. In 2021, we took the decision to add a £12m buffer to our own inventory to compensate for elongated delivery lead times and preserve customer service levels.

I am pleased to say that lead times have normalised in 2022 and we have therefore removed the extra inventory. This, combined with diligent cash collection, were the key drivers of our record Adjusted Free Cash Flow of £30.7m in 2022 (2021: £18.8m; 2019: £18.9m).

Strategic highlights

The pandemic has presented a series of unique and consuming challenges over the last three years. The fact that we have risen to them whilst also delivering on our Grow, Innovate and Sustain strategy is testament to the strength of our business model and the dedication of the Luceco team.

Our progress is evident in our financial performance. Since pre-pandemic 2019, we have grown our revenue and Adjusted EPS by 20% and 44% respectively. Whilst impressive, I do not believe this does justice to the actions we have taken to improve the quality and sustainability of our business over recent years, which leave us well positioned for the future.

Key aspects of our strategic progress are summarised below.

Grow

We have gained market share over recent years.

We have complemented the Group's long history of organic growth with acquisitions funded by our consistently strong cash flow. The acquisition of Sync EV in 2022 has given us a valuable foothold in the rapidly growing EV charger market. We now have the right foundations for a successful "buy and build" M&A strategy.

Kingfisher Lighting, celebrating five years of Luceco ownership, enjoyed an outstanding year. Following our help with the design, sourcing and manufacture of new lower cost, high quality products, the business has been able to improve its profitability and gain share in the Sports, High Mast and Rail outdoor lighting markets. This demonstrates the value we can add to the businesses we buy.

Through organic growth and M&A, we have increased our sales of professionally installed products over recent years, a key strategic priority, to complement our historic weighting towards consumer installed products. This has given us greater access to a typically higher margin and more resilient market. Our growth in the non-residential construction market has proved particularly beneficial as consumer-led construction has normalised post-COVID and institutions have increasingly demanded LED retrofit projects to combat energy cost increases.

We have also continued to refine our portfolio, shifting capital towards those businesses with greatest long-term potential. This resulted in the closure of our sales office in Germany in 2022.

Innovate

The Group has approximately 100 product development specialists globally. Their focus is on developing new products whilst continually enhancing our existing range. Our product development process is customer-centric, rapid and carries relatively low execution risk. It has been a key driver of the Group's historic success.

The focus of our innovation activities in 2022 was on entering the EV charger market and bringing product development benefits to our acquired businesses.

We launched our new range of residential EV chargers in the year, which we are making very competitively at our production facility in China. They are sold jointly under the BG and Sync EV brands for maximum market appeal. These have been well received by installers and have helped us achieve a 4% share of the UK market in our first year. We will continue to expand our product range in 2023, including the launch of EV chargers for installation in commercial settings.

We are making good progress in integrating DW Windsor, supporting its drive to gain share in the street lighting market by sourcing and manufacturing a more competitive alternative to its current product range. Whilst 2022 has been a year of transition for the business, we hope that over time these efforts will deliver similar benefits to those now being seen in Kingfisher Lighting.

We continue to innovate our core offering to deliver higher margin products, with a particular focus on redesigning products to simplify their installation by professional contractors. We are pleased with contractor feedback on our recently launched range of circuit protection and weatherproof devices.

Sustain

We have made significant progress with our climate goals, which we hope will be a source of increasing competitive advantage in the future.

We committed to the Science Based Targets initiative ("SBTi"), targeting a 42% reduction in operational emissions and a 27.5% reduction in value chain emissions by 2031. We expect these targets to be validated by the SBTi in 2023. Our operations continue to offer one of the lowest operational carbon footprints in our industry and our progress was recognised with an upgraded rating by the Carbon Disclosure Project in 2022.

We have held over 100 contractor training seminars nationwide so far this year, hosted in conjunction with our major professional wholesale customers.

We continue to invest in the next generation of contractors. We were proud to sponsor the prestigious eFIXX 30 under 30 awards, aimed at recognising talented, young electricians in the UK.

We continue to invest in our business model to sustain and accelerate future growth. It was exciting to see the collective impact of our efforts to automate our production facility in China during my first visit there in three years after a pandemic-enforced hiatus. I am confident that this work will continue to deliver improvements in manufacturing efficiency and product quality, with the latter being key to making further inroads with the professional contractor. We are also making progress with defining our longer-term manufacturing diversification strategy – a key priority for 2023.

I am also pleased with the changes we are making within our commercial functions to improve their reach. New CRM software is enabling a more efficient sales process and recent investments in our online capability are bearing fruit.

In summary, I am proud of the progress the entire Luceco team have made in the year. We have made further steps towards our sustainability goals, integration of our recent acquisitions is going well and the right actions are being taken to deliver on our long-term strategy.

How we create value

I think it is important to assess how our business ultimately creates value for our customers, shareholders and other stakeholders, as well as providing great products for our end consumers.

Our attractive markets

Over the course of the last decade, we have worked hard to both grow our share of existing markets as well as enter adjacent markets where we see a competitive advantage. As a result, we now hold enviable positions across a range of industries that are poised for future growth.

Although demand from residential construction and DIY markets has slowed by 5.1% in the year relative to the buoyant 2021 performance boosted by lockdowns, these markets remain more active than they were in 2019. Consumers continue to spend more time living and working from home than they did pre-pandemic, which continues to be a benefit to us.

Non-residential construction markets have grown 13.2% in the year with higher energy prices driving increased interest in our energy-saving LED lighting retrofit projects.

I am also encouraged that the infrastructure market, which we serve through our Kingfisher Lighting and DW Windsor businesses, grew by 10.1% versus 2021. Our customers operating within the infrastructure market have long recognised the benefits that premium exterior lighting can have on an environment, but given the current cost of energy, these advantages have become even more pertinent.

I am confident that the right fundamental drivers are in place in each of our chosen markets for us to see sustained growth over the coming years, despite operating in a period of short-term macroeconomic uncertainty. What is more, I am certain that we have the right strategy in place to outperform these markets over the long term.

Our advantaged business model

Our advantaged business model is a key reason why we capture opportunities in our chosen markets. Over the course of the pandemic our vertical integration gave us unmatched control of supply, enabling us to provide greater product availability to our customers and fuelling our own market share gains.

In 2022, our business model has enabled us to continue to remain agile as short-term demand changed as a result of our customers' stock movements. As our operating environment altered, our close control of our own manufacturing and distribution channels enabled us to respond quickly by flexing our inventory levels, generating cash and maintaining good gross margins.

Although our markets are attractive, the opportunities they create can only be harnessed by those with the correct processes and knowledge. Regulatory change is a key part of our industry, with new wiring regulations introduced approximately every two years.

Our advantaged business model allows us to redesign to meet these new regulations, manufacture the new product at our own facilities and bring the product to market quickly and efficiently under our trusted brands. The same advantages apply when considering the end consumers' increasing desire for more technology and increased functionality, which we can respond to more quickly than others.

Finally, our business model is allowing us to respond more quickly to the climate emergency. Not only does our control over our processes allow us to act to minimise our environmental impact, with our operations remaining carbon neutral in 2022, it also enables us to design products that promote sustainable choices.

Compelling financial outcomes

Our attractive markets and how we operate within them create compelling financial outcomes. This is evident from our historic financial performance. Whilst customer stock movements made progress more challenging in 2022, temporary headwinds such as this do not change my view on our long-term potential. This view is supported by progressive improvements during 2022 to both gross margin and cash generation, which are the foundations on which much of our financial performance is built.

I am particularly pleased with the way we ended the year and our ability to respond to the challenges we have faced lends further support to the success of our long-term strategy.

Our long-term performance targets remain unchanged and are covered in the Chief Financial Officer's Review.

Outlook

Trading in early 2023 has been in line with our expectations, with tailwinds from reduced customer destocking, improved gross margin and lower input costs balancing less residential RMI activity. Whilst the macroeconomic outlook for 2023 remains difficult to judge, I am encouraged by the healthy underlying trading momentum we are carrying into the year which leaves us well positioned to progress as market conditions improve.

JOHN HORNBY
Chief Executive Officer

20 March 2023

CHIEF FINANCIAL OFFICER'S REVIEW

Comparisons with 2021 are hampered by unusually buoyant COVID-driven conditions experienced in that year. As we emerge from the pandemic and markets normalise, I have chosen to add a 2019 pre-pandemic comparator throughout this review to provide a clearer view of our underlying progress.

Summary of reported results

Summary results (£m)	2022	2021	2019
Revenue	**206.3**	228.2	172.1
Operating profit	**20.0**	35.3	20.2
Profit before tax	**11.7**	33.3	17.1
Taxation	**(0.7)**	(6.2)	(4.0)
Profit for the year	**11.0**	27.1	13.1

Operating profit of £20.0m was £15.3m lower than 2021 due to customer stock movements, as explained in more detail below. It was broadly in line with our 2019 performance despite less favourable trading conditions caused by customer destocking in 2022.

Adjusting items

Adjusting items are those which we consider unusual by virtue of their size or incidence and therefore not representative of our underlying trading performance. We have identified £2.0m of such items within our reported operating profit for 2022. They consist of:

- Amortisation of acquired intangibles: £1.8m
- Acquisition-related costs of £1.2m
- Restructuring provision release of £1.0m

Adjusted Operating Profit for the year, excluding the items above, was therefore £22.0m (2021: £39.0m; 2019: £18.0m).

Income statement

Revenue

Revenue of £206.3m was £21.9m (9.6%) lower than 2021 but £34.2m (19.9%) higher than 2019. The main movements are summarised below:

	Bridge from 2021		Bridge from 2019	
Revenue bridge:	**£m**	**Change %**	£m	%
2021/2019	**228.2**		172.1	
Acquisitions/closures	**17.3**	**7.6%**	23.0	13.4%
Like-for-like (decrease)/increase[1]	**(46.6)**	**(20.4%)**	9.7	5.6%
Constant Currency[2]	**198.9**	**(12.8%)**	204.8	19.0%
Currency movements	**7.4**	**3.2%**	1.5	0.9%
2022	**206.3**	**(9.6%)**	206.3	19.9%

1. Like-for-like revenue increase excludes the impact of currency movements and acquisitions, see footnote 2 for currency calculation 2022 revenue translated at 2021 exchange rates

Revenue benefited from the acquisition of DW Windsor in late 2021 and Sync EV in early 2022. This added £17.3m to Group revenue in 2022, net of the impact of closing our operations in France and Germany.

Like-for-like revenue declined by £46.6m compared to 2021 due overwhelmingly to customer stock movements. In 2021, our Retail and Hybrid distributor customers experienced buoyant demand in the residential RMI market as people spent more time and money on their homes during the pandemic. A swing in consumer spending from services to goods during the pandemic stretched global supply chains, lengthening product delivery lead times. Our customers responded to this by increasing their inventory cover of our products in 2021, adding to our already buoyant sales. The end of pandemic restrictions in 2022 normalised consumer spending patterns and supply chains. Our customers have therefore reduced their inventory of our products in 2022, reducing our sales. The sharp reversal in customer stocking trends from upward to downward explains all of our like-for-like revenue reduction versus 2021. The effect was particularly pronounced in the second half. Most of this destocking activity is now complete. We estimate that customers only need to reduce their inventory levels by a further c.£5m in 2023 to achieve their targeted inventory cover.

Our analysis shows that like-for-like revenue absent customer stock movements was broadly flat year-on-year, with 9% growth from price increases offsetting a 9% underlying volume decline. We saw an inevitable slowdown in demand from the residential RMI market, particularly within the DIY segment. After a strong start to the year, demand cooled in the second quarter as hostilities in Ukraine eroded consumer confidence and prompted a squeeze on domestic incomes. However, we were pleasantly surprised by the resilience of this market as the year progressed. We also benefited from our enlarged presence in non-residential and infrastructure construction markets, which saw strong demand for energy-saving LED lights and a gradual release of commercial capital expenditure post-COVID. The 9% average price increase in 2022 largely reflects the full-year impact of selling prices amended in 2021 in response to input cost inflation. Adjusting for customer stock movements, we believe we have increased our market share during the pandemic, as our growth versus 2019 indicates, and enriched our margin mix by increasing the proportion of our sales made to professional end users.

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 largely fulfilled via Professional Wholesale

Performance by sales channel was as follows:

Like-for-like revenue by sales channel:	**2022 £m**	**2022 % of total**	**2019 % of total**	**Change vs 2021 %**	**Change vs 2019 %**
Retail	**48.8**	27.7%	33.4%	(31.7%)	(7.9%)
Hybrid	**35.7**	20.2%	20.5%	(36.6%)	9.3%
Professional Wholesale	**51.0**	28.9%	27.4%	(12.5%)	11.8%
Professional Projects	**40.9**	23.2%	18.7%	17.9%	17.8%
Like-for-like revenue	**176.4**	100.0%	100.0%	(20.4%)	5.6%
Currency impact	**7.4**				
Acquisitions/closures	**22.5**				
TOTAL	**206.3**			(9.6%)	19.9%

The Group has increased its presence in sales channels serving professional contractors since 2019 and thereby created a more diversified revenue base. This has been achieved through like-for-like growth, as shown in the table above, and acquisitions. It helped to soften the impact of the slowdown in Retail and Hybrid sales in 2022 as pandemic-boosted DIY activity normalised and the associated sales channel destocked. We aim to continue to diversify our revenue base, diluting the influence of individual sectors and customers and making the Group increasingly resilient over time.

Nearly all of the destocking impact we experienced in the year arose within the Retail and Hybrid channels. These customers hold greater inventory of our products relative to their size because they buy from us on long lead times direct from China on a Free On Board ("FOB") basis and therefore hold the product for longer. The amount of inventory cover they needed rose sharply in 2021 as demand increased and delivery times from China extended. The removal of this extra inventory cover in 2022 is evident from the larger revenue reduction in these channels.

The slowdown in the Professional Wholesale channel was more modest and contrasted with the performance of the Hybrid channel despite both selling to professional contractors. This underlines the impact of destocking. Traditional electrical wholesalers buy from us on short lead times in the country in which they operate, meaning they had less need to destock in 2022. Our Professional Wholesale business largely serves professional residential RMI construction, which proved more resilient than DIY-driven RMI due to contractors bringing significant project backlogs into the year. The channel also benefited from growing EV charger sales as the year progressed.

We saw like-for-like growth in the Professional Projects channel in the year thanks to a record performance from Kingfisher Lighting and growing commercial and institutional demand for LED retrofits in the UK as electricity prices increased.

Revenue by geographical location of customer:	2022 £m	2021 £m	2019 £m	Change vs 2021 %	Change vs 2019 %
UK	**165.3**	181.2	135.1	(8.8%)	22.4%
Europe	**19.7**	24.0	17.6	(17.9%)	11.9%
Middle East and Africa	**8.7**	7.6	9.0	14.5%	(3.3%)
Asia Pacific	**8.0**	10.6	4.3	(24.5%)	86.0%
Americas	**4.6**	4.8	6.1	(4.2%)	(24.6%)
Total revenue	**206.3**	228.2	172.1	(9.6%)	19.9%

Customer destocking impacts were largely confined to the UK market, which explains the UK revenue decline of 8.8% versus 2021.

European sales reduced in the year following the closure of our operations in Germany and France. These actions have improved regional profitability. Sales in the Middle East and Africa grew by 14.5% versus 2021. Regional construction projects resumed apace following a slower 2021, underpinned by a healthy oil price. Growth was also helped by favourable currency movements.

The sales decline in the Americas is attributable to the US market. A key customer in the US DIY channel over-bought stock in 2021, whilst temporarily elevated sea container costs also reduced the price competitiveness of our Portable Power products. However, we were encouraged by our progress in Mexico, where sales increased by 17% thanks to further share gains in the project-based LED lighting market.

Our progress in Asia Pacific was hampered by COVID restrictions, which are now finally easing.

Profitability

Adjusted Operating Profit of £22.0m for 2022 was £17.0m lower than 2021 but £4.0m higher than 2019. The key drivers were as follows:

Adjusted Operating Profit	Bridge from 2021 £m	Bridge from 2019 £m
2021/2019	39.0	18.0
Acquisitions/closures	1.2	1.6
Like-for-like (decrease)/increase[1]	(17.1)	2.9
Currency movements	(1.1)	(0.5)
2022	**22.0**	**22.0**

1. Like-for-like profit movements exclude the impact of currency movements and acquisitions/closures

The net impact of acquisitions and closures added £1.2m to Adjusted Operating Profit. This includes one-off losses incurred during stock clearance activity in Germany. DW Windsor experienced a slower year for tendered street lighting projects, but we expect profits to grow in 2023 following actions taken to improve gross margin and lower overheads.

The reduction in revenue due to customer stock movements had a material impact on like-for-like profit since it largely impacted the sale of high margin Wiring Accessories made in-house. Manufacturing overheads were consequently less well utilised than in 2021. The end of destocking should therefore materially help future profitability, notwithstanding changes in macroeconomic conditions.

We benefited as expected from a catch up in the pass through of pandemic-driven input cost inflation, which added £8.1m to like-for-like profit in the year. We now have the selling prices we need in the market to insulate ourselves from the recent wave of global inflation.

Indeed, in recent months we have seen a gradual reversal of those input costs most elevated by the pandemic, such as sea freight and certain commodities. As a result, my estimate of the total impact of input cost inflation on our annual cost base since pre-pandemic 2019 has reduced from £21.5m at half year 2022 to £14.0m now. This is a helpful development, but we will remain alert to cost changes until macroeconomic conditions stabilise.

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

	Adjusted 2022 actual[1]	Currency impact		Adjusted 2022 at Constant Currency[2]	Constant Currency variance to 2021		Adjusted 2021 actual
	£m	£m	%	£m	£m	%	£m
Revenue	**206.3**	7.4	3.2%	198.9	(29.3)	(12.8%)	228.2
Cost of sales	**(132.0)**	(8.3)	5.8%	(123.7)	19.8	(13.8%)	(143.5)
Gross profit	**74.3**	**(0.9)**	**(1.1%)**	**75.2**	**(9.5)**	**11.2%**	**84.7**
Gross margin %	**36.0%**		(1.8ppts)	37.8%		0.7ppts	37.1%
Operating costs	**(52.3)**	(0.2)	0.4%	(52.1)	(6.4)	14.0%	(45.7)
Operating profit	**22.0**	**(1.1)**	**(2.8%)**	**23.1**	**(15.9)**	**(40.8%)**	39.0
Operating margin %	**10.7%**		(0.9ppts)	11.6%		(5.5ppts)	17.1%

1. Year ended 31 December 2022 translated at 2022 average exchange rates
2. Year ended 31 December 2022 translated at 2021 average exchange rates

Operating costs

Adjusted Operating Costs increased by £6.6m to £52.3m. £5.4m of the increase came from acquisitions, net of closures. The remaining £1.2m increase is from a combination of wage inflation, increased direct marketing to the professional contractor and currency movements.

Net finance expense

Adjusted Net Finance Expense increased by £1.0m to £2.6m in 2022, reflecting an increase in borrowing and interest rates.

We entered into swaps in the period to fix the interest rate applicable to approximately 70% of our borrowings on a rolling three-year basis, resulting in an effective interest rate of 4.9% (subject to small changes driven by the impact of debt leverage on lending margin in the future). 30% of our borrowing remains at floating interest rates.

Taxation

The effective tax rate on Adjusted Profit Before Tax reduced by 5.3ppts to 11.3% in 2022. The Group's mix of profits by country would indicate a typical effective tax rate of c.19.5%. Work done over recent years to maximise available tax incentives, particularly those relating to research and development, has lowered this to c.15%. The slightly lower rate of 11.3% achieved in 2022 also reflects certain one-off benefits relating to prior years. We expect a Group effective tax rate of c.20% when the new UK corporation tax regime takes effect in April 2023.

Adjusted Free Cash Flow

Adjusted[1] Free Cash Flow (£m)	**Adjusted[1] 2021**	Adjusted[1] 2021	Adjusted[1] 2019
Operating profit	**22.0**	39.0	18.0
Depreciation and amortisation	**7.1**	6.7	7.9
EBITDA	**29.1**	45.7	25.9
Changes in working capital	**13.4**	(12.6)	1.0
Other items	**1.2**	1.9	0.3
Operating Cash Flow	**43.7**	35.0	27.2
Operating cash conversion[2]	**198.6%**	89.7%	151.1%
Net capital expenditure	**(5.6)**	(6.4)	(3.6)
Interest paid	**(2.7)**	(1.7)	(2.1)
Tax paid	**(4.7)**	(8.1)	(2.6)
Free Cash Flow	**30.7**	18.8	18.9
Free Cash Flow as % Revenue	**14.9%**	8.2%	11.0%

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

In 2021, we added £12.0m of buffer stock to our own inventory to combat supply chain disruption. At half year 2022, with supply chains normalising, we announced that this would be largely removed and converted into cash in the second half. I am pleased to report that this has now been done. This, combined with disciplined cash collection, resulted in record Operating Cash Conversion of 198.6% and Adjusted Free Cash Flow of £30.7m. The one-off benefit from selling through buffer stock means that, whilst cash generation should remain healthy, we are unlikely to match 2022's performance in 2023.

Capital expenditure

The Group's net capital expenditure consists of capitalised product development costs and the purchase of physical assets. Capex reduced slightly by £0.8m to £5.6m (2021: £6.4m; 2019: £3.6m) but was 2.7% of revenue (2021: 2.8%; 2019: 2.1%) which is approaching 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 and continue to invest in R&D projects, particularly in relation to acquired businesses.

Capital structure and returns

Return on capital

Return on Capital Invested was lower than prior year at 18.2% (2021: 36.4%). As previously flagged, our returns will naturally reduce as Luceco transitions from a Group created organically to one growing equally via M&A (with its required investment in goodwill). However, the reduction experienced in 2022 also reflects the temporary impact of customer destocking on profit. The growing significance of M&A to the Group means the time is right to reset our target for Return on Capital Invested. We expect average Return on Capital Invested through the economic cycle to be 20% or higher.

Acquisitions

The acquisition of Sync EV was completed in March 2022. Sync EV is a well-regarded supplier of EV charge points focused on the residential market in the UK. Until June 2022, the installation of EV chargers into residential settings was subsidised by a government grant that resulted in installations being arranged directly between homeowners, equipment suppliers and a network of approved installers. The removal of the grant has, as expected, opened up a growing market to others. Whilst many installations still originate via automotive OEMs who assign the work to approved partners, a growing proportion are arranged directly between homeowner and electrician, with the electrician sourcing the charger via their chosen Wholesaler or Hybrid. We are in a prime position to gain a sizeable share of the market due to our brand recognition amongst electricians, access to the Hybrid and Wholesale channels and our vertically integrated, scalable supply chain.

The acquisition of Sync EV has given us technical know-how and extra presence in the market. We have wasted no time in launching a new range of single-phase Mode 3 chargers under a joint BG Sync EV branding. They address opportunities within the Residential and Commercial sectors and are selling well. We are in the process of designing a higher power, three-phase charger for use in large homes and commercial premises. We have plans to enter the important fleet market and are investigating on-street charging options with DW Windsor.

EV charging is a fast-growing, adjacent product category that is highly synergistic with our core BG offering so the potential for future growth in this space is exciting.

Capital structure

The business continues to consistently generate ample cash flow to support its dividend policy and fund M&A activity.

£m	**2022**	2021	Change
Reported net debt	**£29.4m**	£38.1m	(22.8%)
Less: IFRS 16 Finance Leases	**(£6.3m)**	(£8.2m)	(23.2%)
Finance Leases – pre-IFRS 16	**£0.7m**	£0.7m	-
Covenant Net Debt	**£23.8m**	£30.6m	(22.5%)
Covenant Net Debt : Covenant EBITDA	**0.8**	0.7	0.1

Strong cash generation in the second half resulted in a reduction in borrowing in the year, despite investing £7.8m in Sync EV. It also resulted in Covenant Net Debt leverage similar to last year at 0.8x. The Group's non-utilised facilities totalled £56.9m, with an option (subject to lender consent) to add a further £40.0m under the terms of its syndicated bank facility signed in October 2021. The facility matures in September 2025 and the Group has an option to trigger a one-year extension thereafter. The Group's balance sheet is therefore in good shape, allowing us to plan and invest with confidence.

The Company's covenant position and headroom at 31 December 2022 was as follows:

2022 full-year covenant	Covenant	**Actual**	Headroom
Covenant Net Debt : Covenant EBITDA	3.0 : 1	**0.8 : 1**	Covenant Net Debt headroom: £67.1m[1] Covenant EBITDA headroom: £22.4m
Covenant EBITDA : Adjusted Net Finance Expense	4.0 : 1	**11.7 : 1**	Covenant EBITDA headroom: £19.9m Net Finance Expense headroom: £5.0m

1. Headroom with increased facility. Current facility headroom is £56.9m.

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

	2022	2021
Adjusted[1] Earnings Per Share (pence)	**11.1**	20.2
Covenant Net Debt : Covenant EBITDA (times)	**0.8**	0.7
Adjusted[1] Free Cash Flow (£m)	**30.7**	18.8

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 in the Annual Report and Accounts. The Group has a 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 proposing to pay a final dividend of 3.0p, taking the full-year dividend to 4.6p. representing a payout of 41% of earnings. The final dividend will be paid on 19 May 2023 to shareholders on the register on 11 April 2023.

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**		
	2022	2021	Change	**2022**	2021	Change
Revenue	**£73.7m**	£104.5m	(29.5%)	**£73.7m**	£104.5m	(29.5%)
Contribution profit	**£20.1m**	£36.3m	(44.6%)	**£20.1m**	£36.3m	(44.6%)
Contribution margin %	**27.3%**	34.7%	(7.4ppts)	**27.3%**	34.7%	(7.4ppts)
Operating profit	**£13.9m**	£29.2m	(52.4%)	**£13.9m**	£29.2m	(52.4%)
Operating margin %	**18.9%**	27.9%	(9.0ppts)	**18.9%**	27.9%	(9.0ppts)

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 most profitable segment, generating 63% of the Group's operating profit and 36% of its revenue, under a brand established over 80 years ago.

Sales into the Wiring Accessories segment were £30.8m (29.5%) less than 2021. We estimate that most of this decline was caused by customer stock movements, particularly within the Hybrid channel, as well as the impact of pre-buying by Professional Wholesalers ahead of sizeable selling price increases. We estimate that sales excluding these temporary influences were broadly flat on 2021 but ahead of 2019 thanks to new business wins. Sales continue to be supported by healthy demand for professionally installed wiring devices within the residential repair and remodel market as contractors work through project backlogs built up during the pandemic. Whilst the decline in revenue inevitably impacted segmental profit, Wiring Accessories remains the most significant contributor to Group profitability and its contribution should improve as Hybrid customers in particular balance their post-pandemic inventory positions.

LED Lighting

	Adjusted[1]			Reported		
	2022	2021	Change	**2022**	2021	Change
Revenue	**£81.4m**	£63.2m	28.8%	**£81.4m**	£63.2m	28.8%
Contribution profit	**£8.4m**	£7.4m	13.5%	**£7.8m**	£4.1m	90.2%
Contribution margin %	**10.3%**	11.7%	(1.4ppts)	**9.6%**	6.5%	3.1ppts
Operating profit	**£3.4m**	£3.4m	-	**£2.8m**	£0.1m	2700.0%
Operating margin %	**4.2%**	5.4%	(1.2ppts)	**3.4%**	0.2%	3.2ppts

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 now represents 39% of Group revenue.

Revenue from the LED Lighting segment was £18.2m (28.8%) higher than 2021. £15.9m (25.2%) of this additional revenue arose from the acquisition of DW Windsor, acquired in October 2021. A £1.9m (3.0%) revenue decline arose from the closure of our operations in France and Germany, which were LED focused. Organic growth was therefore 6.6%, driven by strong demand for energy-saving retrofits within the non-residential and infrastructure sectors and an outstanding year for Kingfisher Lighting, following its successful entry in the Sports, High Mast and Rail segments.

Adjusted Operating Profit of £3.4m was in line with 2021, and is expected to improve following the rationalisation of our overseas sales presence and as DW Windsor increasingly benefits from Group support.

Portable Power

	Adjusted[1]			Reported		
	2022	2021	Change	**2022**	2021	change
Revenue	**£51.2m**	£60.5m	(15.4%)	**£51.2m**	£60.5m	(15.4%)
Contribution profit	**£8.9m**	£10.3m	(13.6%)	**£7.5m**	£9.9m	(24.2%)
Contribution margin %	**17.4%**	17.0%	0.4ppts	**14.6%**	16.4%	(1.8ppts)
Operating profit	**£4.7m**	£6.4m	(26.6%)	**£3.3m**	£6.0m	(45.0%)
Operating margin %	**9.2%**	10.6%	(1.4ppts)	**6.4%**	9.9%	(3.5ppts)

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

The Portable Power segment consists of two main elements:

- Cable reels, extension leads and associated accessories sold under the Masterplug brand
- EV chargers sold under the BG Sync EV brand

The Group enjoys a leading position in the UK portable power market. The business generates 25% of Group revenue and 21% of Group Adjusted Operating Profit.

Revenue in the period was 15.4% lower than the prior year due to customer destocking but 7.1% higher than 2019.

EV charger sales totalled £5.4m, slightly lower than our target of £7.0m due to a shortfall in sales of electric vehicles in the UK. Our share of the market was in line with expectations at 4%. The product is being sold within existing sales and distribution channels leading to a high profit contribution. Segmental Adjusted contribution margin consequently increased by 0.4 ppts to 17.4%.

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 72 to 74 and the Group's Going Concern Statement can be found on page 147 of the 2022 Annual Report and Accounts.

MATT WEBB
Chief Financial Officer

20 March 2023

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG") UPDATE

During 2022 we have had made progress in the following areas:

- We committed to the Science Based Targets Initiative (SBTi). This means we have committed to reductions in carbon emissions over the near-term consistent with the Paris Agreement
- Achievement of an improved management-level score (B) from the Carbon Disclosure Project in 2022
- We have delivered significant progress against our low carbon product revenue target and are on track to achieve £100m of such revenue by 2025
- During 2022, we have improved our packaging specifications, particularly around plastic packaging. The first improvement we have made is to ensure that packaging is made from a single polymer to ensure they are recyclable. The second improvement has been to increase the minimum recycled content of plastic packaging to 30%.

Key achievements by area

Products and services

- Acquisition of Sync EV and launch of single-phase Mode 3 EV chargers under the joint BG Sync EV brand
- £78M of revenue from low carbon product categories, delivering significant progress against our £100m low carbon product revenue target for 2025
- 3.5-fold increase in revenue from the sale of lighting control devices into lighting projects in 2022

Supply Chain

- Insourcing of EV charger production within our China manufacturing facility with 100% renewable electricity supply
- Acquisition of DW Windsor with UK manufacturing capability and 100% renewable electricity supply
- Evaluation of key suppliers' physical climate risk exposure to understand vulnerabilities within our supply chain

Research and Development

- Specialist R&D function in China and the UK and R&D expenditure of £3.6m in 2022
- Development of higher power, three-phase EV chargers for larger homes and commercial premises
- Investigating on-street EV charging solutions within DW Windsor
- Dedicated optical engineer focusing on improvements to lens design to improve lighting efficiency
- Working towards the development of environmental product declarations (EPD) and industry best practise on circular design in lighting

Operations

- Sourced renewable electricity for all group operations in 2022, bring our scope 2 emissions to zero.
- Offsetting residual Scope 1 emissions for 2022
- Investment into energy efficiency and automation projects within the China manufacturing facility
- Evaluation of our key locations (manufacturing and distribution centres) to better understand physical climate risk exposure to understand vulnerabilities across direct operations
- All plastic packaging is recyclable with a minimum 30% recycled content

Our ESG objectives for 2023 are as follows:

- Formally engage with key customers to better understand their climate ambitions and to communicate our strategy
- Undertake detailed energy audits of our UK operations as part of the Energy Savings Opportunity Scheme
- Develop a Research and Development roadmap for over the short, medium, and long-term that will help us deliver our Scope 3 science-based target
- Begin work to develop a set of product design criteria that help to improve the sustainability of our products

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 64 to 71 in the 2022 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 72 to 74 of the 2022 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.

Concentration risks associated with operations

Risk and impact:	Mitigation
• The Group's products are overwhelmingly sourced from one country (China) and a large proportion are made in one location (Jiaxing) • Disruption to our Jiaxing facility could compromise our ability to serve our customers • General disruption, including to shipping routes between China and our selling markets (particularly the UK) could increase our costs or limit our ability to serve our markets • China could be impacted by events in Ukraine/Russia, which impacts our ability to manufacture products	UK buffer stock is held in the event of supply disruption in China All suppliers are provided with visibility of forward orders and supply issues are discussed upfront Production facilities in China are spread across multiple buildings on the same site to mitigate risk The Group owns its product designs and production tooling, allowing manufacturing to be moved between suppliers more easily Business Continuity Plans are in place for Jiaxing site Business Interruption Insurance is in place for the Jiaxing site, Telford site and our OEM supplier of Portable Power products

Concentration risks associated with customers and products:

Risk and impact:	Mitigation
• The Group has a number of key customers representing circa 50% of Group revenue. A change in demand from these customers could result in reduced sales and profits • The Group's committed order book extends 2-3 months forward. Orders thereafter are uncommitted • 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 • The Group has a material exposure to movements in the USD:RMB FX rate. An adverse move could reduce short term profits and/or long-term competitiveness • The Group has a material exposure to the purchase price of copper. An adverse move could reduce profits and/or price competitiveness	Key customers typically follow a tender process, providing visibility of business wins and losses Large customers typically take 6-12 months to implement a large range change throughout their networks, giving us time to react The cost of range changes for large customers is high, reducing the likelihood of occurrence Relationships with the Group's large customers are particularly established Capacity at our factory and at our OEM partners in China can be changed quickly and cost effectively The Group hedges its USD:RMB and copper exposures according to a Board-approved policy. The hedging matches the duration of any fixed selling price commitment offered to customers Application of the hedging policy is reviewed by the Board

Macroeconomic, political and environmental:

Risk and impact:	Mitigation
• A deterioration in trade relations between the UK and China could disrupt product supply and/or increase costs • The Group has a concentrated exposure to the UK market. UK economic headwinds could reduce profits. • 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	We have clear ESG objectives tied to management compensation plans. Our progress is visible via independent bodies such as CPD and SBTi The Group is expanding and developing its product range of low carbon products (e.g. LED lighting and electric vehicle chargers) The Group is diversified by market segment within the UK, reducing risk The Group is largely exposed to the RMI cycle, which is less susceptible to macroeconomic forces The Group's overseas businesses are expected to grow faster than the UK, diluting the UK exposure UK buffer stock is held in the event of supply disruption in China A "China Plus 1" sourcing strategy is being developed Management liaises closely with investors and customers to understand their future ESG needs and responds accordingly

Loss of IT / data:

Risk and impact:	Mitigation
• 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 a upward trend impacting operations and reputational risk	Market-leading cyber security tools and monitoring are in place Market-leading data backup tools are in place IT disaster recovery plans are in place throughout the Group We conduct regular penetration testing We conduct regular Group-wide cyber security training for employees IT incidents are reported to the Board

People and labour shortages:

Risk and impact:	Mitigation
• Loss of key employees could damage business relationships or result in a loss of knowledge • A shortage of available labour for key roles could disrupt operations and impact long-term progress • 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	Key relationships are typically shared between more than one employee The Group's service offering is multi-faceted, reducing the risk that the loss of an employee would result in lost sales Retention of key employees is driven by long-term personal development and incentive plans and ensuring compensation is regularly benchmarked for competitiveness. These plans are reviewed by the Nomination and Remuneration Committees Workforce engagement surveys ensure employee needs are identified and addressed, promoting retention Adoption of hybrid practices within appropriate teams and locations

Acquisitions:

Risk and impact:	Mitigation
• An ill-judged acquisition could reduce Group profit and return on capital • 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	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:	Mitigation
• 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	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:	Mitigation
• The Group could fail to provide sufficient funding liquidity for its operations • The Group has a material exposure to movements in the USD and RMB currency rates. An adverse move could reduce short-term profits and/or long-term competitiveness • 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	The Group hedges its currency exposures according to a Board-approved policy. The hedging matches the duration of any fixed selling price commitment offered to customers 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 2022 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

20 March 2023

Consolidated Income Statement
for the year ended 31 December 2022

	Note	**Adjusted £m**	**Adjustments[1] £m**	**2022 £m**	Adjusted £m	Adjustments[1] £m	2021 £m
Revenue	2	**206.3**	**-**	**206.3**	228.2	-	228.2
Cost of sales		**(132.0)**	**-**	**(132.0)**	(143.5)	-	(143.5)
Gross profit		**74.3**	**-**	**74.3**	84.7	-	84.7
Distribution expenses		**(9.2)**	**-**	**(9.2)**	(7.8)	-	(7.8)
Administrative expenses		**(43.1)**	**(2.0)**	**(45.1)**	(37.9)	(3.7)	(41.6)
Operating profit	2,3	**22.0**	**(2.0)**	**20.0**	39.0	(3.7)	35.3
Finance income		**-**	**-**	**-**	-	-	-
Finance expense		**(2.6)**	**(5.7)**	**(8.3)**	(1.6)	(0.4)	(2.0)
Net finance expense		**(2.6)**	**(5.7)**	**(8.3)**	(1.6)	(0.4)	(2.0)
Profit before tax		**19.4**	**(7.7)**	**11.7**	37.4	(4.1)	33.3
Taxation	4	**(2.2)**	**1.5**	**(0.7)**	(6.2)	-	(6.2)
Profit for the period		**17.2**	**(6.2)**	**11.0**	31.2	(4.1)	27.1
Earnings per share (pence)							
Basic	5	**11.1p**	**(4.0p)**	**7.1p**	20.2p	(2.6p)	17.6p
Fully diluted	5	**11.0p**	**(4.0p)**	**7.0p**	19.8p	(2.6p)	17.2p

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 2022

	2022 £m	2021 £m
Profit for the period	**11.0**	27.1
Other comprehensive income – amounts that may be reclassified to profit or loss in the future:		
Foreign exchange translation differences – foreign operations	**2.4**	0.3
Total comprehensive income for the year	**13.4**	27.4

All results are from continuing operations.

The accompanying notes form part of these financial statements.

Consolidated Balance Sheet
at 31 December 2022

	Note	**2022** **£m**	2021[1] £m
Non-current assets			
Property, plant and equipment	7	**21.4**	21.2
Right-of-use assets		**6.1**	7.8
Intangible assets	8	**41.7**	33.7
Investment in associate		**-**	2.1
Financial assets held for trading		**0.5**	4.3
Deferred tax asset		**0.8**	0.3
		70.5	69.4
Current assets			
Inventories		**47.5**	56.6
Trade and other receivables		**52.9**	69.7
Financial assets held for trading		**0.7**	0.4
Current tax asset		**1.2**	-
Cash and cash equivalents		**5.3**	6.9
		107.6	133.6
Total assets		**178.1**	203.0
Current liabilities			
Trade and other payables		**49.8**	66.6
Current tax liabilities		**-**	1.8
Financial assets held for trading		**2.3**	0.1
Other financial liabilities		**2.0**	2.2
		54.1	70.7
Non-current liabilities			
Interest-bearing loans and borrowings	9	**28.4**	36.8
Other financial liabilities		**4.3**	6.0
Deferred tax liability		**2.3**	-
Provisions		**2.3**	1.8
		37.3	44.6
Total liabilities		**91.4**	115.3
Net assets		**86.7**	87.7
Equity attributable to equity holders of the parent			
Share capital		**0.1**	0.1
Share premium		**24.8**	24.8
Translation reserve		**2.6**	0.2
Treasury reserve		**(8.7)**	(6.7)
Retained earnings		**67.9**	69.3
Total equity		**86.7**	87.7

1. Amounts at 31 December 2021 have been restated for the finalisation of acquisition accounting for DW Windsor

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity
for the year ended 31 December 2022

	Share capital £m	Share premium £m	Translation reserve £m	Retained earnings £m	Treasury reserve £m	**Total equity £m**
Balance at 1 January 2021	**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)**
Deferred tax on share-based payment transactions	-	-	-	(1.3)	1.4	**0.1**
Share-based payments charge	-	-	-	0.7	-	**0.7**
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**
Total comprehensive income						
Profit for the period	-	-	-	11.0	-	**11.0**
Currency revaluations of investments	-	-	2.5	-	-	**2.5**
Currency translation differences	-	-	(0.1)	-	-	**(0.1)**
Total comprehensive income for the period	**-**	**-**	**2.4**	**11.0**	**-**	**13.4**
Transactions with owners in their capacity as owners:						
Dividends	-	-	-	(10.9)	-	**(10.9)**
Purchase of own shares	-	-	-	-	(2.4)	**(2.4)**
Disposal of own shares	-	-	-	(0.4)	0.4	**-**
Deferred tax on share-based payment transactions	-	-	-	(1.6)	-	**(1.6)**
Corporation tax on foreign currency differences on overseas investments				(0.5)		**(0.5)**
Share-based payments charge	-	-	-	1.0	-	**1.0**
Total transactions with owners in their capacity as owners	**-**	**-**	**-**	**(12.4)**	**(2.0)**	**(10.4)**
Balance at 31 December 2022	**0.1**	**24.8**	**2.6**	**67.9**	**(8.7)**	**86.7**

Consolidated Cash Flow Statement for the year ended 31 December 2022

	Note	Adjusted £m	Adjustments[1] £m	2022 £m	Adjusted £m	Adjustments[1] £m	2021 £m
Cash flows from operating activities							
Profit for the period		**17.2**	**(6.2)**	**11.0**	31.2	(4.1)	27.1
Adjustments for:							
Depreciation and amortisation	7,8	**7.1**	**1.8**	**8.9**	6.7	1.0	7.7
Finance expense		**2.6**	**5.7**	**8.3**	1.6	0.4	2.0
Taxation	4	**2.2**	**(1.5)**	**0.7**	6.2	-	6.2
Loss on disposal of tangible assets		**0.1**	**-**	**0.1**	-	-	-
Increase in provisions		**0.2**	**-**	**0.2**	0.2	-	0.2
Share-based payments charge		**1.0**	**-**	**1.0**			
Other non-cash items		**-**	**0.5**	**0.5**	1.7	-	1.7
Operating cash flow before movement in working capital		**30.3**	**0.3**	**30.6**	47.6	(2.7)	44.9
Decrease in trade and other receivables		**19.2**	**-**	**19.2**	6.2	-	6.2
Decrease/(increase) in inventories		**12.3**	**(0.3)**	**12.0**	(14.6)	1.5	(13.1)
(Decrease)/increase in trade and other payables		**(18.1)**	**(0.4)**	**(18.5)**	(4.2)	0.4	(3.8)
Cash from operations		**43.7**	**(0.4)**	**43.3**	35.0	(0.8)	34.2
Tax paid		**(4.7)**	**-**	**(4.7)**	(8.1)	-	(8.1)
Net cash from operating activities		**39.0**	**(0.4)**	**38.6**	26.9	(0.8)	26.1
Cash flows from investing activities							
Acquisition of property, plant and equipment	7	**(4.1)**	**-**	**(4.1)**	(5.7)	-	(5.7)
Acquisition of other intangible assets	8	**(1.7)**	**-**	**(1.7)**	(0.9)	-	(0.9)
Disposal of tangible assets	7	**0.2**	**-**	**0.2**	0.2	-	0.2
Acquisition of subsidiary		**(7.8)**	**-**	**(7.8)**	(16.3)	-	(16.3)
Investment in associate		**-**	**-**	**-**	(2.1)	-	(2.1)
Net cash used in investing activities		**(13.4)**	**-**	**(13.4)**	(24.8)	-	(24.8)
Cash flows from financing activities							
(Repayment)/origination of borrowings		**(8.9)**	**-**	**(8.9)**	14.5	-	14.5
Interest paid		**(2.7)**	**-**	**(2.7)**	(1.7)	-	(1.7)
Dividends paid		**(10.9)**	**-**	**(10.9)**	(11.2)	-	(11.2)
Finance lease liabilities		**(1.9)**	**(0.3)**	**(2.2)**	(1.4)	-	(1.4)
Purchase of own shares		**(2.4)**	**-**	**(2.4)**	(1.3)	-	(1.3)
Net cash from financing activities		**(26.8)**	**(0.3)**	**(27.1)**	(1.1)	-	(1.1)
Net (decrease)/increase in cash and cash equivalents		**(1.2)**	**(0.7)**	**(1.9)**	1.0	(0.8)	0.2
Cash and cash equivalents at 1 January				**6.9**			6.7
Effect of exchange rate fluctuations on cash held				**0.3**			-
Cash and cash equivalents at 31 December			**-**	**5.3**		-	6.9

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 theses financial statements.

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 2022 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 2022, 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 2022 and 31 December 2021 but is derived from those accounts. Statutory accounts for 2021 have been delivered to the Registrar of Companies, and those for 2022 will be delivered in due course. The Auditors have reported on the 2022 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 2022 Annual Report and Accounts on pages 133 to 140.

The 2022 Annual Report and Accounts and the Notice of the 2022 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 2022 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 and our cashflow forecasts support this. The Group has reported a profit before tax of £11.7m for the year to 31 December 2022 (2021: £33.3m), has net current assets of £53.5m (2021 (restated): £62.9m) and net assets of £86.7m (2021: £87.7m), net debt of £29.3m (2021: £38.1m) and net cash from operating activities of £38.6m (2021: £26.1m). The bank facilities mature on 30 September 2025 as detailed below:

The capital resources at the Group's disposal at 31 December 2022 and 28 February 2023 were as follows:

- A revolving credit facility of £80.0m, £23.1m drawn at 31 December 2022 and £27.2m drawn at 28 February 2023

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. A breakdown of the adjusting items from 2022 and 2021, which reconciles the adjusted measures to statutory figures, can be found later in this document	Allows management to assess the performance of the business after removing large/unusual items or transactions that are not reflective of the underlying business operations
Adjusted Operating Costs	Operating Gross profit less Operating profit	Consolidated Income Statement		
Adjusted Operating Profit	Operating profit	Consolidated Income Statement		
Adjusted 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
Low Carbon Sales	Revenue	Segmental operating revenue	EV charger revenue and LED revenue less sales from lighting columns and downlight accessories	Provides management with a measure of low carbon sales
Adjusted EBITDA	Operating profit	Consolidated Income Statement	EBITDA excluding the adjusting items excluded from Adjusted Operating Profit except for any adjusting items that relate to depreciation and amortisation	Provides management with an approximation of cash generation from the Group's underlying operating 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 and excluding share-based payment expense	Aligns with the definition of EBITDA used for bank covenant testing

Nature of measure	Related IFRS measure	Related IFRS source	Definition	Use/relevance
Contribution profit	Operating profit and operating costs	Consolidated Income Statement	Contribution profit is after allocation of directly attributable 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 Cash Flow Statement	Adjusted Operating Cash Flow is the cash from operations but excluding the cash impact of the adjusting items excluded from Adjusted Operating Profit	Provides management with an indication of the amount of cash available for discretionary investment
Adjusted Free Cash Flow	Net increase/(decrease) in cash and cash equivalents	Consolidated Cash Flow Statement	Adjusted Free Cash Flow is calculated as Adjusted Operating Cash Flow less cash flows in respect of investing activities (except for those in respect of acquisitions or disposals), 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 Net Cash Flow	Net increase/(decrease) in cash and cash equivalents	Consolidated Cash Flow Statement	Adjusted Free Cash Flow less cash flows relating to dividend payments and the purchase of own shares	Provides management with an indication of the net cash flows generated by the business after dividends and share purchases
Adjusted Operating Cash Conversion	None	Consolidated Cash Flow Statement and Consolidated Income Statement	Operating Cash Conversion is defined as Adjusted Operating Cash Flow 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 and net debt (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:

Adjusted EBITDA	**2022 £m**	2021 £m
Adjusted Operating Profit	**22.0**	39.0
Adjusted Depreciation and Amortisation	**7.1**	6.7
Adjusted EBITDA	**29.1**	45.7

Covenant EBITDA	**2022 £m**	2021 £m
Adjusted EBITDA	**29.1**	45.7
EBITDA from acquisitions from 1 January to the date of acquisition and share based payment expense	**1.2**	1.2
Covenant EBITDA	**30.3**	46.9

Adjusted Operating Cash Conversion	**2022 £m**	2021 £m
Cash from operations (from Consolidated Cash Flow Statement)	**43.3**	34.2
Adjustments to operating cash flow (from Consolidated Cash Flow Statement)	**0.4**	0.8
Adjusted Operating Cash Flow	**43.7**	35.0
Adjusted Operating Profit	**22.0**	39.0
Adjusted Operating Cash Conversion	**198.6%**	89.7%

Adjusted Net Cash Flow as % of revenue	**2022 £m**	2021 £m
Adjusted Free Cash Flow (see below)	**30.7**	18.8
Purchase of own shares	**(2.4)**	(1.3)
Dividends	**(10.9)**	(11.2)
Adjusted Net Cash Flow	**17.4**	6.3
Revenue	**206.3**	228.2
Adjusted Net Cash Flow as % of revenue	**8.4%**	2.8%

Adjusted Free Cash Flow as % of revenue	**2022 £m**	2021 £m
Adjusted Operating Cash Flow (see table above)	**43.7**	35.0
Net Cash used in investing activities excluding acquisitions (from Consolidated Cash Flow Statement)	**(5.6)**	(6.4)
Interest paid (from Consolidated Cash Flow Statement)	**(2.7)**	(1.7)
Tax paid (from Consolidated Cash Flow Statement)	**(4.7)**	(8.1)
Adjusted Free Cash Flow	**30.7**	18.8
Revenue	**206.3**	228.2
Adjusted Free Cash Flow as % of revenue	**14.9%**	8.2%

Return on Capital Investment	**2022 £m**	2021 £m
Net assets	**86.7**	87.7
Net debt	**29.4**	38.1
Capital invested	**116.1**	125.8
Average capital invested (from last two years)	**121.0**	107.3
Adjusted Operating Profit (from above)	**22.0**	39.0
Return on Capital Invested (Adjusted Operating Profit/average capital invested)	**18.2%**	36.4%

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

	2022 £m	Amortisation of acquired intangibles and related acquisition costs[1] £m	Re-measurement to fair value of hedging portfolio[2] £m	Restructuring[3] £m	2022 Adjustments £m	**2022 Adjusted £m**
Revenue	**206.3**	-	-	-	-	**206.3**
Cost of sales	**(132.0)**	-	-	-	-	**(132.0)**
Gross profit	**74.3**	-	-	-	-	**74.3**
Distribution expenses	**(9.2)**	-	-	-	-	**(9.2)**
Administrative expenses	**(45.1)**	3.0	-	(1.0)	2.0	**(43.1)**
Operating profit	**20.0**	3.0	-	(1.0)	**2.0**	**22.0**
Net finance expense	**(8.3)**	-	5.7	-	5.7	**(2.6)**
Profit before tax	**11.7**	3.0	5.7	(1.0)	**7.7**	**19.4**
Taxation	**(0.7)**	(0.6)	(1.1)	0.2	(1.5)	**(2.2)**
Profit for the year	**11.0**	2.4	4.6	(0.8)	6.2	**17.2**
Gross margin	**36.0%**					**36.0%**

1. Relating to Kingfisher Lighting, DW Windsor and Sync EV
2. Relating to currency/interest hedges
3. Relating to the closure of Germany and France operation

	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)**
Profit for the year	**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

Standards and interpretations issued

The following UK-adopted IFRS have been issued and have been applied in these financial statements. Their adoption did not have a material effect on the financial statements, unless otherwise indicated, from 1 January 2022:

- Interest Rate Benchmark Reform Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
- Annual Improvements to IFRS Standards 2018-2020
- Property, Plant and Equipment: Proceeds Before Intended Use (Amendments to IAS 16)
- Reference to the Conceptual Framework (Amendments to IFRS 3)

The following UK adopted IFRS have been issued but have not been applied and adoption is not expected to have a material effect on the financial statements, unless otherwise indicated, from 1 January 2023:

- IFRS 17 Insurance contracts
- Amendments to IFRS 17 Insurance Contracts: Initial application of IFRS 17 and IFRS 9 –Comparative Information
- Accounting Policies, Changes in Accounting Estimates and Errors: definition (Amendments to IAS 8)
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality judgements
- Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – Amendments to IAS 12 Income Taxes

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 2022 £m	**Adjustments £m**	**Reported 2022 £m**	Adjusted 2021 £m	Adjustments £m	Reported 2021 £m
Revenue						
Wiring Accessories	**73.7**	**-**	**73.7**	104.5	-	104.5
LED Lighting	**81.4**	**-**	**81.4**	63.2	-	63.2
Portable Power	**51.2**	**-**	**51.2**	60.5	-	60.5
	206.3	**-**	**206.3**	228.2	-	228.2
Operating profit						
Wiring Accessories	**13.9**	**-**	**13.9**	29.2	-	29.2
LED Lighting	**3.4**	**(0.6)**	**2.8**	3.4	(3.3)	0.1
Portable Power	**4.7**	**(1.4)**	**3.3**	6.4	(0.4)	6.0
Operating profit	**22.0**	**(2.0)**	**20.0**	39.0	(3.7)	35.3

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

	2022			2021		
	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	Restructuring[2] £n
Cost of sales						
Wiring Accessories	**-**	**-**	**-**	-	-	-
LED Lighting	**-**	**-**	**-**	-	-	-
Portable Power	**-**	**-**	**-**	-	-	-
Gross Profit	**-**	**-**	**-**	-	-	-
Administration expenses						
Wiring Accessories	**-**	**-**	**-**	-	-	-
LED Lighting	**(0.6)**	**(1.6)**	**1.0**	(3.3)	(1.4)	(1.9)
Portable Power	**(1.4)**	**(1.4)**	**-**	(0.4)	-	(0.4)
Total	**(2.0)**	**(3.0)**	**1.0**	(3.7)	(1.4)	(2.3)
Operating profit						
Wiring Accessories	**-**	**-**	**-**	-	-	-
LED Lighting	**(0.6)**	**(1.6)**	**1.0**	(3.3)	(1.4)	(1.9)
Portable Power	**(1.4)**	**(1.4)**	**-**	(0.4)	-	(0.4)
Operating profit	**(2.0)**	**(3.0)**	**1.0**	(3.7)	(1.4)	(2.3)

1. Relating to Kingfisher Lighting, DW Windsor and Sync EV (year 2022 only)
2. Restructuring costs relating to the closure of Germany and France operations in 2021

Revenue by location of customer

	2021 £m	2021 £m
UK	**165.3**	181.2
Europe	**19.7**	24.0
Middle East and Africa	**8.7**	7.6
Americas	**8.0**	10.6
Asia Pacific	**4.6**	4.8
Total revenue	**206.3**	228.2

Revenues exceeded 10% or more of total revenue for one customer. This customer's revenue represents 23% (2021: 30%) of total revenue and is across all operating segments.

Non-current assets by location

	2022 **£m**	2021[1] £m
UK	**52.1**	52.1
China	**17.6**	16.3
Other	**0.8**	1.0
Total non-current assets	**70.5**	69.4

1. Amounts restated for the finalisation of acquisition accounting for DW Windsor

3. Expenses recognised in the Consolidated Income Statement

Included in the Consolidated Income Statement are the following:

	2022 **£m**	2021 £m
Research and development costs expensed as incurred	**1.9**	2.1
Depreciation of property, plant and equipment and right-of-use assets	**6.0**	5.3
Amortisation of intangible assets	**2.9**	2.4

4. Income tax expense

	2022 **£m**	2021 £m
Current tax expense		
Current year – UK	**2.3**	5.4
Current year – overseas	**(0.9)**	0.6
Adjustment in respect of prior years	**(0.3)**	0.6
Current tax expense	**1.1**	6.6
Deferred tax expense/(credit)		
Origination and reversal of temporary differences	**(0.2)**	(0.6)
Adjustment in respect of prior years	**(0.1)**	0.2
Effect of tax rate change on opening balance	**(0.1)**	-
Deferred tax (credit)	**(0.4)**	(0.4)
Total tax expense	**0.7**	6.2

Reconciliation of effective tax rate	**2022** **£m**	2021 £m
Profit for the year	**11.0**	27.1
Total tax expense	**0.7**	6.2
Profit before taxation	**11.7**	33.3
Tax using the UK corporation tax rate of 19.0% (2021: 19.0%)	**2.2**	6.3
Effect of tax rates in foreign jurisdictions	**-**	-
R&D tax credits	**(0.4)**	(0.4)
Non-deductible expenses	**0.2**	0.1
Adjustment in respect of previous periods	**(0.4)**	0.5
Transfer pricing adjustments (related to China)	**(1.0)**	-
Effect of rate change in calculation of deferred tax	**0.1**	0.2
Deferred tax on share-based payments	**0.3**	(0.3)
Fixed asset differences related to tax and book value	**(0.1)**	-
Utilisation of unrecognised overseas brought forward tax losses	**(0.2)**	(0.2)
Total tax expense	**0.7**	6.2

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 a £0.4m charge 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 tax 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 and 31 December 2022 has been calculated based on these rates, reflecting the expected timing of reversal of the related temporary differences.

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.

	2022 £m	2021 £m
Earnings for calculating basic earnings per share	**11.0**	27.1
Adjusted for:		
Restructuring of European operations	**(1.0)**	2.3
Amortisation of acquired intangibles and related acquisition costs	**3.0**	1.4
Remeasurement to fair value of hedging portfolio	**5.7**	0.4
Income tax on above items	**(1.5)**	-
Adjusted earnings for calculating adjusted basic earnings per share	**17.2**	31.2

Weighted average number of ordinary shares	**2022 Number Million**	2021 Number Million
Basic	**154.3**	154.1
Dilutive effect of share options on potential ordinary shares	**2.6**	3.8
Diluted	**156.9**	157.9

	2022 Pence	2021 Pence
Basic earnings per share	**7.1**	17.6
Diluted earnings per share	**7.0**	17.2
Adjusted basic earnings per share	**11.1**	20.2
Adjusted diluted earnings per share	**11.0**	19.8

6. Dividend

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

	2022 £m	2021 £m
Final dividend for the year ended 31 December 2021 of 5.5p (2020: 4.7p) per ordinary share	**8.5**	7.2
Interim dividend for the year ended 31 December 2022 of 1.6p (2021: 2.6p) per ordinary share	**2.4**	4.0
Total dividend recognised during the year	**10.9**	11.2

7. Property, plant and equipment

During the year, the Group purchased assets at a cost of £4.1m (2021: £5.7m); including plant and equipment £2.3m, tooling £1.2m, construction in progress £0.2m, land and buildings £0.3m and fixtures and fittings £0.1m. Assets with a net book value of £0.3m were disposed of (2021: £0.2m). Total depreciation for the period was £4.1m (2021: £3.5m).

During the year there were lease additions totalling £0.1m and a depreciation charge of £1.9m. The net book value of right-of-use assets at 31 December 2022 was £6.1m (31 December 2021: £7.8m).

The Group has not included any borrowing costs within additions in 2022 (2021: £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 2022 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 £1.7m (2021: £0.9m). 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 Sync EV during the year, the Group recognised £6.9m of goodwill, £1.5m of customer relationships and £0.8m of brand names. Amortisation totalled £2.9m (2021: £2.4m). Net book value at 31 December 2022 was £41.7m (31 December 2021 (restated): £33.7m).

Goodwill impairment is reviewed annually. Further details on the review conducted at 31 December 2022 can be found in note 10 to the 2022 Annual Report and Accounts. No impairment charge was recorded in either 2022 or 2021.

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 2022 Annual Report and Accounts.

	2022 **£m**	2021 £m
Non-current liabilities		
Revolving credit facility	**28.2**	36.8
Overdrafts	**0.2**	-
	28.4	36.8

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	
	2022	2021	**2022**	2021
USD	**1.23**	1.38	**1.21**	1.35
EUR	**1.17**	1.16	**1.13**	1.19
RMB	**8.30**	8.87	**8.34**	8.59

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	2021 £m
Remuneration (including benefits in kind)	**5.1**	6.9
Element of share-based payments expense	**1.0**	1.7
	6.1	8.6

12. Post Balance Sheet Events

There are no post balance sheet events.

13. Annual General Meeting

The 2023 AGM will take place on 10 May 2023 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 2022 to 31 December 2022 and was approved by the Board on 20 March 2023. A copy of the 2022 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	11 April 2023
Dividend reinvestment plan final date for election	26 April 2023
Annual General Meeting	10 May 2023
Dividend paid	19 May 2023
Half-year end	30 June 2023
Half-year end trading update	18 July 2023
Half-year interim management statement	5 September 2023
Year end	31 December 2023
Full-year preliminary statement	March 2024

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