5 September 2023

LUCECO PLC – 2023 INTERIM RESULTS

Encouraging first half performance, continued improving momentum and strong orderbook, remaining vigilant in a changing economic environment

Luceco plc, the supplier of wiring accessories, EV chargers, LED lighting, and portable power products, today announces its unaudited results for the six months ended 30 June 2023 ("H1 2023" or "the period").

2023 Summary results

Six months ended 30 June 2023 (£m unless otherwise stated)	H1 2023	H1 2022	Change (%)
Revenue	**101.1**	106.4	(5.0%)
Adjusted Results[1]			
Adjusted operating profit	**10.8**	11.5	(6.1%)
Adjusted profit before tax	**9.4**	10.5	(10.5%)
Adjusted profit after tax	**7.7**	9.0	(14.4%)
Adjusted basic earnings per share	**5.0p**	5.8p	(13.8%)
Statutory Results			
Operating profit	**9.8**	10.0	(2.0%)
Profit before tax	**6.2**	4.6	+34.8%
Profit after tax	**5.3**	4.2	+26.2%
Basic earnings per share	**3.4p**	2.7p	+25.9%
Metrics			
Adjusted[1] Operating margin %	**10.7%**	10.8%	(0.1ppts)
Covenant Net Debt	**37.6**	53.9	(30.2%)
Covenant Net Debt : Covenant EBITDA[2]	**1.3x**	1.4x	(7.1%)
Adjusted[1] Free cash flow	**(8.0)**	(2.8)	(185.7%)
Dividend per share	**1.6p**	1.6p	0.0%

1. The definitions of the adjustments made and reconciliations to the reported figures can be found in note 1 of the condensed consolidated financial statements
2. Includes pro-forma adjustment for EBITDA of acquired businesses, as shown in note 1 of the condensed consolidated financial statements

Performance highlights

- 2023 results slightly ahead of the July trading update:
    - Revenue: £101.1m in line with the expected slow down seen in the residential Repair, Maintenance and Improvement ("RMI") market (H1 2022: £106.4m)
    - Adjusted Operating Profit: £10.8m (H1 2022: £11.5m) reflecting a return to strong gross margins, up over 5 percentage points versus H1 2022 to 39.4%
    - Adjusted EPS: 5.0p (H1 2022: 5.8p)
    - Covenant Net Debt reduced by 30.2% year on year and Covenant Net Debt : EBITDA ratio remains at the lower end of the target range at 1.3x (H1 2022: 1.4x)

- Improving momentum in H1 2023:
    - Customer stocking has appeared to return to normal levels at the end of H1 2023 following post-pandemic destocking
    - Non-residential demand continues its favourable trend
    - Despite economic headwinds, revenue decline has been less than expected
    - Material and freight costs pressures have subsided
    - Operational synergies at DW Windsor, within the most recent addition to the Group, contributed to a strong first half performance with near double digit operating margin and some key contract wins
    - EV business has grown further, with a strong pipeline of new products

Outlook

- Despite ongoing weakness in our core markets, we have made further progress since the July trading update and we now expect full year 2023 adjusted operating profit to show clear progress on last year. This is above the current range of market expectations.
- We remain mindful of the uncertain macroeconomic environment and the potential impact it may have on our markets in 2024.

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

"It has been an encouraging first half for Luceco. Our gross profit margin improved as material and freight cost pressures continued to ease during the period, albeit partially offset by wage pressures. We continue to build an attractive M&A pipeline and we have further strengthened our balance sheet.

We have a number of exciting product developments in progress, which provide us with good medium and long-term opportunities for growth. A strong order book supports a reassuring outlook for the remainder of the year. Historically the Group has enjoyed a stronger second half and, whilst we are mindful of the current economic environment, we expect a similar trend this year."

Results information

A meeting for analysts will be held at 9:30am BST today, Tuesday 5 September 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/64df4eadaed457815bbbbcc2

The Company will host a presentation for private investors on the Investor Meet Company platform on Wednesday 6th September at 4:00pm BST. Those wishing to attend can register via the following link:

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

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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 as it forms part of the domestic law of the UK by virtue of the European Union (Withdrawal) Act 2018 (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 as it forms part of the domestic law of the UK by virtue of the European Union (Withdrawal) Act 2018, this announcement is being made on behalf of Luceco plc by Will Hoy, 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. Luceco plc ("Luceco", "the Group" or "the Company").

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 condensed consolidated financial statements. The measures provide additional information for users on the underlying performance of the business, enabling consistent year-on-year comparisons.

Chief Executive's review

Performance highlights

During the first half of 2023, we achieved revenue of £101.1m (H1 2022: £106.4m) and Adjusted Operating Profit of £10.8m (H1 2022: £11.5m), which is slightly ahead of the performance reported in our July trading update.

During the period we have increased our gross margin, as material and freight costs continue to ease, albeit these have been partially offset by increasing wage costs.

Customer 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, as previously reported. In 2022 and in the first half of 2023, they largely unwound the extra inventory added as both demand and supply chain constraints eased, reducing our sales.

As of June 2023, this period of destocking appears to be complete, based on the analysis of EPOS data with our customers who have returned to more normalised purchasing patterns.

Cost inflation

Following the global supply and demand imbalances during the pandemic we have finally seen cost inflation subside with material and freight and duty prices continuing to ease. Our gross margin is beginning to return to through-the-cycle levels which is encouraging.

Underlying demand

Despite strong economic headwinds and unfavourable leading indicators we have not seen the extent of the reduction in revenue that might have been expected in the first half of the year.

We have seen resilient demand in the residential professional and non-residential sectors which has helped maintain activity levels at this higher than expected rate.

Whilst this position has been encouraging, we are cognisant of the current macroeconomic climate and will remain vigilant in the second half of the year and into the early part of 2024 as pressure increases further on discretionary consumer spending.

Supply chain management

Lead times normalised in 2022 following the peaks during the pandemic and have remained consistent in the current period – accordingly we have been managing our own inventory position to the new normalised demands.

Strategic highlights

I am pleased with the continued progress we have made against our business strategy to Grow, Innovate and Sustain, which leaves us well positioned to make further progress and continue our competitive advantage.

Grow

Our Grow strategy takes a two-pronged approach of organic and M&A growth.

Our organic growth is driven by being agile and innovative to our customer needs. We can achieve this because we make a significant amount of our products in-house and also because of the Group's culture and desire to design and build new and innovative products.

The Group generates strong operational cash flow and this can be used to fund acquisitions. The recent acquisition of Sync EV in 2022 has given us a valuable foothold in the rapidly growing EV charger market, whilst our DW Windsor acquisition provides a more diversified infrastructure related revenue stream – which is holding firm in this tight consumer spending period. Kingfisher Lighting has recently won a contract, as one of seven key suppliers, to provide lighting for the Premiership Floodlighting scheme – which should provide a revenue stream from the second half of 2023 to 2027.

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 proven particularly beneficial as consumer-led construction has normalised post-COVID and institutions have increasingly demanded LED retrofit projects to combat energy cost increases.

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 due to our extensive and close relationships with distributors and retailers. It has been a key driver of the Group's historic success.

A key new development in the year has been the introduction our new 22kw EV charger which will have applications in the commercial and higher end residential space – developed in-house in the UK in conjunction with our production facility in China.

We are pleased to report that DW Windsor is beginning to utilise our expertise and manufacturing capacity, both in the UK and China, for its product base which will help us transform the business further.

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.

Sustain

Our Sustain strategy is becoming more prominent and important to the Group – we see this being a key competitive advantage for the future with the Group already highly geared towards a green oriented product range.

During the first half of 2023 we received validation from the Science Based Targets initiative ("SBTi"), targeting a 42% reduction in operational emissions and a 27.5% reduction in value chain emissions by 2031. 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 from a "C" to a "B". We continue to make further progress in this area during 2023.

We remain committed to working closely with contractors on training seminars and with the development of the next generation of contractors.

How we create value

Our attractive markets

Over the course of the last decade, we have worked hard to 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.

Residential construction and DIY markets have slowed and demand declined in the period but this is following a relative 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 the Group.

Non-residential construction markets are expected to be broadly flat this year with continuing 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, is expected to be stable for 2023. 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.

Our business model enabled us 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.

Outlook

Encouragingly, trading in the first half of 2023 has been slightly ahead of our expectations, illustrating the robustness of our business model despite headwinds from economic indicators. We will continue to remain cautious and vigilant in the latter half of this year and in the early part of 2024, but I am encouraged by the healthy underlying trading performance across our business and the strong order book for Q3 2023 illustrating Luceco's leading positions in our core markets. When economic pressures ease, the Group is very well placed to grow and expand at a fast pace.

JOHN HORNBY
Chief Executive Officer

5 September 2023

Chief Financial Officer's review

Summary of reported results

Summary results (£m)	**H1 2023**	H1 2022
Revenue	**101.1**	106.4
Operating profit	**9.8**	10.0
Profit before tax	**6.2**	4.6
Taxation	**(0.9)**	(0.4)
Profit for the period	**5.3**	4.2

Operating profit of £9.8m was just below the prior half year of £10.0m – despite the macroeconomic headwinds and a higher operating cost base largely as a result of UK wage inflation. Improvements in gross margin as cost pressures ease are helping margins move towards through-the-cycle levels.

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 £1.0m of such items within our reported operating profit for 2023 (H1 2022: £1.5m). They consist of:

- Amortisation of acquired intangibles: £1.0m (H1 2022: £0.9m)
- Acquisition related costs: nil (H1 2022: £1.1m)
- Restructuring costs: nil (H1 2022: £0.5m credit)

Adjusted Operating Profit for the period, excluding the items above, was therefore £10.8m (H1 2022: £11.5m).

Income statement

Revenue

Revenue of £101.1m was £5.3m (5.0%) lower than H1 2022 with the main movements summarised below:

	Bridge from H1 2023/2		Bridge from H1 2021/2	
Revenue bridge:	**£m**	**Change %**	£m	%
2022/2021	**106.4**		108.2	
Acquisitions/closures	**(1.3)**		13.6	
Like-for-like (decrease)/increase[1]	**(6.2)**	**(5.8%)**	(17.8)	(16.5%)
Constant Currency[2]	**98.9**		104.0	
Currency movements	**2.2**		2.4	
TOTAL	**101.1**	**(5.0%)**	106.4	(1.7%)

1. Like-for-like revenue increase excludes the impact of currency movements and acquisitions, see note 10 of the condensed consolidated financial statements
2. 2023 revenue translated at 2022 exchange rates and 2022 revenue translated at 2021 exchange rates

Total revenue declined by a modest 5.0% against the backdrop of difficult economic conditions, with revenue falling less than the Group had previously anticipated.

Like-for-like revenue declined by £6.2m compared to H1 2022 predominantly as a result of the expected reduction in residential DIY activity.

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:	H1 2023 £m	H1 2023 % of total	Change v H1 2022 %
Retail	**20.3**	20.9%	(30.6%)
Hybrid	**23.5**	24.2%	23.7%
Professional Wholesale	**24.5**	25.2%	(6.8%)
Professional Projects	**29.0**	29.7%	4.7%
Like-for-like revenue	**97.3**	100.0%	(5.8%)
Currency impact	**2.2**		
Acquisitions	**1.6**		
TOTAL	**101.1**		(5.0%)

Nearly all of the destocking impact we experienced in 2022 arose within the Retail and Hybrid channels – the Hybrid channel has recovered in the period but the Retail channel continued to destock during the first half of 2023. From analysis of customer EPOS data, the products which have seen the largest destocking have been our Portable Power products. This was caused due to unusually high demand during the pandemic impacting their normalised customer stocking levels. The Professional Wholesale channel declined in line with the expected trade slow-down.

The Professional Projects channel had an increase in the period of 4.7% which continues the strong performance from Kingfisher Lighting and growing commercial and institutional demand for LED retrofits in the UK with high electricity prices and as the climate agenda becomes more of a focus.

Revenue by geographical location of customer:	H1 2023 £m	H1 2022 £m	Change v H1 2022 %
UK	**86.5**	85.5	+1.2%
Europe	**6.3**	11.2	(43.8%)
Middle East and Africa	**3.8**	3.3	+15.2%
Asia Pacific	**1.2**	2.4	(50.0%)
Americas	**3.3**	4.0	(17.5%)
Total revenue	**101.1**	106.4	(5.0%)

The change in revenue by geography has a number of characteristics by location of the customer.

Within the UK, professional residential and non-residential demand has remained strong and this has supported some overall growth of 1.2%.

European sales reduced in the period following the closure of our operations in Germany and France in the prior period with no sales in the current year. The sales decline in the Americas is attributable to a key customer in the US DIY channel that over stocked in 2021 and we have seen further destocking impacts during the first half of 2023, which appears to now be complete.

Profitability

Adjusted Operating Profit of £10.8m for H1 2023 was £0.7m lower than H1 2022. The key drivers were as follows:

Adjusted Operating profit	Bridge from H1 2022 £m	Bridge from H1 2021 £m
2022/21	11.5	19.2
Acquisitions/closures	0.2	0.1
Like-for-like increase/(decrease)[1]	0.8	(6.1)
Currency movements	(1.7)	(1.7)
TOTAL	**10.8**	**11.5**

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

Encouragingly, the like for like increase in Adjusted Operating Profit in the period was £0.8m, versus a decline of £6.1m in H1 2022. This is driven by a strong increase in gross profit margin in the period of 8.1ppts year on year, excluding the impact of currency. The overall operating margin would be 12.7% versus the reported 10.7% excluding the impact of currency, so this has impacted the Group's operating profit by £1.7m against the prior year.

Overall, the improvement in gross margin was largely driven by a combination of stronger product mix and reduction in material, freight and duty costs. This overall gross profit increase was offset by higher operating costs due largely to labour/wage cost inflation.

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

	Adjusted H1 2023 actual[1]	Currency impact		Adjusted H1 2023 at Constant Currency[2]	Constant Currency variance to H1 2022		Adjusted H1 2022 actual
	£m	£m	%	£m	£m	%	£m
Revenue	**101.1**	2.2	2.1%	98.9	(7.5)	(7.0%)	106.4
Cost of sales	**(61.3)**	(3.9)	5.6%	(57.4)	12.8	(18.2%)	(70.2)
Gross profit	**39.8**	**(1.7)**	**(4.7%)**	**41.5**	**5.3**	**14.6%**	**36.2**
Gross margin %	**39.4%**		(2.6ppts)	42.0%		8.0ppts	34.0%
Operating costs	**(29.0)**	-	-	(29.0)	(4.3)	17.4%	(24.7)
Operating profit	**10.8**	**(1.7)**	**(14.8%)**	**12.5**	**1.0**	**8.7%**	**11.5**
Operating margin %	**10.7%**		(1.9ppts)	12.6%		1.8ppts	10.8%

1. Six months ended 30 June 2023 translated at H1 2023 average exchange rates
2. Six months ended 30 June 2023 translated at H1 2022 average exchange rates

Operating costs

Adjusted Operating Costs increased by £4.3m to £29.0m (17.4%). The impact of labour/wage inflation in the period was a key driver for overall cost increases representing £2.9m of the overall cost increase. Additionally, the business has seen increases is normal working practice costs, such as travel, fuel and transportation as they return to pre-COVID levels.

Net finance expense

The Adjusted Net Finance Expense increased by just £0.4m to £1.4m in the first half following increases in floating interest rates.

This increase was partially mitigated by swaps which fixed the interest rate applicable to approximately 70% of our borrowings on a rolling three-year basis with 30% of our borrowing remaining at floating interest rates.

Taxation

We currently expect a Group adjusted effective tax rate of c.18% for the year ended 31 December 2023, which incorporates the impact of the new UK corporation tax rate which has been effective from April 2023 at 25%.

Adjusted Free Cash Flow

Adjusted[1] Free Cash Flow (£m)	**Adjusted[1] H1 2023**	Adjusted[2] H1 2022
Operating profit	**10.8**	11.5
Depreciation and amortisation	**3.8**	3.2
EBITDA	**14.6**	14.7
Changes in working capital	**(17.7)**	(9.7)
Other items	**0.6**	0.7
Operating Cash flow	**(2.5)**	5.7
Operating cash conversion[2]	**(23.1%)**	49.6%
Net capital expenditure	**(2.4)**	(2.4)
Interest paid	**(1.3)**	(1.1)
Tax paid	**(1.8)**	(5.0)
Free Cash Flow	**(8.0)**	(2.8)
Free Cash Flow as % Revenue	**(7.9%)**	(2.6%)

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

The cash generation in the second half of 2022 was exceptional due to the unwind of stock and debtors following the unusual trading patterns during the COVID pandemic. As a result, our cash generation in the first half of 2023 has been negative as we return to normalised working capital conditions. Our trade receivables have seen a cash outflow in the period of £11.0m as a normalised debtor position returns.

Capital expenditure

The Group's net capital expenditure consists of capitalised product development costs and the purchase of physical assets. Capital expenditure was £2.4m in first half in line with the prior year (H1 2022: £2.4m) and was 2.4% of revenue (H1 2022: 2.3%). 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 15.7% (H1 2022: 25.6%). As previously flagged, our returns will naturally reduce as Luceco transitions from a Group created organically to one also growing via M&A (with its required investment in goodwill). We expect average Return on Capital Invested through the economic cycle to be 20% or higher as M&A activity is fully integrated into the Group.

Capital structure

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

£m	**H1 2023**	H1 2022	Change
Reported net debt	**£42.8m**	£60.2m	(28.9%)
Less: IFRS 16 Finance Leases	**(£5.8m)**	(£7.0m)	(17.1%)
Finance Leases – pre-IFRS 16	**£0.6m**	£0.7m	(14.3%)
Covenant Net Debt	**£37.6m**	£53.9m	(30.2%)
Covenant Net Debt : Covenant EBITDA	**1.3x**	1.4x	(7.1%)

The Group's Covenant Net Debt : Covenant EBITDA ratio of 1.3x remains at the lower end of the 1–2x target. The Group has generated less cash in the period as the Group's working capital requirements increased as activity recovered following the impact of destocking at the end of 2022. The Group's non-utilised facilities totalled £39.9m, 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 a position to plan and execute organic growth and M&A activity.

The Company's covenant position and headroom at 30 June 2023 were as follows:

H1 2023 covenant position	**Covenant**	**Actual**	**Headroom**
Covenant Net Debt : Covenant EBITDA	3.0 : 1	**1.3 : 1**	Covenant Net Debt headroom: £51.2m[1] Covenant EBITDA headroom: £17.1m
Covenant EBITDA : Adjusted Net Finance Expense	4.0 : 1	**21.1 : 1**	Covenant EBITDA headroom: £24.0m Net Finance Expense headroom: £6.0m

1. Headroom with increased facility. Current facility headroom is £39.9m.

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

	H1 2023	H1 2022
Adjusted[1] Earnings Per Share (pence)	**5.0**	5.8
Covenant Net Debt : Covenant EBITDA (times)	**1.3x**	1.4x
Adjusted[1] Free Cash Flow (£m)	**(8.0)**	(2.8)

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

The Group complied with its covenant requirements throughout the first half with significant headroom on all metrics. The Group has conducted a review of going concern work for the first half of 2023 and this is outlined in note 1 of the condensed consolidated financial statements. The Group has a strong balance sheet and significant facility headroom under even a realistic 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 an interim dividend of 1.6p per share, equivalent to the same dividend as the prior half year. This will be paid to shareholders on 20 October 2023 who are on the register on 15 September 2023 and the last day for dividend reinvestment (DRIP) elections is 29 September 2023. This equates to a payout ratio of 42% which, slightly ahead of the prior year's 40% payout ratio.

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.

Wiring Accessories

	Adjusted[1]			Reported		
	H1 2023	H1 2022	Change	**H1 2023**	H1 2022	Change
Revenue	**£41.1m**	£36.5m	+12.6%	**£41.1m**	£36.5m	+12.6%
Operating profit	**£7.1m**	£7.9m	(10.1%)	**£7.1m**	£7.9m	(10.1%)
Operating margin %	**17.3%**	21.6%	(4.3ppts)	**17.3%**	21.6%	(4.3ppts)

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

Wiring Accessories is the Group's most profitable segment, generating nearly two thirds of the Group's operating profit and 41% of its revenue, under a brand established over 80 years ago.

Sales from the Wiring Accessories segment were £41.1m which was a significant improvement of 12.6% over the prior period. Strong sales from the Hybrid channel helped deliver this result in core electrical switches particularly from the UK. Wiring Accessories remains the most significant contributor to Group profitability and its contribution has returned to more normalised levels as destocking has been completed and material and freight costs have eased.

LED Lighting

	Adjusted[1]			Reported		
	H1 2023	H1 2022	Change	**H1 2023**	H1 2022	Change
Revenue	**£37.8m**	£40.8m	(7.4%)	**£37.8m**	£40.8m	(7.4%)
Operating profit	**£1.9m**	£1.2m	+58.3%	**£1.1m**	£0.7m	+57.1%
Operating margin %	**5.0%**	2.9%	+2.1ppts	**2.9%**	1.7%	+1.2ppts

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

The Group entered the lighting market in 2013 as the industry adopted LED technology and it now represents 37% of Group revenue.

Revenue from the LED Lighting segment was £3.0m (7.4%) lower than 2022. Part of the decline versus the prior year is due to the impact of the closure of lower margin operations in France and Germany in the prior year, which were LED focussed. On a like for like basis, LED sales fell by just 3.0% in the period. Demand has been particularly strong in the professional projects space in the period, as demand for energy-saving retrofits within the non-residential and infrastructure sectors continues to grow. Adjusted Operating Profit of £1.9m was ahead of 2022 by £0.7m which has been achieved by improving operating margin in the DW Windsor acquisition due to rationalisation and stronger product strategy.

Portable Power

	Adjusted[1]			Reported		
	H1 2023	H1 2022	Change	**H1 2023**	H1 2022	Change
Revenue	**£22.2m**	£29.1m	(23.7%)	**£22.2m**	£29.1m	(23.7%)
Operating profit	**£1.8m**	£2.4m	(25.0%)	**£1.6m**	£1.4m	+14.3%
Operating margin %	**8.1%**	8.2%	(0.1ppts)	**7.2%**	4.8%	2.4ppts

1. A reconciliation of the reported to Adjusted results is shown within note 1 of the condensed 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 22% of Group revenue and 17% of Group Adjusted Operating Profit. Revenue in the period was 23.7% lower than the prior year due to final customer destocking particularly impacting cable reel product categories. Adjusted operating margin remained consistent with the prior year at 8.1% (H1 2022: 8.2%).

We are still encouraged by the EV charger sales which were over £4.1m in the period, a significant increase over the prior year of 145%. We remain excited about the opportunities that this new sector will provide as the vehicle market moves towards electrification by 2030. At the end of the period we launched our 22kw EV charger which will be utilised in many commercial operations in the future and high end residential premises.

Going concern

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

WILL HOY
Chief Financial Officer

5 September 2023

Environmental, Social and Governance (“ESG”) update

We continue to make progress on our ESG workstreams:

- We committed to the Science Based Targets Initiative (SBTi) and this was validated by the SBTi during the first half of the year. 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 from (“C”) previously – we are focussed on improving this again in 2023
- We have delivered significant progress against our low carbon product revenue target and are on track to achieve £100m of such revenue by 2025
- We continue to improve our packaging specifications, particularly around plastic packaging.

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 in full year 2022, 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 full year 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
- 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 and for 2023, bringing our scope 2 emissions to zero.
- Offsetting residual Scope 1 emissions for 2022 and for 2023
- 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.

Statement of Directors' responsibilities

We confirm that to the best of our knowledge:

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

- the interim management report includes a fair, balanced and understandable review of the information required by:

  (a) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

  (b) DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

Approved by a Committee of the Board on 5 September 2023 and signed on its behalf.

JOHN HORNBY
Chief Executive Officer

WILL HOY
Chief Financial Officer

5 September 2023

CONDENSED CONSOLIDATED INCOME STATEMENT

For the period ended 30 June 2023

	Note	**Adjusted H1 2023 £m**	**Adjustments[1] H1 2023 £m**	**H1 2023 £m**	Adjusted H1 2022 £m	Adjustments[1] H1 2022 £m	H1 2022 £m
Revenue	2	**101.1**	**-**	**101.1**	106.4	-	106.4
Cost of sales		**(61.3)**	**-**	**(61.3)**	(70.2)	0.7	(69.5)
Gross profit		**39.8**	**-**	**39.8**	36.2	0.7	36.9
Distribution expenses		**(4.3)**		**(4.3)**	(5.7)	-	(5.7)
Administrative expenses		**(24.7)**	**(1.0)**	**(25.7)**	(19.0)	(2.2)	(21.2)
Operating profit	2,3	**10.8**	**(1.0)**	**9.8**	11.5	(1.5)	10.0
Finance expense		**(1.4)**	**(2.2)**	**(3.6)**	(1.0)	(4.4)	(5.4)
Net finance expense		**(1.4)**	**(2.2)**	**(3.6)**	(1.0)	(4.4)	(5.4)
Profit before tax		**9.4**	**(3.2)**	**6.2**	10.5	(5.9)	4.6
Taxation	4	**(1.7)**	**0.8**	**(0.9)**	(1.5)	1.1	(0.4)
Profit for the period		**7.7**	**(2.4)**	**5.3**	9.0	(4.8)	4.2
Earnings per share (p)							
Basic	5	**5.0p**	**(1.6p)**	**3.4p**	5.8p	(3.1p)	2.7p
Fully diluted	5	**4.9p**	**(1.5p)**	**3.4p**	5.7p	(3.0p)	2.7p

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 30 June 2023

	H1 2023 £m	H1 2022 £m
Profit for the period	**5.3**	4.2
Other comprehensive income – amounts that may be reclassified to profit or loss in the future:		
Foreign exchange translation differences – foreign operations	**(3.2)**	2.8
Total comprehensive income for the year	**2.1**	7.0

All results are from continuing operations.

The accompanying notes form part of these financial statements.

CONDENSED CONSOLIDATED BALANCE SHEET

At 30 June 2023

	Note	**H1 2023 £m**	H1 2022 £m	FY 2022 £m
Non-current assets				
Property, plant and equipment	7	**19.7**	21.9	**21.4**
Right-of-use assets		**5.7**	6.8	**6.1**
Intangible assets	8	**40.5**	41.4	**41.7**
Financial assets held for trading		**0.8**	-	**0.5**
Deferred tax asset		**0.7**	-	**0.8**
		67.4	70.1	**70.5**
Current assets				
Inventories		**45.7**	55.7	**47.5**
Trade and other receivables		**63.7**	63.2	**52.9**
Financial assets held for trading		**0.8**	2.1	**0.7**
Current tax asset		**1.6**	2.5	**1.2**
Cash and cash equivalents		**3.2**	5.3	**5.3**
		115.0	128.8	**107.6**
Total assets		**182.4**	198.9	**178.1**
Current liabilities				
Trade and other payables		**42.9**	44.9	**49.8**
Financial liabilities held for trading		**4.8**	1.4	**2.3**
Other financial liabilities		**2.1**	2.0	**2.0**
		49.8	48.3	**54.1**
Non-current liabilities				
Interest-bearing loans and borrowings	9	**40.1**	58.5	**28.4**
Other financial liabilities		**3.8**	5.0	**4.3**
Deferred tax liability		**1.8**	2.1	**2.3**
Financial liabilities held for trading		**-**	0.5	**-**
Provisions		**2.1**	1.6	**2.3**
		47.8	67.7	**37.3**
Total liabilities		**97.6**	116.0	**91.4**
Net assets		**84.8**	82.9	**86.7**
Equity attributable to equity holders of the parent				
Share capital		**0.1**	0.1	**0.1**
Share premium		**24.8**	24.8	**24.8**
Translation reserve		**(0.6)**	3.0	**2.6**
Treasury reserve		**(7.4)**	(8.6)	**(8.7)**
Retained earnings		**67.9**	63.6	**67.9**
Total equity		**84.8**	82.9	**86.7**

The accompanying notes form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 June 2023

	Share capital £m	Share premium £m	Translation reserve £m	Retained earnings £m	Treasury reserve £m	**Total equity £m**
Balance at 1 January 2022	**0.1**	**24.8**	**0.2**	**69.3**	**(6.7)**	**87.7**
Total comprehensive income						
Profit for the period	-	-	-	4.2	-	**4.2**
Currency revaluations of investments	-	-	1.8	-	-	**1.8**
Currency translation differences	-	-	1.0	-	-	**1.0**
Total comprehensive income for the period	**-**	**-**	**2.8**	**4.2**	**-**	**7.0**
Transactions with owners in their capacity as owners:						
Dividends	-	-	-	(8.5)	-	**(8.5)**
Purchase of own shares	-	-	-	-	(2.3)	**(2.3)**
Disposal of own shares	-	-	-	(0.4)	0.4	**-**
Deferred tax on share-based payment transactions	-	-	-	(1.7)	-	**(1.7)**
Share-based payments charge	-	-	-	0.7	-	**0.7**
Total transactions with owners in their capacity as owners	-	-	-	**(9.9)**	**(1.9)**	**(11.8)**
Balance at 30 June 2022	**0.1**	**24.8**	**3.0**	**63.6**	**(8.6)**	**82.9**
Balance at 1 January 2023	**0.1**	**24.8**	**2.6**	**67.9**	**(8.7)**	**86.7**
Total comprehensive income						
Profit for the period	-	-	-	5.3	-	**5.3**
Currency revaluations of investments	-	-	(0.1)	-	-	**(0.1)**
Currency translation differences	-	-	(3.1)	-	-	**(3.1)**
Total comprehensive income for the period	**-**	**-**	**(3.2)**	**5.3**	**-**	**2.1**
Transactions with owners in their capacity as owners:						
Dividends	-	-	-	(4.7)	-	**(4.7)**
Disposal of own shares	-	-	-	(1.3)	1.3	**-**
Deferred tax on share-based payment transactions				0.1		**0.1**
Share-based payments charge	-	-	-	0.6	-	**0.6**
Total transactions with owners in their capacity as owners	**-**	**-**	**-**	**(5.3)**	**1.3**	**(4.0)**
Balance at 30 June 2023	**0.1**	**24.8**	**(0.6)**	**67.9**	**(7.4)**	**84.8**

The accompanying notes form part of theses financial statements.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the period ended 30 June 2023

	Note	Adjusted H1 2023 £m	Adjustments[1] H1 2023 £m	H1 2023 £m	Adjusted H1 2022 £m	Adjustments[1] H1 2022 £m	H1 2022 £m
Cash flows from operating activities							
Profit for the period		7.7	(2.4)	5.3	9.0	(4.8)	4.2
Adjustments for:							
Depreciation and amortisation	7,8	3.8	1.0	4.8	3.2	0.9	4.1
Finance expense		1.4	2.2	3.6	1.0	4.4	5.4
Taxation	4	1.7	(0.8)	0.9	1.5	(1.1)	0.4
Share-based payments charge		0.6	-	0.6	0.7	-	0.7
Other non-cash items		-	-	-	-	0.5	0.5
Operating cash flow before movement in working capital		15.2	-	15.2	15.4	(0.1)	15.3
(Increase)/decrease in trade and other receivables		(11.0)	-	(11.0)	9.2	-	9.2
Decrease/(increase) in inventories		0.8	-	0.8	4.5	(0.1)	4.4
(Decrease)/increase in trade and other payables		(7.5)	-	(7.5)	(23.4)	(0.1)	(23.5)
Cash from operations		(2.5)	-	(2.5)	5.7	(0.3)	5.4
Tax paid		(1.8)	-	(1.8)	(5.0)	-	(5.0)
Net cash from operating activities		(4.3)	-	(4.3)	0.7	(0.3)	0.4
Cash flows from investing activities							
Acquisition of property, plant and equipment	7	(1.9)	-	(1.9)	(1.7)	-	(1.7)
Acquisition of other intangible assets	8	(0.6)	-	(0.6)	(0.8)	-	(0.8)
Disposal of tangible assets	7	0.1	-	0.1	0.1	-	0.1
Acquisition of subsidiary		-	-	-	(7.9)	-	(7.9)
Net cash used in investing activities		(2.4)	-	(2.4)	(10.3)	-	(10.3)
Cash flows from financing activities							
Origination of borrowings		11.7	-	11.7	21.2	-	21.2
Interest paid		(1.3)	-	(1.3)	(1.1)	-	(1.1)
Dividends paid		(4.7)	-	(4.7)	(8.5)	-	(8.5)
Finance lease liabilities		(1.0)	-	(1.0)	(1.0)	(0.2)	(1.2)
Purchase of own shares		-	-	-	(2.3)	-	(2.3)
Net cash from financing activities		4.7	-	4.7	8.3	(0.2)	8.1
Net (decrease)/increase in cash and cash equivalents		(2.0)	-	(2.0)	(1.3)	(0.5)	(1.8)
Cash and cash equivalents at 1 January				5.3			6.9
Effect of exchange rate fluctuations on cash held				(0.1)			0.2
Cash and cash equivalents at 30 June				3.2		-	5.3

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

The accompanying notes form part of theses financial statements.

For the period ended 30 June 2023

1. Basis of preparation

Luceco plc (the "Company") is a company incorporated and domiciled in the United Kingdom. These condensed consolidated interim financial statements ("interim financial statements") for the period ended 30 June 2023 comprise the Company and its subsidiaries (together referred to as the "Group"). The Group is primarily involved in the supply of wiring accessories, EV chargers, LED lighting and portable power products to global markets (see note 2).

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

The annual financial statements of the group for the year ending 31 December 2023 will be prepared in accordance with UK-adopted international accounting standards. As required by the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority, the condensed set of financial statements has been prepared applying the accounting policies and presentation that were applied in the preparation of the company's published consolidated financial statements for the year ended 31 December 2022 which were prepared in accordance with UK-adopted international accounting standards ("UK-adopted IFRS").

The interim financial statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2022 were approved by the Board of Directors and have been delivered to the Registrar of Companies. The audit report on those accounts was unqualified and did not contain any statement under section 498(2) or (3) of the Companies Act 2006.

The interim financial information have been reviewed, not audited.

Risks and uncertainties

An outline of the key risks and uncertainties faced by the Group is described in the 2022 Annual Report and Accounts. Risk is an inherent part of doing business and the Directors believe that the Group is well placed to manage the key risks it faces.

Going concern

The Directors have concluded that it is reasonable to adopt a going concern basis in preparing the financial statements. This is based on an expectation that the Company and the Group have adequate resources to continue in operational existence for at least 12 months from the date of signing these accounts and our cash flow forecasts support this. The Group has reported a profit before tax of £6.2m for the six months to June 2023 (2022: £4.6m), has net current assets of £65.2m (30 June 2022: £80.5m and 31 December 2022: £53.5m) and net assets of £84.8m (30 June 2022: £82.9m and 31 December 2022: £86.7m), net debt of £42.8m (30 June 2022: £60.2m and 31 December 2022: £29.4m) and net cash outflow from operating activities of £4.3m (six months to 30 June 2022: inflow £0.4m and 12 months to 31 December 2022: inflow £38.6m). The bank facilities mature on 30 September 2025.

The capital resources at the Group's disposal at 30 June 2023:

- A revolving credit facility of £80.0m, £40.1m drawn at 30 June 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 at the year end 2022 and for the first half of 2023 have completed a reverse stress test which is implausible. The assumptions in the 2022 year end scenarios were as follows: concentration risks with associated operations (25% reduction in revenue for three months followed by 50% reduction for three months and 20% increase in shipping costs during the period) and macroeconomic, political and environmental risks (18-month recession with a 10% reduction in revenue and gross profit). These severe but plausible downside scenarios do not lead to any breach in covenants nor any breach in facility. All modelling has been conducted without any mitigation activity. There have been no changes to post balance sheet liquidity positions. The Directors are confident that the Group and Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

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 condensed 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 condensed consolidated income statement and condensed 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	Condensed consolidated income statement	Based on the related IFRS measure but excluding the adjusting items. A breakdown of the adjusting items from H1 2023 and H1 2022, 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	Condensed consolidated income statement		
Adjusted Operating Profit	Operating profit	Condensed consolidated income statement		
Adjusted Basic EPS	Basic EPS	Condensed consolidated income statement		
Constant Currency			Current period reviewed translated at the average exchange rate of the prior period	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	Condensed 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	Condensed consolidated income statement	EBITDA excluding the adjusting items excluded from Adjusted Operating Profit except	Provides management with an approximation of cash generation from the

Nature of measure	Related IFRS measure	Related IFRS source	Definition	Use/relevance
			for any adjusting items that relate to depreciation and amortisation	Group’s underlying operating activities
Covenant EBITDA	Operating profit	Condensed 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
Contribution profit	Operating profit and operating costs	Condensed 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	Condensed 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	Condensed 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	Condensed 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	Condensed 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	Condensed consolidated cash flow statement and condensed 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 12 months rolling EBITDA	H1 2023 £m	H1 2022 £m
Adjusted Operating Profit	**21.3**	31.3
Adjusted Depreciation and Amortisation	**7.7**	7.0
Adjusted 12 months rolling EBITDA	**29.0**	38.3

Covenant EBITDA	H1 2023 £m	H1 2022 £m
Adjusted 12 months rolling EBITDA	**29.0**	38.3
EBITDA from acquisitions from 1 January to the date of acquisition and share based payment expense	**0.6**	0.7
Covenant EBITDA	**29.6**	39.0

Adjusted Operating Cash Conversion	H1 2023 £m	H1 2022 £m
Cash from operations (from condensed consolidated cash flow statement)	**(2.5)**	5.4
Adjustments to operating cash flow (from condensed consolidated cash flow statement)	**-**	0.3
Adjusted Operating Cash Flow	**(2.5)**	5.7
Adjusted Operating Profit	**10.8**	11.5
Adjusted Operating Cash Conversion	**(23.1%)**	49.6%

Adjusted Net Cash Flow as % of revenue	H1 2023 £m	H1 2022 £m
Adjusted Free Cash Flow (see below)	**(8.0)**	(2.8)
Purchase of own shares	**-**	(2.3)
Dividends	**(4.7)**	(8.5)
Adjusted Net Cash Flow	**(12.7)**	(13.6)
Revenue	**101.1**	106.4
Adjusted Net Cash Flow as % of revenue	**(12.6%)**	(12.8%)

Adjusted Free Cash Flow as % of revenue	H1 2023 £m	H1 2022 £m
Adjusted Operating Cash Flow (see table above)	**(2.5)**	5.7
Net Cash used in investing activities excluding acquisitions (from condensed consolidated cash flow statement)	**(2.4)**	(2.4)
Interest paid (from condensed consolidated cash flow statement)	**(1.3)**	(1.1)
Tax paid (from condensed consolidated cash flow statement)	**(1.8)**	(5.0)
Adjusted Free Cash Flow	**(8.0)**	(2.8)
Revenue	**101.1**	106.4
Adjusted Free Cash Flow as % of revenue	**(7.9%)**	(2.6%)

Return on Capital Investment	H1 2023 £m	H1 2022 £m
Net assets	**84.8**	82.9
Net debt	**42.8**	60.2
Capital invested	**127.6**	143.1
Average capital invested (from last two years)	**135.4**	122.5
Adjusted Operating Profit (from above)	**21.3**	31.5
Return on Capital Invested (Adjusted Operating Profit/average capital invested)	**15.7%**	25.6%

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

	Adjusted H1 2023 £m	Amortisation of acquired intangibles and related acquisition costs[1] £m	Re-measurement to fair value of hedging portfolio[2] £m	2023 Adjustments £m	Reported H1 2023 £m
Revenue	**101.1**	**-**	**-**	**-**	**101.1**
Cost of sales	**(61.3)**	-	-	-	**(61.3)**
Gross profit	**39.8**	**-**	**-**	**-**	**39.8**
Distribution expenses	**(4.3)**	-	-	-	**(4.3)**
Administrative expenses	**(24.7)**	(1.0)	-	(1.0)	**(25.7)**
Operating profit	**10.8**	**(1.0)**	**-**	**(1.0)**	**9.8**
Net finance expense	**(1.4)**	-	(2.2)	(2.2)	**(3.6)**
Profit before tax	**9.4**	**(1.0)**	**(2.2)**	**(3.2)**	**6.2**
Taxation	**(1.7)**	0.2	0.6	0.8	**(0.9)**
Profit for the period	**7.7**	**(0.8)**	**(1.6)**	**(2.4)**	**5.3**
Gross margin	**39.4%**	**-**	**-**	**-**	**39.4%**

1. Relating to Kingfisher Lighting, DW Windsor and Sync EV
2. Relating to currency/interest hedges

	Adjusted H1 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	H1 2022 Adjustments £m	Reported H1 2022 £m
Revenue	**106.4**	**-**	**-**	**-**	**-**	**106.4**
Cost of sales	**(70.2)**	-	-	0.7	0.7	**(69.5)**
Gross profit	**36.2**	**-**	**-**	**0.7**	**0.7**	**36.9**
Distribution expenses	**(5.7)**	-	-	-	-	**(5.7)**
Administrative expenses	**(19.0)**	(2.0)	-	(0.2)	(2.2)	**(21.2)**
Operating profit	**11.5**	**(2.0)**	**-**	**0.5**	**(1.5)**	**10.0**
Net finance expense	**(1.0)**	-	(4.4)	-	(4.4)	**(5.4)**
Profit before tax	**10.5**	**(2.0)**	**(4.4)**	**0.5**	**(5.9)**	**4.6**
Taxation	**(1.5)**	0.3	0.8	-	1.1	**(0.4)**
Profit for the period	**9.0**	**(1.7)**	**(3.6)**	**0.5**	**(4.8)**	**4.2**
Gross margin	**34.0%**					**34.7%**

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

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 2023:

- IFRS 17 Insurance contracts (as issued on 18 May 2017) including amendments to IFRS 17 (issued on 25 June 2020)
- Definition of Accounting Estimates: Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- Disclosure of Accounting policies: Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements
- Amendments to IAS 12 Income Taxes - Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction
- Amendments to IFRS 17 Insurance Contracts: Initial application of IFRS 17 and IFRS 9 – Comparative information
- Amendments to IAS 12: International Tax Reform—Pillar Two Model Rules

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 2024:

- Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (issued on 22 September 2022)
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (July 2020) Non-current liabilities with Covenants (Oct 2022)
- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (issued on 25 May 2023)

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 H1 2023 £m	**Adjustments £m**	**Reported H1 2023 £m**	Adjusted H1 2022 £m	Adjustments £m	Reported H1 2022 £m
Revenue						
Wiring Accessories	**41.1**	**-**	**41.1**	36.5	-	36.5
LED Lighting	**37.8**	**-**	**37.8**	40.8	-	40.8
Portable Power	**22.2**	**-**	**22.2**	29.1	-	29.1
	101.1	**-**	**101.1**	106.4	-	106.4
Operating profit						
Wiring Accessories	**7.1**	**-**	**7.1**	7.9	-	7.9
LED Lighting	**1.9**	**(0.8)**	**1.1**	1.2	(0.5)	0.7
Portable Power	**1.8**	**(0.2)**	**1.6**	2.4	(1.0)	1.4
Operating profit	**10.8**	**(1.0)**	**9.8**	11.5	(1.5)	10.0

Revenue by location of customer

	H1 2023 £m	H1 2022 £m
UK	**86.5**	85.5
Europe	**6.3**	11.2
Middle East and Africa	**3.8**	3.3
Asia Pacific	**1.2**	2.4
Americas	**3.3**	4.0
Total revenue	**101.1**	106.4

3. Expenses recognised in the condensed consolidated income statement

Included in the condensed consolidated income statement are the following:

	H1 2023	H1 2022
	£m	£m
Research and development costs expensed as incurred	**2.0**	1.9
Depreciation of property, plant and equipment and right-of-use assets	**3.0**	2.9
Amortisation of intangible assets	**1.8**	1.2

4. Income tax expense

A tax charge for the six-month period has been included in the condensed consolidated income statement of £0.9m (H1 2022: £0.4m) and has been calculated using the anticipated effective tax rate on the taxable profit of the Group. The anticipated adjusted effective tax rate for the year ending 31 December 2023 is 18.1% (H1 2022: 8.7%).

5. Earnings per share

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

	H1 2023	H1 2022	FY 2022
	£m	£m	
Earnings for calculating basic earnings per share	**5.3**	4.2	11.0
Adjusted for:			
Restructuring of European operations	**-**	(0.5)	(1.0)
Amortisation of acquired intangibles and related acquisition costs	**1.0**	2.0	3.0
Remeasurement to fair value of hedging portfolio	**2.2**	4.4	5.7
Income tax on above items	**(0.8)**	(1.1)	(1.5)
Adjusted earnings for calculating adjusted basic earnings per share	**7.7**	**9.0**	**17.2**

	H1 2023	H1 2022	FY 2022
	Number	Number	Number
Weighted average number of ordinary shares	**Million**	Million	Million
Basic	**155.2**	154.3	154.3
Dilutive effect of share options on potential ordinary shares	**1.4**	3.7	2.6
Diluted	**156.6**	**158.0**	**156.9**

	H1 2023	H1 2022	FY 2022
	Pence	Pence	Pence
Basic earnings per share	**3.4**	2.7	7.1
Diluted earnings per share	**3.4**	2.7	7.0
Adjusted basic earnings per share	**5.0**	**5.8**	**11.1**
Adjusted diluted earnings per share	**4.9**	**5.7**	**11.0**

6. Dividend

An interim dividend of 1.6 pence per share will be paid to shareholders on 20 October 2023. This compares to a 1.6 pence interim dividend in 2022.

7. Property, plant and equipment

During the six months ended 30 June 2023, the Group purchased assets at a cost of £1.9m (H1 2022: £1.7m and FY 2022: £4.1m); including plant and equipment £1.5m, tooling £0.9m, construction in progress £(0.7)m, land and buildings £0.1m and fixtures and fittings £0.1m. Assets with a net book value of £0.1m were disposed of (H1 2022: £0.1m and FY 2022 £0.3m). Total depreciation for the period was £2.0m (H1 2022: £1.9m and FY 2022: £4.1m).

During the year there were lease additions totalling £0.6m and a depreciation charge of £1.0m. The net book value of right-of-use assets at 30 June 2023 was £5.7m (30 June 2022: £6.8m and 31 December 2022: £6.1m).

The Group has not included any borrowing costs within additions in 2023 (2022: £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.

8. Intangible assets and goodwill

Development expenditure is capitalised and included in intangible assets when it meets the criteria laid out in IAS 38, "Intangible Assets". During the six months ended 30 June 2023, the Group incurred internally generated development costs of £0.6m (H1 2022: £0.8m and FY 2022: £1.7m). 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. Amortisation for the six months ended 30 June 2023 was £1.8m (H1 2022: £1.2m and FY 2022: £2.9m).

In the condensed consolidated income statement these amounts have been included within "adjustments" in calculating the Adjusted Operating Profit/loss (refer to note 1 in the Notes to the condensed consolidated financial statements).

There have been no triggers to necessitate an impairment of goodwill since the review undertaken as part of the year ended 31 December 2022. Goodwill has been allocated to cash-generating units and can be referred to in the Group's 2022 Annual Report and Accounts.

9. Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate and foreign currency risk, please refer to note 20 in the 2022 Annual Report and Accounts.

	H1 2023 £m	H1 2022 £m	FY 2022 £m
Non-current liabilities			
Revolving credit facility	**36.3**	58.5	28.2
Overdrafts	**3.8**	-	0.2
	40.1	58.5	28.4

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	
	H1 2023	H1 2022	**H1 2023**	H1 2022
USD	**1.23**	1.24	**1.27**	1.21
EUR	**1.14**	1.19	**1.16**	1.16
RMB	**8.54**	8.45	**9.18**	8.13

11. Financial risk management and financial instruments

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

These interim financial statements do not include all financial risk management information and disclosures required in the Annual Report and Accounts. They should therefore be read in conjunction with the Group's Annual Report and Accounts for the year ended 31 December 2022. There have been no changes to the risk management policies since the year ended 31 December 2022.

12. Related party transactions

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

13. Date of approval of financial information

The interim financial information covers the period 1 January 2023 to 30 June 2023 and was approved by the Board on 5 September 2023. Further copies of the interim financial information can be found at www.lucecoplc.com.

INDEPENDENT REVIEW REPORT TO LUCECO PLC

Conclusion

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2023 which comprises condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity, condensed consolidated balance sheet, condensed consolidated cash flow statement and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2023 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted for use in the UK and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

Basis for conclusion

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

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

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis of conclusion section of this report, nothing has come to our attention that causes us to believe that the Directors have inappropriately adopted the going concern basis of accounting, or that the Directors have identified material uncertainties relating to going concern that have not been appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410. However, future events or conditions may cause the group to cease to continue as a going concern, and the above conclusions are not a guarantee that the group will continue in operation.

Directors' responsibilities

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

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with UK-adopted international accounting standards.

The Directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted for use in the UK.

In preparing the condensed set of financial statements, the Directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review. Our conclusion, including our conclusion relating to going concern, are based on procedures that are less extensive than audit procedures, as described in the Basis of conclusion section of this report.

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

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

Gordon Doherty
for and on behalf of KPMG LLP
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

5 September 2023

Additional information

Financial calendar

Item	Date
Interim dividend record date	15 September 2023
Interim dividend reinvestment elections (DRIP)	29 September 2023
Interim dividend payment date	20 October 2023
2023 Q3 trading update	07 November 2023
2023 Year end	31 December 2023
2023 Full year trading update	30 January 2024
2023 Full year results statement	26 March 2024
AGM	14 May 2024
2024 Half year end	30 June 2024
2024 Half year trading update	23 July 2024
2024 Half year result statement	10 September 2024

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