

LUCECO

# BRINGING POWER TO LIFE

ANNUAL REPORT AND  
FINANCIAL STATEMENTS  
**2022**





## Reasons to invest

Find out more  
on pages 5 to 7

## Delivering on our strategy

Find out more  
on pages 27 to 33

## Operating responsibly

Find out more  
on pages 37 to 59

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**We are a leading supplier of innovative electrical and lighting products that bring Power to Life for our customers.**

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## Our purpose

To help people harness power sustainably in everyday life.

## Our strategy

### *Grow*

to maximise sales of both existing and new products to an increasing customer base

### *Innovate*

we are led by our customers to innovate brilliant products in an agile and entrepreneurial manner

### *Sustain*

to provide products that promote sustainable choices and to invest across our business to sustain our competitive advantage

See pages 27 to 33

## Our culture

Customer-driven



Team-focused



Bold and innovative



Principled



See pages 55 to 59

# Highlights

## Financial highlights

### Revenue

**£206.3m**

2021: £228.2m

### Gross profit

**£74.3m**

2021: £84.7m

### Adjusted<sup>1</sup> Operating Profit

**£22.0m**

2021: £39.0m

### Operating profit

**£20.0m**

2021: £35.3m

### Adjusted<sup>1</sup> Earnings Per Share

**11.1p**

2021: 20.2p

### Earnings Per Share

**7.1p**

2021: 17.6p

## ESG highlights

### ESG – emissions

**Carbon  
Neutral**

operations in 2022

### ESG – low carbon sales

**38%**

revenue from low carbon products in 2022  
(2021: 25%)



[Read more about our ESG strategy on pages 37 to 59](#)

1. The definitions of the adjustments made and reconciliations to the statutory figures can be found in note 1 of the consolidated financial statements on page 148 and are used throughout this document. The measures provide additional information for users on the underlying performance of the business, enabling consistent year-on-year comparisons.

# At a Glance

## What we sell:

### Wiring Accessories

**36%**

of Group revenue

**#2** in UK



**nexus**

### LED Lighting

**39%**

of Group revenue

**Top 10** in UK

**LUCECO**

**Kingfisher**  
Lighting

**DW**  
Windsor

### Portable Power

**25%**

of Group revenue

**#1** in UK

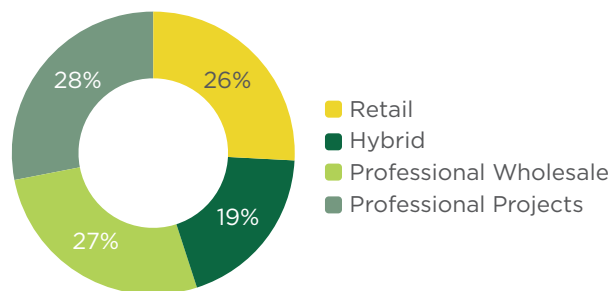


**SYNC**EV

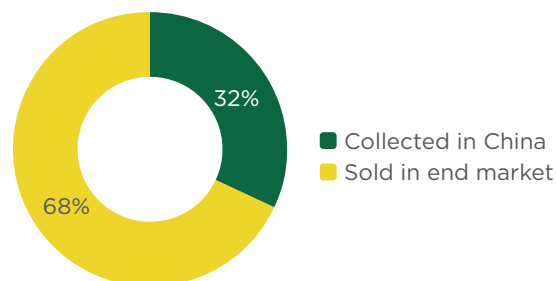
**ROSS**

## Who we sell to:

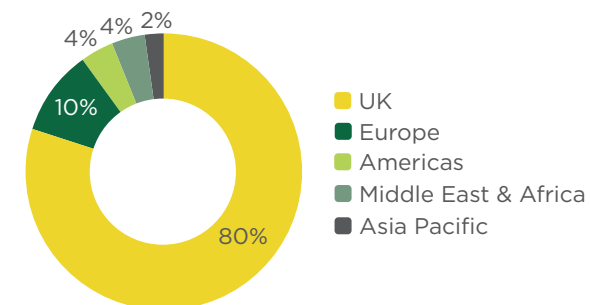
### Revenue by sales channel



### Revenue by distribution type



### Revenue by product destination





# Review of the Year

## Key business achievements:



**We entered the EV charger market**

We gained a valuable foothold into the EV charger market through the acquisition of Sync EV and have used the skills and knowledge we obtained to launch our new highly competitive range of BG Sync EV chargers. We are looking forward to broadening our product offering in 2023.



**Kingfisher Lighting produced outstanding results**

Celebrating five years since its acquisition, Kingfisher Lighting enjoyed an outstanding year. Revenue grew by 27% and operating profit by 16% thanks to new products developed and made for Kingfisher Lighting by the wider Group.



**Committed to the Science Based Targets initiative**

We committed to the Science Based Targets initiative ("SBTi"), targeting a 46.2% reduction in operational emissions and a 27.5% reduction in value chain emissions by 2031<sup>1</sup>. 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.



**Supported the next generation of contractors**

As the headline sponsors of the prestigious eFIXX 30 under 30 awards, recognising up-and-coming talent within the UK's electrical contracting industry, we are encouraging both students and apprentices to become brand ambassadors, and help to advance Luceco's work towards a cleaner, sustainable world.



**DW Windsor integration**

We are making good progress in integrating DW Windsor, supporting its drive to gain share in the street lighting market by using our in-house resources to enhance its current product range. We are confident that over time these efforts will deliver similar benefits to those now being seen in Kingfisher Lighting.

1. Subject to SBTi validation, expected in 2023.

# THREE REASONS TO INVEST

## 1: We operate in attractive markets

...that are supported by long-term  
growth drivers

# Opportunity

Demand for our products is driven by activity in four distinct construction markets that exhibit attractive long-term growth.

### RESIDENTIAL - DIY

**4.5%**

Annualised average growth since 2012

### RESIDENTIAL - PROFESSIONAL

**4.0%**

Annualised average growth since 2012

### NON-RESIDENTIAL

**5.7%**

Annualised average growth since 2012

### INFRASTRUCTURE

**7.8%**

Annualised average growth since 2012



## THREE REASONS TO INVEST

### 2: We have an advantaged business model

...which offers unique advantages to our  
customers and over our competition

# Our advantage

**Our business model offers unique advantages over our competitors.**

Our high quality, low cost, vertically integrated model allows our experienced design team to work closely with our well invested manufacturing facilities to bring innovative new products to market quickly using established brands that people know they can trust. Our customer-focused “can-do” culture underpins everything we do.



Read more about our business  
model on pages 24 to 26



## THREE REASONS TO INVEST

### 3: We deliver compelling financial outcomes

...which we commit to with clear “through  
the cycle” financial targets

# Delivering

#### FINANCIAL TARGETS

##### REVENUE

**>5%**

##### ADJUSTED OPERATING MARGIN

**>15%**

##### ADJUSTED FREE CASH FLOW MARGIN

**>10%**

##### ROCI

**>20%**

##### COVENANT NET DEBT LEVERAGE

**1.0-2.0x**

##### DIVIDEND PAYOUT

**40-60%**

# Chair's Statement



Strong progress made in recent years leaves Luceco well positioned to win in a post-pandemic world

**GILES BRAND**

Chair

I am pleased to introduce the Company's results for the year ended 31 December 2022, a year of solid strategic progress which leaves us well positioned to win in a post-pandemic world.

## Performance

The Group has made remarkable progress over recent years and, in so doing, set a high bar for itself in 2021. This proved difficult to match in 2022.

The Group's progress in 2022 was significantly influenced by pandemic-driven changes in stock levels within its customers' distribution networks. Customer stock levels increased in 2021, adding to Group sales, then reduced sharply in 2022, reducing Group sales. Further explanation is provided in the Chief Executive Officer's Review. This change in customer stock levels fully explains the reduction in Group revenue and profit between 2021 and 2022.

Manufacturers such as Luceco typically have limited visibility of the stock of their products held in the distribution channel, which usually has limited influence on manufacturing activity levels. But the unusual circumstances of the pandemic created an exception to this rule. Once the extent of the overstocking became apparent, the Group management team worked with customers to quantify the likely impact on performance and it is evident from this work that the temporary performance headwind created by destocking is now abating.

Whilst temporary customer destocking left results lower than last year, the Board is pleased with the Group's underlying progress. Over the last five years, Luceco has evolved into a strategically focused, profitable, highly cash generative and well capitalised business. It has grown organically in its most attractive markets, added M&A to its growth strategy and become more diverse and therefore resilient. It responded with agility to the challenges of the pandemic, providing continuity of product supply to customers whilst protecting profitability from associated inflation. The near-term macroeconomic outlook is somewhat clouded but I believe the Group is very well positioned to win long term.

## Strategy

The Group's strategy can be described simply as to Grow, Innovate and Sustain.

Growth was invigorated this year by the acquisition of Sync EV, which provided the Group with an accelerated entry into the residential electric vehicle ("EV") charger market. On behalf of the Board, I am delighted to welcome our new colleagues at Sync EV to the Group. Management has a clear and compelling strategy to grow in the rapidly expanding EV charging equipment market.

Innovation activities in 2022 were largely focused on improving the products offered by our most recent acquisitions: Sync EV and DW Windsor. Similar activities in Kingfisher Lighting, acquired by the Group in 2017, have generated significant value.

The Group continued to invest in its business model to sustain future development. Further progress was made in automating the Group's manufacturing processes, as well as adopting more efficient ways of working within the Group's sales and marketing functions.



# Chair's Statement continued

## Environment, Social and Governance ("ESG")

Sustainability is an increasingly important responsibility and opportunity for the Group.

In 2022, the Group committed to the influential Science Based Targets initiative. This puts Luceco's overall CO<sub>2</sub> emissions on a reduction pathway consistent with the Paris Agreement. Given that the Group's operations remained carbon neutral in the year, greater focus will now be placed on delivering targeted emission reductions elsewhere in the value chain.

Luceco grew low carbon sales to £78m (2021: £56m) and is on track to meet its previously announced target of £100m of such sales by 2025.

## Board changes

Julia Hendrickson joined the Board as a Non-Executive Director in June 2022. Her extensive knowledge of multi-channel commercial strategy will prove a valuable reference point to the Group in the coming years.

As previously announced, Matt Webb informed the Board in January 2023 of his decision to step down as Chief Financial Officer after five years in the role to pursue other opportunities. Matt will step down on 31 March 2023 and will be succeeded as Chief Financial Officer by Will Hoy, formerly a Non-Executive Director of the Company and until recently its Audit Committee Chair.

Will was succeeded as Audit Committee Chair in January 2023 by Tim Surridge, a current Non-Executive Director with extensive relevant experience.

On behalf of the Board, I would like to thank Matt for his outstanding contribution to Luceco's progress over the last five years. He leaves the business in great shape and we wish him every success in his future career.

We are delighted that Will has agreed to be our next Chief Financial Officer. His strong track record of delivery in world-class manufacturing environments and knowledge of the Group make him an ideal addition to the Executive team.

## Dividend

The Group's dividend policy has a payout ratio of 40-60% of Adjusted Profit After Tax.

The Board is recommending a final dividend of 3.0p per share which, with the interim dividend of 1.6p, is consistent with a 41% payout, payable on 19 May 2023 to shareholders on the register on 11 April 2023.

## Conclusion

As a Board we believe Luceco's purpose is to help people harness power sustainably in their everyday lives. Our products make it easier for people to make sustainable choices. Luceco's successful navigation of the pandemic and recent strategic development leaves it better placed than ever to continue this important work. None of this would be possible without our employees, whom I would like to thank for their skill and continued dedication that has left the Group so well positioned for the future.

## GILES BRAND

Chair

20 March 2023

# Chief Executive Officer's Review



2022 was a year of strategy delivery, robust cash generation and increasing underlying momentum

**JOHN HORNBY**

Chief Executive Officer



## 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.



# Chief Executive Officer's Review continued

## 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.

# Chief Executive Officer's Review continued

## Strategic highlights continued

### 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 46.2% 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 entering 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.



# Chief Executive Officer's Review continued

## How we create value continued

### Our attractive markets continued

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 are able to 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



The Group is well positioned to continue the strong progress it has made over recent years

**MATT WEBB**  
Chief Financial Officer



## Revenue

**£206.3m**

2021: £228.2m

## Adjusted Operating Margin

**10.7%**

2021: 17.1%

## Adjusted Earnings Per Share

**11.1p**

2021: 20.2p

## Revenue Growth

**-9.6%**

2021: 29.5%

## Adjusted Operating Profit

**£22.0m**

2021: £39.0m

## Covenant Net Debt Ratio

**0.8x**

2021: 0.7x

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)	Reported 2022	Reported 2021	Reported 2019
Revenue	<b>206.3</b>	228.2	172.1
Operating profit	<b>20.0</b>	35.3	20.2
Profit before tax	<b>11.7</b>	33.3	17.1
Taxation	<b>(0.7)</b>	(6.2)	(4.0)
<b>Profit for the year</b>	<b>11.0</b>	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 overleaf. It was broadly in line with our 2019 performance despite less favourable trading conditions caused by customer destocking in 2022.



# Chief Financial Officer's Review continued

## Summary of reported results continued

### 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	
	£m	Change %	£m	Change %
<b>Revenue bridge:</b>				
2021/2019	<b>228.2</b>		172.1	
Acquisition/closures	<b>17.3</b>	<b>7.6%</b>	23.0	13.4%
Like-for-like (decrease)/increase <sup>1</sup>	<b>(46.6)</b>	<b>(20.4%)</b>	9.7	5.6%
<b>Constant Currency<sup>2</sup></b>	<b>198.9</b>	<b>(12.8%)</b>	204.8	19.0%
Currency movements	<b>7.4</b>	<b>3.2%</b>	1.5	0.9%
<b>2022</b>	<b>206.3</b>	<b>(9.6%)</b>	206.3	19.9%

1. Like-for-like revenue increase excludes the impact of currency movements and acquisitions, see note 20 of the financial statements for currency rates.

2. 2022 revenue translated at 2021 and 2019 exchange rates for the relevant bridge.

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.

# Chief Financial Officer's Review continued

## Income statement continued

### Revenue continued

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%	(12.8%)	11.8%
Professional Projects	40.9	23.2%	18.7%	17.9%	17.8%
<b>Like-for-like revenue</b>	<b>176.4</b>	100.0%	100.0%	(20.4%)	5.6%
Currency impact	7.4				
Acquisitions/ closures	22.5				
<b>Total revenue</b>	<b>206.3</b>			(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, 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.



# Chief Financial Officer's Review continued

## Income statement continued

### Revenue continued

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%)
Americas	8.0	10.6	4.3	(24.5%)	86.0%
Asia Pacific	4.6	4.8	6.1	(4.2%)	(24.6%)
<b>Total revenue</b>	<b>206.3</b>	<b>228.2</b>	<b>172.1</b>	<b>(9.6%)</b>	<b>19.9%</b>

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 <sup>1</sup>	(17.1)	2.9
Currency movements	(1.1)	(0.5)
<b>2022</b>	<b>22.0</b>	<b>22.0</b>

1. Like-for-like profit movements exclude the impact of currency movements and acquisitions/closures, see note 20 of the notes to the financial statements for currency rates.

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.

# Chief Financial Officer's Review continued

## Income statement continued

### Profitability continued

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

	Adjusted 2022 actual <sup>1</sup> £m	Currency impact		Adjusted 2022 at Constant Currency <sup>2</sup> £m	Constant Currency variance to 2021		Adjusted 2021 actual £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)
<b>Gross profit</b>	<b>74.3</b>	(0.9)	(1.1%)	<b>75.2</b>	(9.5)	(11.2%)	84.7
Gross margin %	<b>36.0%</b>		(1.8ppts)	<b>37.8%</b>		0.7ppts	37.1%
Operating costs	(52.3)	(0.2)	0.4%	(52.1)	(6.4)	14.0%	(45.7)
<b>Operating profit</b>	<b>22.0</b>	(1.1)	(2.8%)	<b>23.1</b>	(15.9)	(40.8%)	39.0
Operating margin %	<b>10.7%</b>		(0.9ppts)	<b>11.6%</b>		(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.



# Chief Financial Officer's Review continued

## Adjusted Free Cash Flow

Adjusted <sup>1</sup> Free Cash Flow (£m)	Adjusted <sup>1</sup> 2022	Adjusted <sup>1</sup> 2021	Adjusted <sup>1</sup> 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
<b>Operating cash flow</b>	<b>43.7</b>	35.0	27.2
Operating Cash Conversion <sup>2</sup>	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)
<b>Free cash flow</b>	<b>30.7</b>	18.8	18.9
<b>Free cash flow as % revenue</b>	<b>14.9%</b>	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.

# Chief Financial Officer's Review continued

## Capital structure and returns continued

### Capital structure

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

	2022	2021	Change
<b>Reported net debt</b>	<b>£29.4m</b>	£38.1m	(22.8%)
Less: IFRS 16 Finance Leases	<b>(£6.3m)</b>	(£8.2m)	(23.2%)
Finance leases – pre-IFRS 16	<b>£0.7m</b>	£0.7m	—
<b>Covenant Net Debt</b>	<b>£23.8m</b>	£30.6m	(22.2%)
<b>Covenant Net Debt : Covenant EBITDA</b>	<b>0.8</b>	0.7	14.3%

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 new 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 <sup>1</sup> 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 <sup>1</sup> Earnings Per Share (pence)	<b>11.1</b>	20.2
Covenant Net Debt : Covenant EBITDA (times)	<b>0.8</b>	0.7
Adjusted <sup>1</sup> Free Cash Flow (£m)	<b>30.7</b>	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 on page 147 of 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 registrar on 11 April 2023.

### Operating segment review

The revenue and profit generated by the Group's operating segments are shown on the next page. 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.



# Chief Financial Officer's Review continued

## Operating segment review continued

### Wiring Accessories

	Adjusted <sup>1</sup>			Reported		
	2022	2021	Change	2022	2021	Change
Revenue	<b>£73.7m</b>	£104.5m	(29.5%)	<b>£73.7m</b>	£104.5m	(29.5%)
Contribution profit	<b>£20.1m</b>	£36.3m	(44.6%)	<b>£20.1m</b>	£36.3m	(44.6%)
Contribution margin %	<b>27.3%</b>	34.7%	(7.4ppts)	<b>27.3%</b>	34.7%	(7.4ppts)
Operating profit	<b>£13.9m</b>	£29.2m	(52.4%)	<b>£13.9m</b>	£29.2m	(52.4%)
Operating margin %	<b>18.9%</b>	27.9%	(9.0ppts)	<b>18.9%</b>	27.9%	(9.0ppts)

1. Further details of adjustments are in 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 <sup>1</sup>			Reported		
	2022	2021	Change	2022	2021	Change
Revenue	<b>£81.4m</b>	£63.2m	28.8%	<b>£81.4m</b>	£63.2m	28.8%
Contribution profit	<b>£8.4m</b>	£7.4m	13.5%	<b>£7.8m</b>	£4.1m	90.2%
Contribution margin %	<b>10.3%</b>	11.7%	(1.4ppts)	<b>9.6%</b>	6.5%	3.1ppts
Operating profit	<b>£3.4m</b>	£3.4m	—	<b>£2.8m</b>	£0.1m	2700.0%
Operating margin %	<b>4.2%</b>	5.4%	(1.2ppts)	<b>3.4%</b>	0.2%	3.2ppts

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

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

# Chief Financial Officer's Review continued

## Operating segment review continued

### LED Lighting continued

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

1. Further details of adjustments are in 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.

### MATT WEBB

Chief Financial Officer

20 March 2023

# Our Attractive Markets

We operate in attractive markets, with healthy and stable historic growth that is poised to benefit from future decarbonisation efforts.

## Long-term growth drivers:

### 1. Regulatory change

#### Driver

The electrical industry undergoes frequent regulatory changes. These are often designed to improve safety or product efficiency and result in both the renewal of installations and increases in value of the electrical products used within the installation.

#### Impact

**+110%**  
increase in the average sales price of UK consumer units since 2010 (ex. inflation)

#### +60%

increase in Luceco consumer unit sales during EICR regulation change

#### Our response

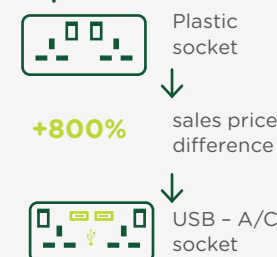
Our advantaged business model allows us to update our designs efficiently to meet these new regulations, manufacture the new product in our own facilities and bring the product to market more quickly and effectively than our competitors.

### 2. New technology

#### Driver

Consumers are increasingly demanding greater control and efficiency from their wiring devices and lighting, whilst installers are demanding technologies that simplify installation. This desire for increased functionality drives up product value.

#### Impact



#### Our response

We interact regularly with our consumers, installers and distributors to understand their emerging needs. We ensure these needs are reflected in new product designs.

### 3. Investment in the built environment

#### Driver

A limited stock of new homes combined with consumers spending more time living and working at home, drives long-term house price appreciation and existing home renovation. These trends sustain demand for our products within repair and remodel projects.

#### Impact

**4 million**  
UK homes below Decent Homes Standard

#### 40%

of UK retail space needs re-purposing

#### Our response

Whether it is our market-leading Wiring Accessories range, our highly efficient LED Lighting retrofits, or our Portable Power products helping our customers get the job done, our products are helping people invest in their homes and working environments using brands they know and trust.

### 4. Climate emergency

#### Driver

The electrification of household energy and transport is a key driver of future growth within the markets we serve, supported by specific regulatory changes such as phasing out the sale of new gas boilers and internal combustion vehicles over the coming decade.

#### Impact

**£1.4 trillion**  
investment required for UK to meet net zero

#### 14 million

UK homes to install EV chargers

#### 28 million

UK homes require low carbon heating solutions

#### Our response

We acquired Sync EV to enter the EV charging market. We are targeting £100m of low carbon sales by 2025 to ensure we are at the forefront as consumers adopt sustainable alternatives.



# Our Advantaged Business Model

## Competitive advantage

**High quality, low cost, vertically integrated manufacturing:**

Find out more on pages 25 and 26

**Strong product development**

Find out more on pages 30 and 31

**Strong, well invested and expandable brands**

Find out more on pages 10 to 13

**Entrepreneurial, can-do culture**

Find out more on pages 55 to 59

## How we add value

### Design



- We are the innovators within the product categories we serve. Innovation allows us to up-sell and improve profitability
- We bring new ideas to market quickly
- Our designs offer great quality at a great price
- Our designs start with the customer in mind

### Make



- We operate a vertically integrated manufacturing model
- Our production output is able to quickly adapt to changing demand
- Our facilities are well invested, allowing us to make high quality, low cost products
- We have long-established OEM partners
- Our customers know where our products come from and the conditions in which they are made

### Fulfil



- Our supply chain:
  - Is flexible to customer needs
  - Offers high outbound service levels
- Maintains a breadth of inventory close to the customer
- Uses the best available technology
- Offers products as part of a solution

### Market



- We have been serving our largest customers for many years
- We have a highly skilled and experienced sales team
- We operate in diverse but synergistic sales channels
- We invest in our digital presence and estate
- We invest in the next generation of electrical contractors

## Outcomes

**People:**

**1,755**

Number of employees

**Customers:**

**>2,000**

Number of customers

**Suppliers:**

**>1,000**

Key suppliers

**Shareholders:**

**40-60%**

Annual dividend payout

**Communities:**

**Actively supporting**

training of electrical contractors

**Environment:**

**38%**

Revenue from low carbon products

## Underpinned by our culture

Find out more on pages 55 to 59



**Customer-driven**



**Team-focused**



**Bold and innovative**



**Principled**

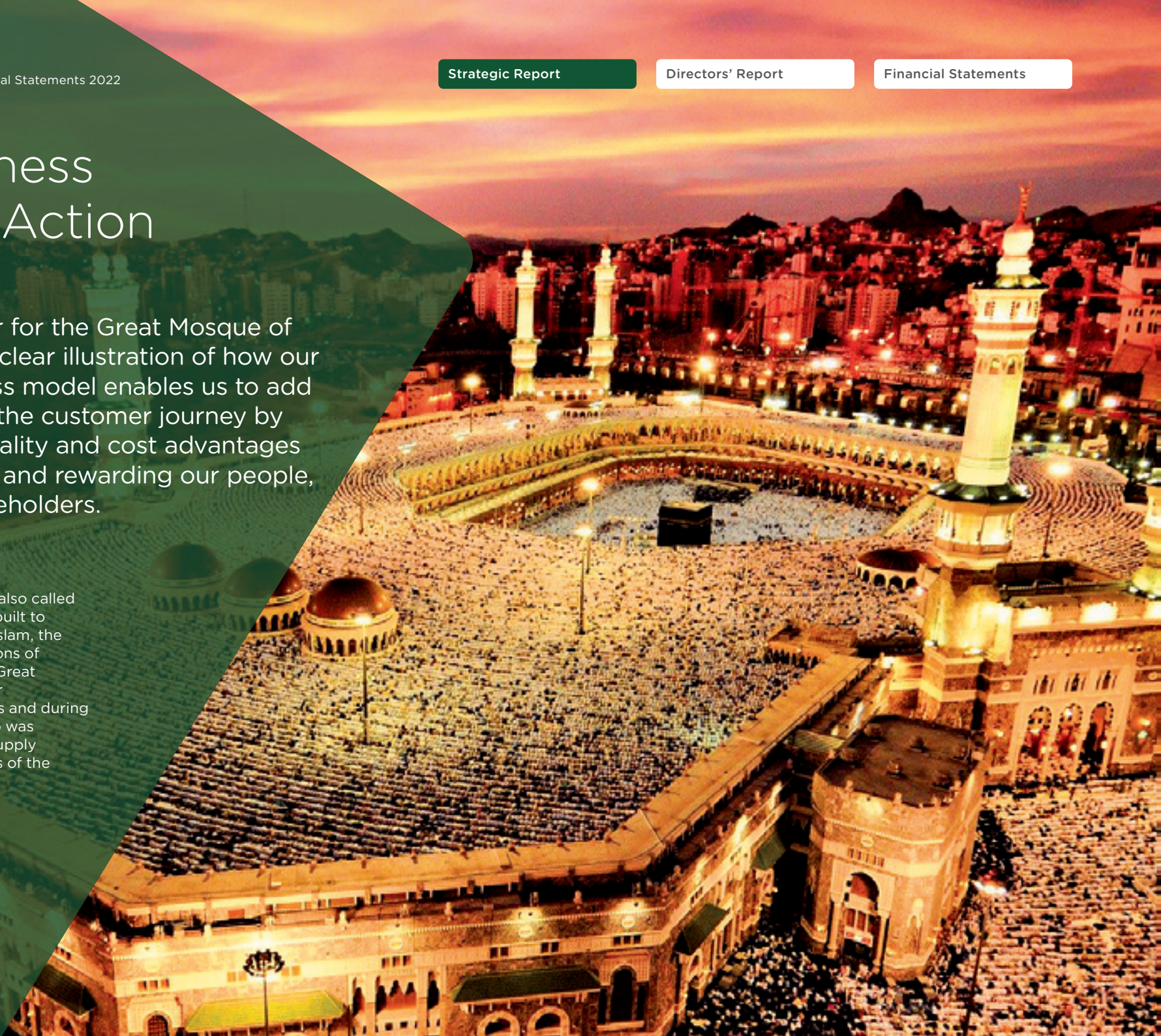


# Our Business Model in Action

Our work this year for the Great Mosque of Mecca provides a clear illustration of how our integrated business model enables us to add value throughout the customer journey by providing clear quality and cost advantages for our customers and rewarding our people, partners and shareholders.

## Project scope

The Great Mosque of Mecca, also called Holy or Haram Mosque, was built to enclose the holiest shrine in Islam, the Ka'bah, and is visited by millions of worshippers every year. The Great Mosque has undergone major renovations through the years and during recent enhancements Luceco was honoured to be selected to supply lighting to the inner walkways of the Great Mosque.





## Our Business Model in Action continued

The nature of the Group's vertically integrated business model means we are able to deliver large scale projects within set timeframes whilst still remaining flexible to create bespoke designs that meet our individual customer needs.

### Design



Through decades of experience and expertise, our design team based in the UK have built a market-leading portfolio of lighting products that can be applied to meet our specific customer needs. At the Great Mosque, the unique parameters of the project required a balanced approach as high footfall meant it was essential all walkways were well lit, yet the products used had to be sensitive to the original architecture of the building. Furthermore, due to the challenges that significant maintenance would bring and to mitigate any future disturbance to the site, products supplied had to have a strong track record for reliability.

Luceco were able to meet these challenging requirements through our flagship Platinum LED lighting range, which has evolved through years of development to deliver market-leading performance and efficiency. The recessed Platinum design delivers performance and efficacy that competing tenders could not, providing the strong lighting levels that are essential for the site. The product's unique design allows quick and easy installation, whilst the ability to surface mount the light fitting unobtrusively was important in a building of such architectural sensitivity.

### Make



We operate a fully owned, well invested and vertically integrated manufacturing facility which provides us with certainty over product supply and greater control over cost.

The Great Mosque is the eighth largest building in the world and the project scope required us to supply 3,000 luminaires in total. The scale and level of control we have over our manufacturing output meant we could be relied upon to deliver our products in line with our customer requirements and within the specific time windows required to support the wider enhancements taking place at the Great Mosque at the time.

### Market



Our experienced team works hard to develop strong relationships with existing customers, mechanical and engineering contractors, electrical contractors and wholesalers. Maintaining these relationships is paramount to our business model; it means we win more business, and it helps limit costs and protect margins.

We were able to clearly illustrate to each of the stakeholders involved in the Great Mosque project that our solution met their needs using products within our portfolio that were tried and tested.

Furthermore, having our own manufacturing experience meant we could deliver to the scale required. This approach helped us develop a strong customer relationship from the outset, helping us not only win the tender but deliver on our commitments.

### Fulfil



Having control over our supply chain is the final critical element of our model. At Luceco we understand that the work we do often forms part of broader enhancements being undertaken by the customer. We see our ability to reliably fulfil projects on time as another opportunity to outperform our competition.

Our relationships with our partners and customers at the Great Mosque began in 2019 and despite disruption to the overall enhancements at the site as a result of COVID-19, we were able to remain flexible to our customer's evolving needs over this time.

Our flexible approach and focus on fulfilment has meant we have created a reputation for being able to deliver large scale projects both in the UK and internationally.



# Strategy

Our strategic priorities can be summarised under three simple headings: Grow, Innovate and Sustain.

## Grow

**Luceco has a proven track record of growth. Since 2000, we have grown our sales twice as fast as the UK market and supplemented this growth by launching our successful business model overseas.**

### Domestic

We are focused on utilising our well-developed UK infrastructure, broad product portfolio and strong customer relationships to grow our domestic sales. We have supplemented this growth through targeted acquisitions which complement our growth strategy.

### International

We have expanded our international market share, focusing on markets where we hold a competitive advantage through our product portfolio and experience of project delivery.

### Growth in action

Find out more on pages 28 and 29



## Innovate

**We use market-leading innovation to seize our growth opportunities. Our Innovate strategy covers both the products that we design and the services that accompany them.**

### Product

We constantly innovate to meet customer needs. We design high functioning, higher margin devices in both existing as well as new product categories – such as EV chargers. Our customer-driven, bold and innovative culture is embodied within the products we develop.

### Service

We continually innovate the services that accompany our products to improve the customer experience and sell our products as part of a solution. We have well-developed lighting installation design teams to help specifiers turn their concepts into reality.

### Innovation in action

Find out more on pages 30 and 31



## Sustain

**Our Sustain strategy ensures we maintain our competitive advantage. We invest in our own people as well as our industry to sustain our performance in the long term. We are committed to ensuring the work we do contributes increasingly to society's sustainability goals.**

### People

Our products are designed, made, distributed and installed by people. We invest to ensure our talented team have the skills and tools they need to exceed customer expectations. We invest in the training and development of those working within our industry to ensure they have the skills they need to do the job right.

### Planet

We aim to lead our industry by lowering our environmental footprint, and in doing so help our customers to achieve their own sustainability targets.

### Sustainability in action

Find out more on pages 32 and 33





## Strategy in Action

# Grow

We are focused on growing within our chosen markets by leveraging our successful business model, both in the UK and overseas.

Celebrating five years with the Group, Kingfisher Lighting has grown its revenue by 46% since acquisition. It illustrates how we target acquisitions that expand our market reach whilst complementing our existing business.

### Key stats

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# 6.2%

Group revenue three-year CAGR

# £26.2m

Group M&A investment  
in the last three years



## Strategy in Action continued

# Grow

Kingfisher Lighting, celebrating five years of Group ownership, enjoyed an outstanding year in 2022 and clearly illustrates the Group's growth strategy.

When Kingfisher was acquired for £9.8m in 2017, it was a good business with significant potential. Not only did the business hold established positions within the attractive UK exterior lighting market, it also represented an excellent cultural fit, with clear values and an excellent reputation with its customers. We saw that, with access to our advantaged business model, we could create synergies that would further enhance this business.

The hard work over the course of the last five years was borne out in 2022, with the business generating revenue of £17.7m and operating profit of £2.3m, an increase of 46% and 92% respectively since acquisition. The business is now generating a Return on Capital Invested approaching 20%.

Top-line revenue growth has come from multiple sources. Existing customers now see the business as their preferred external lighting supplier due to innovative new products created through the Kingfisher Lighting and Luceco design teams working side-by-side. Furthermore, the business has been able to expand its Sports and High Mast divisions. Supported by the Luceco-developed "Amnis" product range, sales of £4m were generated within these markets in 2022, a ten-fold increase from 2018.

Importantly, Luceco have invested for the long term, with staffing numbers carefully increased from 70 to 90 since acquisition. These additional team members have enabled growth whilst still maintaining excellent service levels. Furthermore, our existing in-house IT and HR support have improved Kingfisher's supporting infrastructure and reliability. Our additional investment and back-office support leave the business well positioned for the future.

Costs have also been reduced where appropriate. In 2018 Kingfisher had 12 significant suppliers, which has now been reduced to five with Luceco's own in-house facilities contributing to product manufacturing. Product development processes have been streamlined and now the business is able to move from concept to launch more efficiently.

The future looks set to offer further opportunities, which we are excited to be in a position to capture as a result of our knowledge gained with Kingfisher Lighting. This experience in developing and manufacturing larger luminaires leaves us well positioned to do the same with DW Windsor. Furthermore, the combined portfolios of Kingfisher Lighting and DW Windsor presents the opportunity to create a complementary product offering for a wider customer base.





## Strategy in Action

# Innovate

We have a strong track record of innovating to grow our business. We bring our innovations to market quickly and are often the architects of change in our industry.

This ongoing design philosophy is particularly evident through the launch of our new highly competitive range of BG Sync EV chargers, which has helped us achieve 4% market penetration in our first year.

### Key stats

£3.6m

2022 R&D expenditure

c.250

2022 new product SKUs



## Strategy in Action continued

# Innovate

We have a long history of leading change within our industry, consistently producing products with enhanced functionality and cutting-edge designs.

Our innovative culture spans our entire product range. Within Wiring Accessories, we were the first in the UK market to add USB functionality to mains sockets, whilst our LED Lighting products provide the consumer with both energy savings and superior lighting levels. Our drive for innovation remains a key part of our strategy as it not only differentiates our products from the competition, but it also enables us to up-sell what we manufacture to maintain consistently high margins. Through focus groups, social media interactions and feedback gathered via our sales teams, we are launching new products that meet the contractor's desire for quality, value for money and ease of installation.

This ongoing design philosophy is particularly evident through the launch of our new highly competitive range of BG Sync EV chargers. The 7.2kW chargers are perfectly designed for home use that is convenient, safe and reliable.

We have designed an internet-enabled device that offers functionality that is convenient to the end user, such as charge scheduling and monitoring via a smartphone. We have also focused on the needs of the installer by offering free training seminars and online installation videos.

Designed with safety and ease of installation in mind, the range is amongst the safest on the market, with built-in current overload and grid fault protection.

The range is being made in-house and at scale by our team in China, which gives us a cost and product availability advantage in a rapidly growing market. We are encouraged by the results of our first full year in this new market, where we have sold 14,200 units in total, equivalent to 4% penetration of plug-in vehicles sold in the year.

Looking forward into 2023, we are excited by the planned launch of our next generation of EV chargers, which will include a 22kW version for faster charging in a commercial setting to further enhance our product range.





## Strategy in Action

# Sustain

We invest in both our business and our industry to sustain our competitive advantage and to contribute to society's sustainability goals.

Luceco and eFIXX have revealed their deserving winners for the brand new "30 under 30 awards". The awards were set up to recognise, reward and champion the next generation of electrical contractors.

### Key stats

# Over 100

2022 contractor training seminars

# Carbon Neutral

2022 operations





## Strategy in Action continued

# Sustain

Our investment within the industry we operate in illustrates how we look to the future to ensure we sustain our competitive advantage within our chosen markets and contribute to society's sustainability goals.

Long-term growth within our industry is underpinned by the constant evolution of electrical regulations. The UK's wiring regulations are updated on average once every two years. Updates are largely focused on improving safety features, which increase the value of the products we sell and shortens the product replacement cycle, increasing demand.

We have provided electrical contractors with access to free resources to train them on the latest wiring regulations in the UK, thereby supporting the development of our industry and investing in our brand image. We have held over 100 training seminars nationwide this year, hosted in conjunction with our major professional wholesale customers. Digital training hosted on our Luceco Academy website, our professional development portal for UK electricians, was consumed by nearly 10,000 contractors in 2022.

To help further professional development within the industry we have become the headline sponsor of the prestigious eFIXX 30 under 30 awards, aimed at recognising up-and-coming talent within the electrical industry and to showcase work from the next generation of electrical contractors. We were proud to announce 2022's successful winners, recognising individuals who are willing to go the extra mile and deliver outstanding service and results.

One of those crowned a worthy winner was Alexander Sime, founder of Neo Electrical Solutions, who showed his gratitude for Luceco Group and explained what it meant to have the Group's support:

"Having such industry heavyweights like Luceco Group sponsor these awards and individual categories, in my opinion, really adds another level to the eFIXX 30 under 30 awards. To be accepting an award presented by representatives of manufacturers that we regularly use on some of our projects and to be recognised by some of the biggest in the industry is a great feeling."

We are also working with industry leaders to drive change and contribute to society's sustainability goals. During the year we were proud to announce our collaboration with the latest clean electricity campaign from the Electrical Contractors Association ("ECA"), "Leading the Charge".

Our support for 'Leading the Charge' and eFIXX's 30 under 30 awards are both integral parts of our Sustain strategy, encouraging both students and apprentices to become brand ambassadors, and advance Luceco's work towards a cleaner, sustainable world.



# Key Performance Indicators

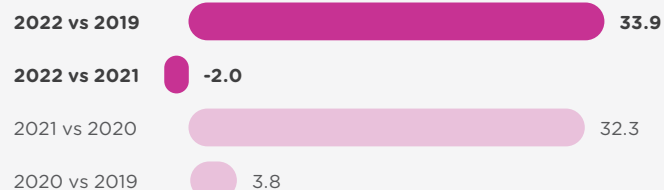
## Grow



### Increase sales to professional customers

- Grow our sales of professional-grade products designed for installation by professional contractors to complement our existing strong presence in the retail/DIY market
- Leverage the route to market provided by Wiring Accessories to sell other products via the Professional Wholesale channel, e.g. LED Lighting and EV charging
- Sell our products as part of a design

### Growth percentage (%)



### Link to risk

1 2 4 6 7 9



### Increase our sales of low carbon products

- Leverage the opportunity presented by electrification and therefore decarbonisation of energy and transportation
- Grow our sales of low carbon products to £100m by 2025

### Revenue generated from low carbon products (£m)



### Link to risk

1 2 4 6 7 9

### Key to strategy

Grow

Innovate

Sustain

### Key to principal risks

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

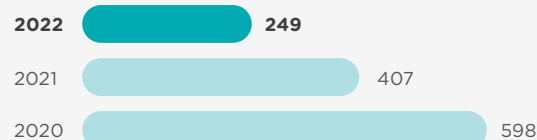
# Key Performance Indicators continued

## Innovate

### + Number of new product SKUs

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

#### Number of new product SKUs



#### Link to risk

3 4 6 7 8

### Research and development expenditure

- Continue to be at the forefront of innovation in our industry
- Progressively add greater technology, such as controls, smart functions and connectivity to the Group's products

#### Research and development expenditure (£m)



#### Link to risk

1 6 7

#### Key to strategy

Grow

Innovate

Sustain

#### Key to principal risks

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

# Key Performance Indicators continued

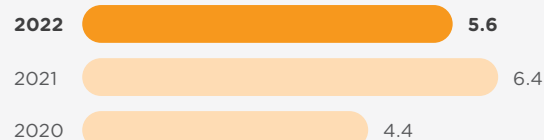
## Sustain



### Capital expenditure

- Invest in the agility and efficiency of our vertically integrated manufacturing
- Invest in our fulfilment capabilities
- Invest in our e-commerce offering
- Invest in enabling technology

#### Capital expenditure (£m)



#### Link to risk

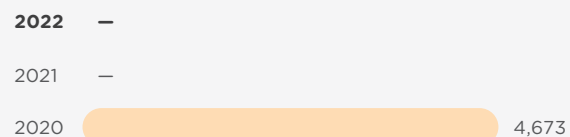
1 2 3 4 5 6 7 9



### Carbon associated with our operations

- Keep our operations carbon neutral
- Reduce our value chain emissions by hitting science-based targets

#### Carbon emissions from operations net of carbon offsets (tCO<sub>2</sub>e)



#### Link to risk

4 8 9

#### Key to strategy

Grow

Innovate

Sustain

#### Key to principal risks

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



# Environment, Social and Governance

We believe that through the way we act, Luceco has a significant opportunity to create a lasting positive impact on the world around us. We aim to do this through addressing three key areas of focus: creating a sustainable future, empowering people and working with integrity and transparency.

## Creating a sustainable future



Operating sustainably is a key part of the Group's culture and is reflected within our Purpose, Mission and Strategy; where we have made sustainability a central pillar of the Group's success. Our product portfolio, combined with our business model and experience, puts us in a strong position to help create a sustainable future for all. Our immediate targets have focused on realigning our product portfolio to concentrate on the sale of low carbon products, ensuring the plastic we use is recycled and further that the packaging of the products we sell is recyclable. Looking forward, we have committed to the Science Based Targets initiative ("SBTi"), targeting a 46.2% reduction in operational emissions and a 27.5% reduction in emissions arising from the use of sold products by 2031. Whilst we recognise there is more to do, our operations continue to offer one of the lowest operational carbon footprints in our industry and we are continuing to progress our sustainability agenda moving forwards.

See pages 38 to 54

## Empowering people



The key to our business model operating effectively is the "can-do" culture created by our fantastic teams. In order for this culture to continue to flourish, we need our people to feel empowered to excel in their work at Luceco. We endeavour to recruit people from a range of backgrounds who are passionate about innovation and customer service. We invest in the training and development of new and existing employees and we make sure we engage with our teams to improve their experience and help them feel part of the business.

Beyond our own teams we also look to empower those who use our products. We provide professionals with access to free training resources and are supporting the development of the next generation of electrical contractors.

See pages 55 to 57

## Working with integrity and transparency



We are committed to acting with integrity and transparency at all times, not just because it builds trust with those we work with, but because it is the right thing to do. As a global business, operating in markets and countries with different cultures and practices, we maintain consistently high ethical standards by following our global Code of Conduct, which applies to all Group employees and our external business partners. We follow health and safety best practices and all local regulations; always striving to promote the health of our people and to minimise risks in the workplace. Our approach is supported by strong corporate governance and zero-tolerance policies in relation to behaviour which does not align to our values, and we endeavour to ensure our suppliers share those same values. Finally, we are keen to contribute to the communities we operate in and encourage our people to propose ways we can help.

See pages 58 and 59

# Environment, Social and Governance continued



## Creating a sustainable future

### Climate change

As one of the biggest challenges the world currently faces, climate change represents both a responsibility and opportunity for our business. We have seen a growing mandate from our stakeholders who are seeking meaningful action to tackle greenhouse gas emissions.

Recognising this, climate change is now included as a principal business risk. The Group is well positioned to make an increasing contribution to society's climate objectives, which presents new business opportunities during the transition towards net zero. The Group has been working with external consultants since 2021 to better understand and mitigate our contribution to climate change.

### Task Force on Climate-related Financial Disclosures ("TCFD")

We are pleased to confirm that we have included climate-related financial disclosures consistent with the four recommendations and the 11 recommended disclosures set within our TCFD report, in compliance with the FCA's Listing Rule 9.8.6.R(8). Our report is set out under the four TCFD pillars: Governance, Risk Management, Strategy, and Metrics and Targets.

### Governance

#### Board level

The Board has overall responsibility for climate-related matters that affect the Group. The "Matters Reserved for the Board" includes Environmental, Social and Governance ("ESG") matters to ensure there is clear oversight of ESG-related considerations, including climate change.

The Board's key responsibilities regarding climate change include:

- Approving the Company's ESG Policy, ensuring it remains aligned with the Company's strategic objectives
- Monitoring and assessing the impact of climate-related risks and opportunities on the Company's business strategy and financial planning
- Approving the metrics and targets used by the Company to assess and manage relevant climate-related risks and opportunities, and monitor performance against targets

During 2022, we committed to join the Science Based Targets initiative ("SBTi") in order to establish an emissions reduction target aligned with the goals of the Paris Agreement (limiting global warming to 1.5 degrees celsius). Our commitment letter and proposed targets were submitted in July 2022 with validation of the targets by the SBTi currently underway.



# Environment, Social and Governance continued

## Creating a sustainable future continued

### **Task Force on Climate-related Financial Disclosures ("TCFD") continued**

#### **Governance continued**

#### **Board level continued**

The Board has delegated responsibility for climate-related matters to the Chief Financial Officer ("CFO"). The CFO is responsible for the development and implementation of our climate change management strategy. The CFO also provides a monthly update to the Board on climate and ESG-related matters within financial reporting and delivers a more detailed update on a quarterly basis. Progress against our climate-related targets is reported annually to the Board.

#### **Management level**

To support the CFO in the implementation of the strategy, and the effective identification and management of climate-related risks and opportunities, two working groups have been established that meet on a twice-yearly basis.

The first working group comprises senior management from key business areas including: manufacturing, product development, operations, finance, and supply chain. They are responsible for the identification and management of climate-related matters within their area of the business and supporting the implementation of carbon reduction measures.

The second working group comprises senior management from customer-facing roles. The "Markets and Trends" working group is responsible for monitoring and providing feedback on changes in customer requirements around climate and wider ESG matters, as well as providing regular updates to customers on our climate strategy.

In 2023, we are going to engage with our key customers to understand their climate commitments and how they may impact the Group in greater detail, as well as using this as an opportunity to provide an update on our progress.

#### **Risk management**

The identification, assessment and management of climate-related risks is fully integrated into our risk management framework and mirrors the approach detailed on pages 64 to 71.

Two risk and opportunity assessment sessions are held annually with each of the working groups to appraise a range of climate-related risks and opportunities. The outputs from these sessions are integrated into our macroeconomic, political and environmental risk within the principal risk assessment.

The risk assessment process considers a number of categories, such as:

- Current and emerging regulations
- Legal
- Market
- Technology
- Customers
- Physical (acute and chronic)

When considering climate-related opportunities, the following categories were considered:

- Resource efficiency
- Energy source
- Products and services
- Market
- Resilience

Three principal climate-related risks and two principal opportunities have been identified that impact the Group. For more information see pages 43 to 47.



# Environment, Social and Governance continued

## Creating a sustainable future continued

### Task Force on Climate-related Financial Disclosures ("TCFD") continued

#### Risk management continued

#### Physical risk: scenario analysis

To better understand our exposure to the physical impacts of climate change, we have conducted scenario analysis. EarthScan™ allows us to evaluate physical risk on assets critical to our business (manufacturing facilities, warehousing and significant third-party OEMs) for a suite of different hazards, timescales and scenarios.

We used EarthScan's data and insights in our portfolio and asset-level climate risk assessment for the following climate hazards: flooding, heat stress, precipitation, extreme wind, drought and wildfire.

Three IPCC scenarios have been used to assess physical climate risks:

**Business as usual (SSP5/RCP8.5)** Emissions continue to rise over the 21st century, in the worst-case scenario.

**Emissions peak in 2040 (SSP2/RCP4.5)** Emissions do not increase beyond 2040. With current commitments, this is the climate scenario that most closely resembles current policy commitments.

**Paris aligned (SSP1/RCP2.6)** Emissions are aligned with Paris Agreement targets. This is the best-case scenario.

The results from the business-as-usual ("BAU") scenario are shown below over the historical short, medium and long-term time horizons.

Risk type	Potential impact	Short term Present	Medium term 2030	Long term 2050
Drought	Droughts are expected to increase under the BAU scenario. Our warehouses located in Spain and the UAE have the highest exposure, and manufacturing sites in China and the UK have a low-risk exposure.	2	2	3
Flooding	One of our sites is exposed to low-medium flooding risk while all other locations are considered low risk (overall risk is considered low).	1	1	1
Heat stress	Most locations are exposed to a medium level of heat stress which will increase under the BAU scenario. Although the risk level is medium, we have mitigation to help minimise disruption (air conditioning in our China manufacturing facility).	4	4	4
Precipitation	Precipitation risk refers to the risk caused by exposure to extreme precipitation events. Four sites are exposed to a medium-high risk.	3	3	3
Wildfire	All sites are at a low risk from wildfire events.	1	1	1
Wind	Extreme wind events can occur during weather events such as storms, hurricanes and tornadoes. The overall risk is low, however sites located in China are at a medium-high risk.	2	2	2

#### Risk exposure



# Environment, Social and Governance continued

## Creating a sustainable future continued

### Task Force on Climate-related Financial Disclosures ("TCFD") continued

#### Risk management continued

#### Adaptation and mitigation measures

Both the acute and chronic physical impacts of climate change could pose a risk to our operations. We will continue to monitor our exposure and maintain a range of mitigation measures to limit any potential disruptions to our operations. Due to high levels of preparedness and resilience, we have not experienced any significant impacts from the physical impacts of climate change on our operations. For more information on how we mitigate physical risks please refer to climate-related risk three on page 43.

#### Climate-related risks

#### CR1 Changing customer behaviour

Risk owner: CFO

#### Risk and impact:

- Eight of our top ten customers have made a commitment to achieve net-zero emissions and/or established a science-based emissions reduction target
- Failure to meet the increasing expectations of our customers on climate action could lead to a loss of revenue

#### Mitigation:

- Management liaises closely with customers to understand their ambitions and requirements relating to climate change
- Development of climate change strategy with independent consultants and setting a science-based emissions reduction target
- Responding to the Carbon Disclosure Project to increase transparency of our actions to address climate change
- Proactive approach to emissions reductions including investment into operational efficiency, sourcing renewable electricity and offsetting residual Scope 1 emissions

#### Link to strategy:

Products & Services, Supply Chain, Research & Development, and Operations

#### Change in year:



#### Risk appetite:

Risk accepting

#### Time horizon:

Long term

#### Net risk level:



#### Metric:

Total GHG emissions  
% revenue under GHG target

# Environment, Social and Governance continued

## Creating a sustainable future continued

### Task Force on Climate-related Financial Disclosures ("TCFD") continued

#### Risk management continued

#### Climate-related risks continued

#### CR2 Increased stakeholder concern or negative stakeholder feedback

Risk owner: CFO

##### Risk and impact:

- ESG issues, particularly climate change, are an increasing focus area for our key stakeholders, including customers, consumers, investors and employees
- Damage to our reputation in relation to climate change could lead to a loss of revenue or negative impact on share prices

##### Mitigation:

- Management liaises closely with customers to understand their ambitions and requirements relating to climate change
- Development of our climate change strategy with independent consultants and setting a science-based emissions reduction target
- Responding to the Carbon Disclosure Project to increase transparency of our actions to address climate change and adopt a proactive approach to requests for information from stakeholders
- Proactive approach to emissions reductions including investment into operational efficiency, sourcing renewable electricity and offsetting residual Scope 1 emissions

##### Link to strategy:

Products & Services, Supply Chain, Research & Development, and Operations

##### Change in year:



##### Risk appetite:

Risk averse

##### Time horizon:

Short to medium term

##### Net risk level:



##### Metric:

Total GHG emissions  
% revenue under GHG target



# Environment, Social and Governance continued

## Creating a sustainable future continued

### Task Force on Climate-related Financial Disclosures ("TCFD") continued

#### Risk management continued

#### Climate-related risks continued

#### CR3 Increased severity and frequency of extreme weather events

Risk owner: CFO

##### Risk and impact:

- Following our detailed assessment of physical risks, we have identified that extreme weather events (precipitation and wind risk) could pose a risk to our sites and supply chain, particularly in China
- Severe disruption to our sites or suppliers could result in a loss of revenue

##### Mitigation:

- A buffer stock is held in our UK warehouses in the event of supply disruption in China
- All suppliers are provided with visibility of forward orders and supply issues are discussed upfront
- Our production facility in China is spread across multiple buildings on the same site to mitigate site disruptions
- The Group owns its product designs and production tooling, allowing manufacturing activities to be moved between suppliers more easily
- Business continuity plans have been developed and business interruption insurance put in place for our manufacturing facility, as well as key OEM suppliers

##### Link to strategy:

Operations and Supply Chain

##### Change in year:



##### Risk appetite:

Risk accepting

##### Time horizon:

Long term

##### Net risk level:



##### Metric:

Physical risk exposure rating (EarthScan rating)

# Environment, Social and Governance continued

## Creating a sustainable future continued

### Task Force on Climate-related Financial Disclosures ("TCFD") continued

#### Risk management continued

#### Climate-related opportunities

#### CO1 Access to new markets

Risk owner: CFO

#### Description:

- The electrification of energy presents a significant opportunity for the Group as new markets emerge from the transition to net zero
- Demand for electric vehicle charging solutions for homes and commercial premises is set to increase significantly
- Increased electrification could create opportunities for new product categories that complement our existing offering, such as battery storage, inverters and solar PV

#### Realising the opportunity:

- Investment in R&D will enable us to bring new and more efficient products to market to maintain competitive advantage and grow market share
- Acquisition of Sync EV and launch of single-phase Mode 3 EV chargers under the joint BG Sync EV brand
- Opportunity to acquire businesses poised to benefit from the electrification of residential energy use

#### Link to strategy:

Products & Services, Supply Chain, and Research & Development

#### Change in year:



#### Metric:

Revenue from low carbon products

#### Time horizon:

Medium to long term

#### Net opportunity level:



Low

Medium

High

# Environment, Social and Governance continued

## Creating a sustainable future continued

### Task Force on Climate-related Financial Disclosures ("TCFD") continued

#### Risk management continued

#### Climate-related opportunities continued

#### CO2 Expansion of existing products and services

Risk owner: CFO

##### Description:

- The transition to net zero relies on the electrification of energy within homes and commercial buildings which could increase demand for our existing products and services
- We could see an increase in demand for low carbon products and "green home tech" solutions such as smart plugs and controls, extension leads and ultra-efficient LED lighting
- Increased electrification within buildings could create additional demand for wiring accessories as building electrics are upgraded to manage the additional electrical load

##### Realising the opportunity:

- Investment in R&D to enable us to bring new and more efficient products to market to maintain competitive advantage and grow market share
- Investment in LED lighting lens design to improve lighting efficiency
- Investment in lighting controls offering to improve lighting efficiency. We have seen a 3.5-fold increase in revenue from lighting controls in 2022
- Acquisition of DW Windsor to expand our energy efficient lighting offering

##### Link to strategy:

Products & Services, Supply Chain, and Research & Development

##### Change in year:



##### Metric:

Revenue from low carbon products

##### Time horizon:

Short to medium term

##### Net opportunity level:



#### Strategy

Climate change has the potential to impact our business across the short, medium and long term. Our business strategy and financial planning processes provide mitigation against the risks and position us well to capitalise on the opportunities.

#### Time horizons

When considering climate-related risks and opportunities, the following time horizons are used:

- Short term: 0 to 1 year
- Medium term: 1 to 3 years
- Long term: 3 to 10+ years

As part of the scenario analysis, we expanded the medium and long-term horizons (2030 and 2050 respectively) to gain a better understanding of how these risks and opportunities could evolve in the future and test the resilience of our strategy.



# Environment, Social and Governance continued

## Creating a sustainable future continued

### Task Force on Climate-related Financial Disclosures ("TCFD") continued

#### Strategy continued

#### Financial planning

Climate-related matters influence various elements of our financial planning process. Acquisitions continue to play a key role in our sustainable growth strategy; Sync EV, a well-regarded supplier of residential EV charge points within the UK, was acquired in March 2022 to help accelerate our growth into the expanding EV charging market.

This builds on the acquisition of DW Windsor, which was completed in October 2021 to expand our LED lighting product offering.

Raw material costs such as copper have continued to be elevated during the year as the post-pandemic recovery continues. Demand for copper is expected to increase, driven in part by the electrification of energy and transportation. We continue to use forward purchasing strategies and hedging along with short-term fixed price agreements to protect against volatility.

Our aim is to leverage our position as the UK's leading provider of domestic electrical devices to seize opportunities presented by the electrification of residential energy and private transportation.

To this end, we have made excellent progress against our £100m revenue by 2025 from low carbon products during 2022. Low carbon products are classified as LED lighting, excluding revenue from lighting columns, and EV chargers.

When evaluating risks and opportunities, the potential financial impact is also evaluated as part of the assessment process to understand the scale of the impact.

Carbon pricing mechanisms ("CPMs") are not currently used by the Group. The use of a CPM is considered burdensome at this stage, given the heavy involvement of the finance team in the management of climate-related matters.

### Integration of climate-related issues into our strategy



#### Products & Services

Our low carbon product ranges (LED lighting, EV chargers and smart standby products) help customers to reduce their GHG emissions and transition towards a low carbon future. We strive to develop more efficient products and better controls to improve energy efficiency.

Link to climate-related risks and opportunities:

CR1 CR2 CO1



#### Supply Chain

One of our strengths is the relationship we have with our suppliers. We recognise that we must work together to make more sustainable choices across product design, material choices and the manufacturing processes.

Link to climate-related risks and opportunities:

CR1 CR2 CR3 CO1 CO2



#### Research & Development

Our business is well placed to take advantage of the inevitable electrification of energy as we transition towards a low carbon economy. Opportunities for expansion into electric vehicle charging and other low carbon solutions such as smart home tech.

Link to climate-related risks and opportunities:

CR1 CR2 CO1



#### Operations

One of our first priorities is to reduce the emissions from our operations. By implementing efficiency improvements, we can reduce energy use, raw material use, waste and water use to limit our GHG emissions.

Link to climate-related risks and opportunities:

CR1 CR2 CR3 CO1 CO2

# Environment, Social and Governance continued

## Creating a sustainable future continued

### Task Force on Climate-related Financial Disclosures ("TCFD") continued

#### Strategy continued

#### Integration of climate-related issues into our strategy continued

### Achievements during 2022



#### Products & 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 lighting control revenue for LED 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 supplier's physical climate risk exposure to understand vulnerabilities within our supply chain



#### Research & 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 practice 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 in 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

### Targets and commitments

Luceco plc commits to reduce absolute Scope 1 and Scope 2 GHG emissions 46.2% by 2031 from a 2021 base year.

Luceco plc commits to reduce absolute Scope 3 GHG emissions from the use of sold products 27.5% by 2031 from a 2021 base year.

Luceco plc commits to generating £100m revenue from low carbon product sales by 2025 from a 2021 base year.

# Environment, Social and Governance continued

## Creating a sustainable future continued

### Task Force on Climate-related Financial Disclosures ("TCFD") continued

#### Strategy continued

#### Scenario analysis: transition risks and opportunities

We have assessed how our main climate-related transition risks and opportunities could evolve under three scenarios, based upon the Network for Greening the Financial Systems ("NGFS") climate scenarios. Potential impacts and their materiality were considered across short (present), medium (2030) and long-term (2050) horizons. The three scenarios were based upon:

**Net Zero 2050 ("NZ")** – an ambitious scenario that limits global warming to 1.5°C through stringent climate policies and innovation, reaching net zero CO<sub>2</sub> emissions no later than 2050.

**Delayed Transition ("DT")** – assumes global emissions do not peak until 2030, followed by strong policies that are needed to limit warming to below 2°C. This scenario explores the impact that a delayed and disorderly transition could have.

**Current Policies ("CP")** – assumes that only currently implemented policies are preserved, leading to a "hot-house world", a higher degree of physical risk and lower impact of transitional risk.

Transition risks	Description	Scenarios	Short term	Medium term	Long term	Potential financial impact
Changing customer demands	Trend within our retail customer base of ambitious carbon reduction targets that requires suppliers to set similarly ambitious targets.	NZ	3	4	6	Failure to respond to increasing customer demand for climate action could lead to a loss of revenue through reduced demand for products and services.
		DT	2	3	6	
		CP	2	2	2	
Increased stakeholder concern	ESG issues, particularly climate change, are a large concern for our key stakeholders (investors, customers, employees and consumers).	NZ	3	4	6	Damage to our reputation in relation to climate change could lead to a loss of revenue or negative impact on share prices.
		DT	2	3	6	
		CP	2	2	2	
Increased pricing of GHG emissions	To achieve the ambitious goal of net zero emissions by 2050, the policy landscape around GHG emissions will need to evolve to create the necessary environment to enable the transition to a low carbon economy.	NZ	4	4	4	More ambitious climate policies could increase direct and indirect operating costs. Failure to comply with reporting obligations could have a negative impact on our reputation.
		DT	2	2	5	
		CP	1	1	1	

#### Materiality





# Environment, Social and Governance continued

## Creating a sustainable future continued

### Task Force on Climate-related Financial Disclosures ("TCFD") continued

#### Strategy continued

#### Scenario analysis: transition risks and opportunities continued

Transition risks	Description	Scenarios	Short term	Medium term	Long term	Potential financial impact
Increased cost of raw materials	Demand for critical materials, such as copper, is projected to rapidly grow as sustainable technologies are deployed (renewable energy, electrification, EVs etc.) in pursuit of net zero. Rapid growth in demand and the timespan to develop new supplies of metals can affect the supply and demand balance.	NZ	4	4	4	Increased raw materials costs would inevitably lead to increased product costs, although these costs can usually be passed on. Constrained supply chains could temporarily reduce production output.
		DT	2	2	5	
		CP	2	2	2	
Opportunities	Description	Scenarios	Short term	Medium term	Long term	Potential financial impact
Access to new markets	The electrification of energy presents a significant opportunity for the Group through the net zero transition. This predominantly relates to EV charging solutions but could also extend to new product categories that complement our existing offering (battery storage, inverters, solar PV etc.).	NZ	4	6	6	The transition to net zero presents a range of exciting opportunities for the Group to grow revenues from new product categories. For example, the UK EV charging market is estimated to be worth £500m annually by 2025.
		DT	2	4	6	
		CP	2	4	4	
Expansion of existing products and services	The transition to net zero relies on the electrification of energy and efficiency gains within buildings which could increase demand for our products. This includes low carbon products (LED lighting, smart plugs and controls) and wiring accessories as building electrics are upgraded to manage the additional electrical load.	NZ	4	6	6	The transition to net zero presents a range of exciting opportunities for the Group to also grow revenues within existing product categories.
		DT	2	4	6	
		CP	2	4	4	

We have identified a range of transition risks and opportunities relating to reputation, policy and market and feel well equipped to effectively manage them. Our sustainable growth strategy will focus on continued organic growth and targeted acquisitions to gain access to emerging product markets and expand our existing product offerings.

Sustainability will continue to be a key pillar of our business strategy as the world transitions to net zero. To maintain strong relationships with our key customers and stakeholders, we have established a carbon management strategy and committed to setting science-based emissions reduction targets.

#### Materiality



#### Materiality



# Environment, Social and Governance continued

## Creating a sustainable future continued

### Task Force on Climate-related Financial Disclosures ("TCFD") continued

#### Strategy continued

#### Scenario analysis: transition risks and opportunities continued

In 2022, 100% of electricity consumption was from renewable sources and our residual Scope 1 emissions were offset. We will continue our efforts to keep pace with customer expectations and develop innovative products that help our customers to reduce their energy consumption and associated climate impacts.

We believe that these efforts also represent a significant growth opportunity for the Group, as demand for both existing and new products increases over the coming years.

#### Metrics and targets

#### Streamlined Energy and Carbon Reporting

The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 requires the Group to disclose its annual energy consumption and greenhouse gas emissions from Streamlined Energy and Carbon Reporting ("SECR") regulated sources.

The Group's emissions have been independently calculated in accordance with the GHG Protocol<sup>1</sup>, utilising emission factors published by the UK Government and the International Energy Agency ("IEA").

The table below details our GHG emissions from all Group operations and our value chain across Scopes 1, 2 and 3 for the year ending 31 December 2022, compared against the previous year.

GHG emissions (tCO <sub>2</sub> e)		2022	2021	Change (%)
Scope 1 <sup>2</sup>		886	969	(9%)
Scope 2 (MBM)		—	195	(100%)
Scope 3 <sup>3</sup>	Use of sold products	461,169	526,775	(12%)
	Purchased goods and services	97,593	125,502	(22%)
	Remaining Scope 3 emissions <sup>4</sup>	24,096	32,590	(26%)
<b>Total Scope 1 + 2 emissions</b>		<b>886<sup>5</sup></b>	1,165	(24%)
<b>Total Scope 3 emissions</b>		<b>582,858</b>	684,867	(15%)
<b>Total GHG emissions</b>		<b>583,745</b>	686,032	(15%)
Outside of Scope direct biogenic emissions		20	27	(28%)
<b>Emissions intensity ratio</b>				
Scope 1 + 2 tCO <sub>2</sub> e/£m turnover		4.30	5.10	(16%)
Scope 3 tCO <sub>2</sub> e/£m turnover		2,825	3,006	(6%)

1. GHG Protocol Corporate Accounting and Reporting Standard and the Corporate Value Chain (Scope 3) Standard.  
2. Scope 1 includes emissions from natural gas, propane, refrigerant gases and Company-owned vehicles.

3. Scope 2 emissions are associated with our electricity consumption. The market-based methodology ("MBM") has been adopted to reflect the energy generated on site via the solar PV array in China and the sourcing of renewable energy certificates for all Group operations. Our location-based emissions ("LBM"), reflecting the grid average emissions intensity for each country of operation, were 4,140 tCO<sub>2</sub>e in 2022 (5,241 tCO<sub>2</sub>e for 2021).

4. Remaining Scope 3 emissions include capital goods, fuel and energy-related activities not included in Scopes 1 and 2, business travel, waste generated in operations, up/downstream transportation and distribution, and the end-of-life treatment of sold products.  
5. Operational carbon neutrality was achieved by retiring high quality carbon offsets against residual Scope 1 emissions.

# Environment, Social and Governance continued

## Creating a sustainable future continued

### Task Force on Climate-related Financial Disclosures ("TCFD") continued

#### Metrics and targets continued

#### Streamlined Energy and Carbon Reporting continued

Total GHG emissions have fallen by 15% compared to last year. 2021 was a particularly buoyant year for the Group as we experienced increased demand for our products because of COVID lockdowns and increased stocking by our distributor customers. In 2022, demand within the DIY market normalised and customers ran down their stockholdings, reducing demand for our products. This has seen our emissions decrease across all emission categories except for business travel, which largely reflects a resumption of normal business activities following the easing of COVID restrictions. The in-use emissions from our products has fallen by 12% as a result of falling demand, improvements in product efficiency and a decrease in the emissions intensity of grid electricity where our products are sold. Purchased goods and services emissions have decreased by 22% as a result of falling demand for products and all other Scope 3 emissions have reduced by 26%.

Operational (Scope 1 and 2) emissions have fallen by 24% as production output slowed during the year. We also increased our sourcing of renewable electricity to 100%, reducing Scope 2 emissions to zero. We continue to invest in efficiency improvements in our manufacturing facility, including projects for automation to reduce wastage and increased throughput and air conditioning control systems to reduce energy demand.

The table below details our underlying energy usage across global operations, of which 36% is from UK-based operations. Energy usage has decreased 22% relative to last year.

Energy use (kWh)	2022	2021	Change (%)
Natural gas	2,082,037	2,362,484	(13%)
Propane	27,051	27,636	2%
Company vehicles	1,747,676	1,937,879	(11%)
Electricity	7,619,816	9,675,502	(27%)
<b>Total</b>	<b>11,476,580</b>	14,003,501	(22%)

# Environment, Social and Governance continued

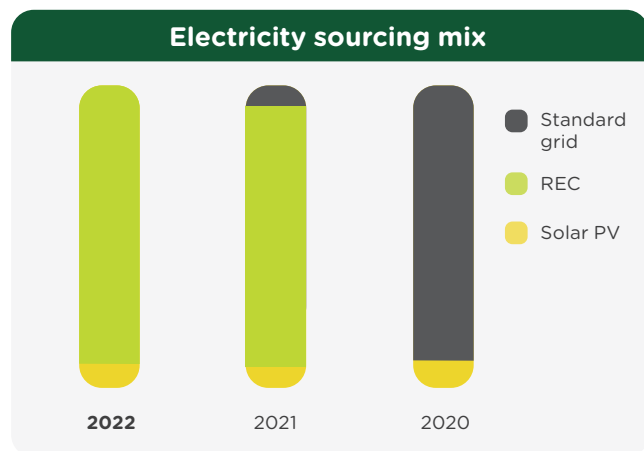
## Creating a sustainable future continued

### Task Force on Climate-related Financial Disclosures ("TCFD") continued

#### Metrics and targets continued

#### Renewable electricity

We have continued our efforts to eliminate our Scope 2 emissions and sourced 100% renewable electricity across all operations in 2022. Renewable Energy Certificates ("REC") have been sourced to cover the electricity consumption for all operational locations, accounting for 92% of our total energy consumption. The solar PV array at our manufacturing facility in China generated 8% of total electricity consumption.



1. 61 credits for the restatement of 2021 Scope 1 and 2 emissions and 947 credits for 2022.

#### Carbon neutrality

For the second year running, we have offset our residual Scope 1 and 2 emissions to achieve operational carbon neutrality. As our Scope 1 and 2 emissions for 2021 have been restated, we have offset the discrepancy between the figures reported last year and this year along with our residual Scope 1 emissions for 2022. In total, we have retired 947<sup>1</sup> credits, sourced from the Weyerhaeuser Afforestation Project in Uruguay. The project covers over 18,800 hectares of degraded land which is expected to continue to degrade in the absence of this afforestation project. The certificates have been awarded by the Rainforest Alliance in accordance with the Verified Carbon Standard.

#### Calculation methodology

**Natural gas** - Calculated using metered consumption from supplier invoices as kWh figure. Where actual consumption data was not available, consumption has been estimated based on floor areas and published benchmarks or heating degree day regression analysis.

**HFCs** - Refrigeration emissions have been calculated from service records where available. Where records were unavailable, HFC losses have been estimated using the screening methodology. Emissions from rented offices with shared air conditioning services have been excluded due to a lack of data, however emissions are immaterial.

**Company-owned vehicles** - Emissions have been calculated using fuel consumption data where available. Vehicle type and mileage has been used to calculate emissions where fuel data is not available. UK Government "SECR" kWh emission factors have been utilised to calculate the underlying energy use.

**Electricity** - Calculated primarily using metered consumption from supplier invoices and half-hourly consumption data. Where actual consumption data is not available, consumption has been estimated based on floor areas and published benchmarks.

**Scope 3** - Purchased goods and services, capital goods, business travel, waste generated in operations, transportation and distribution have been calculated using a financial screening methodology which uses high-level environmentally extended input output ("EEIO") factors to estimate associated GHG emissions from financial spend information. Energy-related activities not included in Scope 1 and 2 have been calculated using kWh consumption data and UK Government emission factors.

Use of sold products emissions have been modelled based on sales and product data and assumptions surrounding the use of our products over their expected lifespan. Finally, the end-of-life treatment of sold products has been screened based on the estimated weight of products sold during the year.



# Environment, Social and Governance continued

## Creating a sustainable future continued

### Task Force on Climate-related Financial Disclosures ("TCFD") continued

#### Metrics and targets continued

#### Noted changes in 2021 emissions

The methodology for use of sold products has been updated. In 2021, an assumption was made on the average usage of a lighting product. This assumption has been updated to consider 75% of the expected lifespan of our lighting products. LED lighting products have an expected lifespan ranging from 15,000 to 100,000 hours, therefore this approach more accurately represents the emissions associated with product use. Improvements have also been made to the end-of-life treatment of sold products calculations to use actual weight data rather than approximations.

Emissions have been restated to account for the acquisition of Sync EV and the opening of our Southern European Distribution Centre in Barcelona.

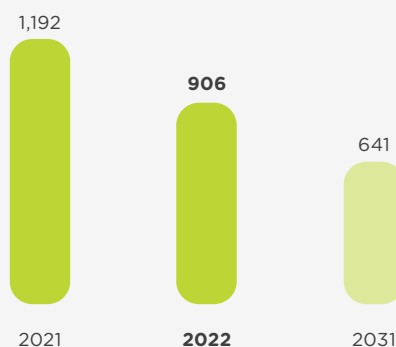
In line with SBTi GHG inventory guidance on minimum boundaries, hotel stays (a sub-set of business travel emissions) and process of sold products have been excluded from the GHG inventory.

### Carbon Disclosure Project ("CDP")

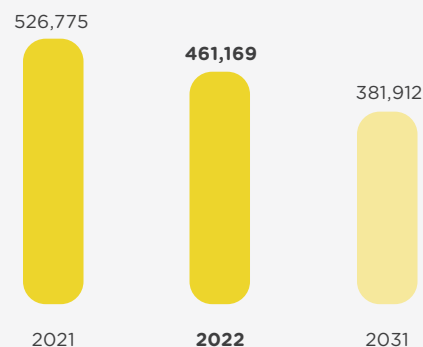
We received a management-level score (B) for our response to the CDP Climate Change questionnaire in 2022. This is our second year of reporting to the platform, so we are delighted to have achieved a strong grade that reflects our swift progress integrating climate-related issues into our business operations.

Our response contains further information on our climate governance and risk management processes, climate-related risks and opportunities, GHG emissions and business strategy.

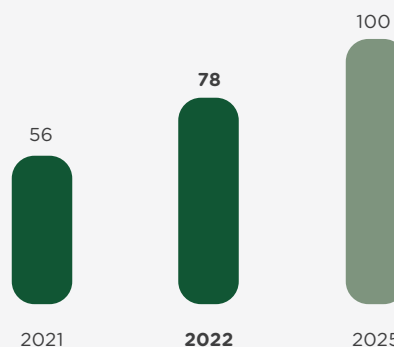
#### Scope 1 and 2 target (tCO<sub>2</sub>e)



#### Scope 3 target (tCO<sub>2</sub>e)



#### Low carbon product revenue £m



# Environment, Social and Governance continued

## Creating a sustainable future continued

### ESG objectives

At the start of the year, the Board agreed the following ESG objectives for 2022:

1. Make significant progress towards delivering £100m of revenue from low carbon products in 2025
2. Commit to the Science Based Targets initiative ("SBTi") and seek the validation of associated emission reduction targets
3. Ensure all products sold in the year use recyclable plastic packaging
4. Ensure 30% of plastic packaging used in the year is recycled

### Low carbon product revenue

We have delivered significant progress against our low carbon product revenue target and are on track to achieve this target by 2025.

### Science Based Targets initiative

During 2022, the Board signed off our commitment letter to join the Science Based Targets initiative ("SBTi"). The SBTi defines and promotes best practice in science-based target setting and establishes how quickly organisations need to reduce their GHG emissions to prevent the worst effects of climate change.

Our target submission was made in July 2022 and the targets are currently being reviewed by the SBTi. Our proposed targets are to:

- Reduce absolute Scope 1<sup>1</sup> and Scope 2 GHG emissions 46.2% by 2031 from a 2021 base year
- Reduce absolute Scope 3 GHG emissions from the use of sold products 27.5% by 2031 from a 2021 base year

To achieve our Scope 1 and 2 target, we have increased our sourcing of renewable electricity to 100% and will investigate opportunities to reduce our reliance on fossil fuels across transportation, heating and process use. This includes transitioning to electric vehicles for company cars and the use of heat pumps to replace gas-fired heating systems in our offices and distribution centres. We will also focus on improving energy efficiency to reduce costs and GHG emissions.

For our Scope 3 target, we will continue to innovate to improve the energy efficiency of our products. We have a track record of increasing lumens per watt and continue the integration of controls with lighting products to reduce energy use. Our R&D efforts within EV chargers will focus on how to enhance smart connectivity, reduce charging losses, and reduce standby power consumption. Finally, efforts made by countries in which our products are sold to decarbonise the electricity grid will help deliver significant reductions in our emissions from the use of sold products.

We have made great progress in the first year of our target and will continue our work to reduce GHG emissions across our entire value chain.

1. Scope 1 emissions include the biogenic elements as per the SBTi target requirements.

### Plastic packaging

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 one single polymer to ensure they are recyclable. The second improvement has been to increase the minimum recycled content of plastic packaging to 30%.

### Next steps and plan for 2023

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 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

# Environment, Social and Governance continued



## Empowering people

### Our culture

Our business model is underpinned by the “can-do” culture of our teams. Our people are customer-driven, designing products which we know our customers will love and that will improve the customer experience. We are team-focused, working together to achieve our objectives. We ensure that we reward achievement with opportunity. We aim to be bold and innovative, thinking differently and trusting each other to create great products for our customers. Finally, alongside all these qualities, we are principled in the way we act with our customers and suppliers. We do what we say and do what is right.

We recognise that in order for this “can-do” culture to continue to thrive, we need to invest in our people. We focus on the training and development of our teams, so they have the skills to innovate and confidence to move quickly. We carefully recruit from all backgrounds to ensure our teams work well together. We engage with our employees and act on their feedback, to ensure our teams feel part of our business and go the extra mile for our customers. Above all else, we treat our teams with the respect and recognition that their hard work deserves and apply the same principled mindset to them as they do to our customers.

### Equality and diversity

We understand the importance and benefits of greater diversity, including social and professional background, cognitive and personal strengths, sexual orientation, disability status, gender and ethnicity throughout the organisation. We are committed to ensuring that recruitment and promotion of individuals at all levels of the business is based on merit and objective criteria and that, within this context, each candidate is judged on their unique combination of skills, knowledge and experience, as well as their social and professional background, cognitive and personal strengths, sexual orientation, disability status, gender and ethnicity.

This is reflected in our Equality and Diversity Policy, which demonstrates our commitment to:

- Developing an ethos which respects and values all individuals equally
- Eliminating all forms of discrimination
- Ensuring there are no barriers based upon colour, culture, ethnicity, race, religion, disability, gender, sexuality or age which limit or discourage access to promotion, recruitment or training
- Ensuring that all aspects of employment avoid stereotyping based upon colour, culture, ethnicity, race, religion, disability, gender, sexuality or age



# Environment, Social and Governance continued

## Empowering people continued

### Equality and diversity continued

- Promoting good understanding of cultural, racial, ethnic and religious diversity, good race relations, disability, gender and age equality
- Taking positive action to encourage the development of a more diverse workforce

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

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

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

### Gender diversity

The table below shows the gender diversity of our workforce at the year end. The gender balance comparatives have been impacted by the integration of the acquisitions of DW Windsor and Sync EV. We have taken a number of steps in recent years to promote the retention of female talent, including improving maternity benefits and improving flexible working.

### Flexible working

We appreciate the importance of flexible working in the modern workplace and we empower our employees to work flexibly when possible. We have a stand-alone Flexible Working Policy and employees have a right to make an application from day one of their employment. This policy allows employees to request a change to the number of hours that they work, change the pattern of hours worked or perform some or all of the work from the employee's home. We also endorse hybrid working with our Homeworking Policy and, where circumstances allow, there is a minimum requirement of 40% office attendance with the remaining 60% being home working. We recognise we have a duty of care to employees working from home and we ensure that working from home risk assessments are performed in order to ensure our teams have the correct tools and environment to work comfortably.

	2022				2021			
	Male		Female		Male		Female	
Board	6	75%	2	25%	6	86%	1	14%
Senior management <sup>1</sup>	12	86%	2	14%	11	85%	2	15%
Direct reports <sup>2</sup>	72	81%	17	19%	53	75%	18	25%
Other employees	1,015	62%	629	38%	822	53%	729	47%
<b>Total</b>	<b>1,105</b>	<b>63%</b>	<b>650</b>	<b>37%</b>	<b>892</b>	<b>54%</b>	<b>750</b>	<b>46%</b>

1. Individuals reporting directly to the CEO or CFO.

2. Individuals reporting directly to senior management.



# Environment, Social and Governance continued

## Empowering people continued

### Employee involvement

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

### Employee engagement

A Group-wide employee engagement survey was conducted in the year. This covered all businesses, including those recently acquired.

The survey indicated that employees welcomed increased efforts to invest more in training and development and hoped that further progress could be made in this area. Employees also welcomed our flexible working policy introduced during the pandemic and retained in certain sites where operationally possible.

The survey highlighted understandable concerns regarding the impact of inflation on the cost of living. We have responded to this with salary increases for 2023 that are on average greater than the wider market, with the largest percentage increases given to the lowest paid. As the Group continues to expand, the survey has also highlighted a need to improve the definition and internal communication of our vision, culture and values. Employees also hoped that more could be done to improve diversity within the Group. This will be a key focus area for 2023.

### Remuneration arrangements

We ensure that our remuneration policies and practices are aligned to our purpose and values, support the delivery of the Group's strategy and promote long-term sustainable success. We regularly benchmark employee pay against the external market to ensure it is fair throughout the Group and we reward achievement with opportunity.

All UK employees are encouraged to participate in the Company's performance through our share incentive plan, helping them feel part of the business and allowing them to share in the Group's success.

### Learning and development

We know that high quality and sustained learning and development ("L&D") is crucial to the ongoing success of the business. We are also aware that with an increase in flexible working, it is all the more important that we maintain consistency in our training procedures, and this starts on day one of an individual's employment at Luceco. Within their first week of employment all staff receive a Company induction from their Human Resources Manager, Payroll Manager and a Health, Safety and Facilities Coordinator. This ensures the new team member feels comfortable in their environment and that they know we are available to help should they need assistance. We also recognise how important the line manager's role is in the induction process and we ensure that all line managers are trained in how to work with new starters, how to identify their initial needs and how to set clear goals and objectives.

Following induction, we continue to develop employees for the long term. Through our Annual Performance Review process, we do not just look to appraise performance in the year, we identify individual training needs and ensure specific personal development plans are in place to tailor to that team member's requirements.

Luceco has invested heavily in our L&D tools in recent years, partnering with Hays Thrive/Go 1 to introduce our first L&D platform, which is available to all employees. This platform covers compulsory training, such as "Anti-money Laundering" to ensure our teams have the knowledge they need to comply with all relevant laws and regulations, but also includes modules related to more personal development and growth. We are pleased with the continued success of this project in 2022, with 3,975 training modules completed by our employees during the year.

Importantly, the L&D platform covers learning regarding mental health and general wellbeing, which is something that we have sign-posted to our employees, especially in light of the pandemic. Our employees' health, happiness and wellbeing is paramount to us and we are pleased that this platform is providing further support.

# Environment, Social and Governance continued



## Working with integrity and transparency

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

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

### Health and safety

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

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

We continually monitor our health and safety performance to ensure compliance and to enable us to take any corrective action if issues are identified. During the year, there were 19 non-reportable accidents reported in our Telford facility (2021: 14) and, in China, two minor accidents were reported (2021: ten).

### Anti-bribery and Corruption Policy

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

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

### Whistleblowing

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

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

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

The Board routinely reviews the whistleblowing process and the reports arising from its operation, and ensures that arrangements are in place for the proportionate and independent investigation of such matters and for follow-up action. Matters raised during the year were all investigated and resolved satisfactorily.

# Environment, Social and Governance continued

## Working with integrity and transparency continued

### Human rights

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

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

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

The UK Modern Slavery Act 2015 requires us to outline the steps we take to identify and prevent modern slavery within our organisation and supply chain. The latest statement is available on our website: [www.lucecoplc.com](http://www.lucecoplc.com).

### Approach to taxation

We are committed to complying with all applicable tax laws; both in the UK and in all countries in which we operate. It is a core principle of the Group that deliberately failing to comply with tax law is unacceptable; our tax affairs are kept in good order and uncertainties are minimised. We have a low tolerance to tax risk, and we plan our taxes with reference to current relevant tax legislation. When entering into commercial transactions, where appropriate we seek to take advantage of available tax incentives, reliefs and exemptions, in line with local tax legislation, but we do not undertake tax planning unrelated to our commercial transactions. We apply the OECD transfer pricing guidelines to intercompany transactions so as to ensure the prohibition of tax avoidance through transfer pricing. We do not, and will not, have a presence in a country in which we are not commercially operating, simply to minimise the Group's global tax liabilities. External tax advisers prepare tax benchmarking analysis to support all Group transfer pricing arrangements.

### Supply chain

The Group wants to do business with partners who endorse our values and our social and environmental standards. We regard the application of our business principles as being of prime importance in deciding whether to enter into or to continue relationships with suppliers and contractors. Our Supplier Code of Conduct is designed to ensure that all of our business partners, suppliers and manufacturing meet our basic expectations of doing business related to legal requirements, ethical practices, human rights and environmental management.

These standards are based on well-respected and recognised international standards, including the International Labour Organisation, United Nations Universal Declaration of Human Rights and industry best practices.

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

### Communities

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

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

# Our Stakeholders

Strong relationships with all our stakeholders are vitally important for us to achieve long-term success and fulfil our purpose – to help people harness power sustainably in everyday life.

## Customers

Our customers are at the forefront of all business decisions, from product innovation and development to our superior customer service offering. They can be grouped into the following categories:

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

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

### Their material issues

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

### How we engage

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

### 2022 outcomes

- Sales growth of 19.9% since 2019
- 249 new products launched
- Increasing the proportion of deliveries made on time and in full

### Further information

- Strategy and KPIs section on pages 27 to 36



# Our Stakeholders continued

## Employees

Our people are the source of our competitive advantage. They win new business, take sales orders, develop and manufacture our products and ensure they are delivered to our customers on time. It is paramount to us that we look after our colleagues and recently we have focused on their mental wellbeing just as much as physical.

The Group employs 1,755 people worldwide, with the majority based in the UK and China.

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

### Their material issues

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

### How we engage

- Completion of annual Group-wide Employee Opinion Survey
- Annual visits by the Board to major Group locations
- Regular visits by the CEO/CFO to all Group locations, which include employee "town hall" meetings

- Regular visits by Julia Hendrickson, our Non-Executive Director responsible for employee engagement, to Group locations to consult with small groups of employees
- Creation of personal development plans for each employee
- Fair remuneration benchmarked against the external market
- Monthly employee newsletter
- Employee access to a whistleblowing helpline
- Monthly meetings with employee representatives to discuss health and safety matters

### 2022 outcomes

- Continuing to endorse hybrid working, together with frequent communication with our employees
- Our Learning & Development platform delivered 3,975 learning modules to our employees in the year

### Further information

- Empowering people section of Environment, Social and Governance on pages 55 to 57
- Workforce engagement section in Corporate Governance Report on page 85

## Suppliers

Strong supplier relationships are crucial in ensuring we can fulfil our customers' needs and provide a high level of customer service.

We have the following types of suppliers:

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

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

### Their material issues

- Long-term partnership
- Price
- Fair payment terms

### How we engage

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

### 2022 outcomes

- Adjusted Gross Margin of 36.0%
- Creditor days of 72

### Further information

- Strategy and KPIs section on pages 27 to 36

# Our Stakeholders continued

## Shareholders

We favour a transparent and open conversation with our shareholders and we have maintained this dialogue virtually throughout the pandemic.

The Group's largest shareholders are listed on page 130.

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

### Their material issues

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

### How we engage

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

### 2022 outcomes

- Strong shareholder engagement
- 59 investor meetings

### Further information

- [www.lucecoplc.com](http://www.lucecoplc.com)
- Shareholder engagement section in Corporate Governance Report on page 89

## Funding providers

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

The Group is currently funded by syndicated bank debt.

Engagement maximises access to sources of funding.

### Their material issues

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

### How we engage

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

### 2022 outcomes

- Covenant Net Debt to Covenant EBITDA ratio of 0.8 times in the period
- Bank facilities in place to at least September 2025

### Further information

- Financial instruments disclosures on pages 175 to 183
- Capital management notes on pages 183 and 184

# Our Stakeholders continued

## Local communities

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

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

### Their material issues

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

### How we engage

- The enlistment of c.1,750 jobs globally
- Compliant with various recognised environmental standards: ISO 14001, WWF LCMP, ESOS II
- Heavily involved in local university in Jiaying, establishing a "Luceco class"

### 2022 outcomes

- Tonnes of Scope 1 and 2 CO<sub>2</sub> per £m of revenue reduced by 16% over the period

### Further information

- Environment, Social and Governance on pages 37 to 59

## Section 172(1) Statement

The Directors confirm that they have acted in a way that they consider, in good faith, to be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have had regard, amongst other matters, to the matters set out in s172(1) of the Companies Act 2006 ("s172 Matters"). This statement, together with the examples on pages 60 to 63 and those sections of the Annual Report incorporated by cross reference, describe how the Directors have had regard for s172 Matters in respect of the year.

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

With regard to more Company-specific stakeholder groups, the Board has identified those key to the Company based on each group's potential to a) be impacted by the Company's activities, and/or b) have an impact on the Company's activities. These key stakeholders, as agreed by the Directors, are set out on pages 60 to 63, together with information about their material issues and methods of engagement.

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

As a result of these processes, the Directors have the necessary oversight of the Company's engagement with stakeholders to enable them to discharge their duty under s172(1) in the course of their decision-making. Moreover, the Board has concluded that the Company's key stakeholders set out on pages 60 to 63 are appropriate and that the methods of engagement for each are proportionate and effective. The Company's key stakeholders and methods of engagement will be kept under review and reported on each year in the Company's Annual Report.

# Principal Risks and Uncertainties

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

In addition to the risk management framework, the Board has delegated responsibility to the Audit Committee for reviewing the overall process of assessing business risks and managing the impact on the Group as described on pages 93 to 96. The Group's risk management process is set out below.

The principal risks identified and actions taken to minimise their potential impact are included on pages 66 to 71. This is not an exhaustive list but those the Board believes may have an adverse effect on the Group's cash flow and profitability.

In determining whether it is appropriate to adopt the going concern basis in the preparation of the financial statements, the Directors have considered these principal risks and uncertainties. The Viability Statement on pages 72 to 74 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.

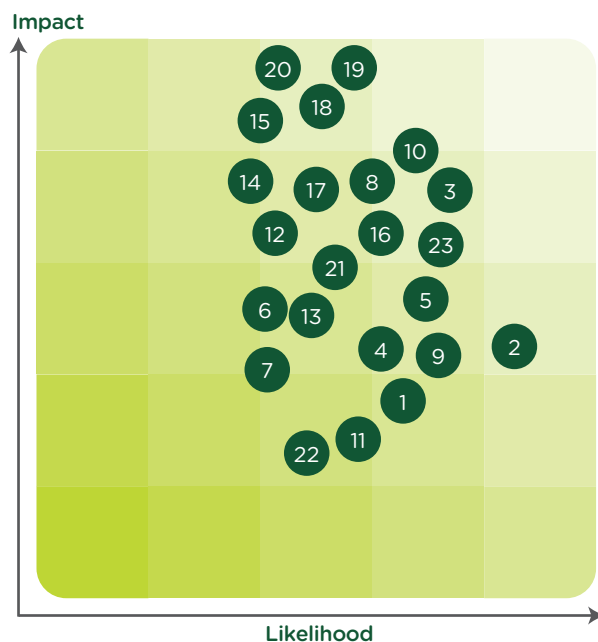


# Principal Risks and Uncertainties continued

## Risk management process continued



## Heatmap



1. China supply chain
2. Poor quality of supplied or shipped goods
3. Loss or inappropriate release of data
4. Transfer pricing
5. Talent
6. Laws and regulations
7. Intellectual property challenge
8. Foreign exchange
9. Misappropriation of Group assets by employee
10. Impact of acquisition
11. Energy costs
12. Increase in input costs

13. Accounting error - external or management reporting
14. Disruption to key supplier facility
15. Disruption to non-China facility
16. UK macroeconomy
17. Fail to innovate/market shift/Black Swan
18. Supply and transportation disruption
19. Loss of key customer
20. Disruption to production facility in China
21. Liquidity
22. Impact of coronavirus
23. Investor or customer pressure on ESG

# Principal Risks and Uncertainties continued

## Principal risks

### Concentration risks associated with operations:

Risk owner: CEO

#### Risk and impact:

- The Group's products are overwhelmingly sourced from one country (China) and a large proportion are made in one location (Jiaxing)
- Disruption to our Jiaxing facility could compromise our ability to serve our customers, including issues arising from a constrained global energy market
- 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

#### Mitigation:

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

#### Risk appetite:

Risk neutral

#### Change in year:



#### Net risk level:



# Principal Risks and Uncertainties continued

## Principal risks continued

### Concentration risks associated with customers and products:

Risk owner: CEO

#### Risk and impact:

- The Group has a number of key customers representing c.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 two to three months forward. Orders thereafter are uncommitted
- Geopolitical instability creates price changes and shortages of materials and the impact of inflation on input costs from energy and material costs impacting product cost and profitability
- A change in energy prices could increase the Group's operating costs, reduce profits and/or price competitiveness
- The Group has a material exposure to the purchase price of copper. An adverse move could reduce profits and/or price competitiveness

#### Mitigation:

- Key customers typically follow a tender process, providing visibility of business wins and losses
- Large customers typically take 6-12 months to implement a large range change throughout their networks, giving us time to react
- The cost of range changes for large customers is high, reducing the likelihood of occurrence
- Relationships with the Group's large customers are 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
- The Group has fixed price gas and electricity contracts covering a significant proportion of its energy use
- Application of the hedging policy is reviewed by the Board

#### Risk appetite:

Risk neutral

#### Change in year:



#### Net risk level:



# Principal Risks and Uncertainties continued

## Principal risks continued

### Macroeconomic, political and environmental:

Risk owner: CEO

#### Risk and impact:

- 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

#### Mitigation:

- 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

#### Risk appetite:

Risk accepting

#### Change in year:



#### Net risk level:



### Loss of IT/data:

Risk owner: CFO

#### Risk and impact:

- Loss of IT functionality would compromise operations, leading to increased costs or lost sales
- Loss of sensitive data from our IT environment would expose the Group to regulatory, legal or reputational risk
- Increased cloud server usage increases risk of data loss or compromise and cyber risk is on an upward trend, impacting operations and reputational risk

#### Mitigation:

- 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

#### Risk appetite:

Risk averse

#### Change in year:



#### Net risk level:





# Principal Risks and Uncertainties continued

## Principal risks continued

### Risks associated with the coronavirus:

Risk owner: CEO

#### Risk and impact:

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

#### Mitigation:

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

#### Risk appetite:

Risk accepting

#### Change in year:



#### Net risk level:



### People and labour shortages:

Risk owner: CFO

#### Risk and impact:

- 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 employees' and employers' work place expectations. A more fluid working environment in both the office and home is more commonplace. The risk of not adapting to this change in working practices could lead to loss of employees and an inability to attract talent

#### Mitigation:

- Key relationships are typically shared between more than one employee
- The Group's service offering is multi-faceted, reducing the risk that the loss of an employee would result in lost sales
- Retention of key employees is driven by long-term personal development and incentive plans and ensuring compensation is regularly benchmarked for competitiveness. These plans are reviewed by the Remuneration Committee
- Workforce engagement surveys ensure employee needs are identified and addressed, promoting retention
- Adoption of hybrid working practices within appropriate teams and locations

#### Risk appetite:

Risk neutral

#### Change in year:



#### Net risk level:



# Principal Risks and Uncertainties continued

## Principal risks continued

### Acquisitions:

Risk owner: CFO

#### Risk and impact:

- 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

#### Mitigation:

- Our acquisition strategy is set by the Board
- Board members possess relevant 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

#### Risk appetite:

Risk neutral

#### Change in year:



#### Net risk level:



### Legal and regulatory:

Risk owner: CFO

#### Risk and impact:

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

#### Mitigation:

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

#### Risk appetite:

Risk averse

#### Change in year:



#### Net risk level:



# Principal Risks and Uncertainties continued

## Principal risks continued

### Finance and treasury:

Risk owner: CFO

#### Risk and impact:

- 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

#### Mitigation:

- 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

#### Risk appetite:

Risk averse

#### Change in year:



#### Net risk level:



# Viability Statement

## Viability Statement – assessing long-term prospects

### Current position

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

## Strategy and business model

- Business model:
  - Design: we are the innovators within the product categories we serve. Innovation allows us to up-sell and improve profitability. Our designs, starting with the customer in mind, are brought to the market quickly
  - Make: we operate a vertically integrated business model with an agile production capability. We have invested in our facility to ensure we can make high quality, low cost products
  - Market: we have been serving our largest customers for many years. We operate in diverse but synergistic sales channels. We are investing in our online marketing and academy for customers and contractors
  - Fulfil: we have a supply chain which is flexible to customer needs and offer high outbound service levels using the best available technology
- Strategy:
  - Grow: to maximise sales of both existing and new products to an increasing customer base
  - Innovate: we are led by our customers to innovate brilliant products in an agile and entrepreneurial manner
  - Sustain: we invest across our business from manufacturing to customer service, to sustain our competitive advantage and to contribute increasingly to society's sustainability goals

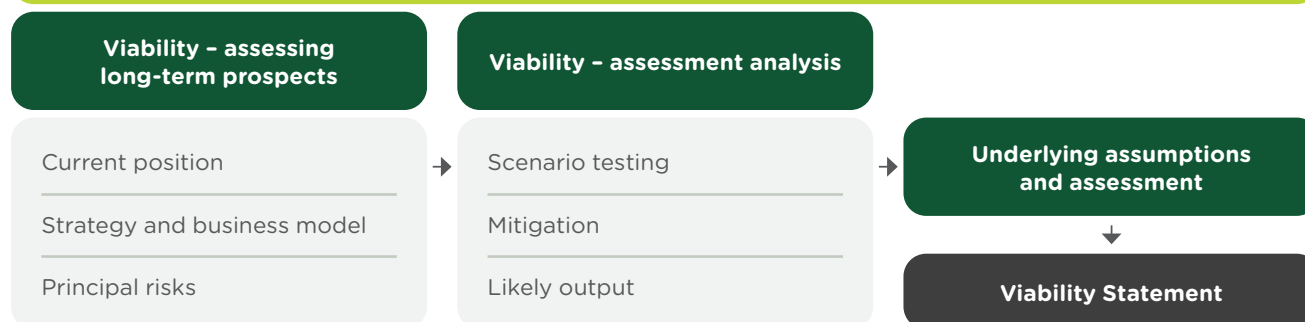
## Principal risks to strategy and business model (in order of impact on viability)

- **Macroeconomic, political and environmental**  
A UK macroeconomic downturn, due to higher living costs and global energy and material price increases, could adversely affect the demand for and pricing of our products. The Group is facing a changing ESG environment which impacts a number of stakeholders from customers to investors that could lead to loss in revenue and profitability – although currently this exposure is low
- **Concentration risks associated with operations**  
due to an event such as a fire, flood, power outage, or IT failure in China. Shipping and transportation disruption between the Group's end markets and its sources of product supply which are overwhelmingly in China
- **Concentration risks associated with customers and products**  
The loss of a key customer would result in a short-term shortfall in profit and cash whilst sales were replaced by growth elsewhere



# Viability Statement continued

## LUCECO PLC - VIABILITY STATEMENT APPROACH



## Viability Statement - assessment analysis

Principal risk	Scenario test	Likely output
<b>Macroeconomic, political and environmental</b>	<ul style="list-style-type: none"> <li>Management have modelled the following two scenarios in UK macroeconomic downturn:                             <ol style="list-style-type: none"> <li>Reduction in UK revenue and gross profit for 18 months from April 2023 of 10%. Phased return by 2023 with 2023 10% down reflecting the impact of the year one recession assumption</li> <li>Total loss of the Group's largest customer range from 2023 onwards</li> </ol> </li> </ul>	<ul style="list-style-type: none"> <li>Management have completed this scenario test and concluded this would not impact compliance with its financial covenants or viability</li> </ul>
<b>Concentration risks associated with operations</b>	<ul style="list-style-type: none"> <li>Management have run a scenario in which the Group loses all of its sales of products sourced from China for which no inventory buffer is held outside of China for six months whilst alternative sourcing arrangements are made</li> <li>Management have also modelled the impact of disruption to shipping and transport. This was modelled as a revenue reduction for three months relating to 50% of revenue (FOB revenue) with shipping costs up 20% for six months starting from Q2 2023</li> </ul>	<ul style="list-style-type: none"> <li>Management have completed this scenario test and concluded this would not impact compliance with its financial covenants or viability</li> </ul>
<b>Concentration risks associated with customers and products</b>	<ul style="list-style-type: none"> <li>Management have modelled the following scenario:                             <ul style="list-style-type: none"> <li>Total loss of the Group's largest customer from 2023 onwards</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Management have completed this scenario test and concluded this would not impact compliance with its financial covenants or viability</li> </ul>

# Viability Statement continued

## The Viability Statement is dependent on the following process and assumptions

### Process:

- The financial forecast on which the Viability Statement is based is aligned with the annual corporate plan for 2023 to 2025 approved by the Board in December 2022 with input from the Group's senior management team
- Progress against financial budgets and key objectives is reviewed on a monthly basis to determine progress and identify any changes to the original detailed plan

### Assumptions:

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

## The Viability Statement

- The Board considers that it is a reasonable expectation that the Company will be able to meet its liabilities as they fall due over a three-year period to 31 December 2025

This assessment has been chosen for the following reasons:

- A full assessment of prospects and assessment of viability has been completed
- The financial and strategic planning period is currently three years, which is the current level of visibility we have as a Board on the forecasts
- The Company has secured banking facilities over the period, expiring on 30 September 2025 with the option to extend by a further year

# Non-financial Information Statement

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

Reporting requirement	Where to read more in this report	Page
Environmental matters	Environment, Social and Governance Statement – Creating a sustainable future	38 to 54
Employees	Environment, Social and Governance Statement – Empowering people, health and safety Chief Executive Officer's Review Principal Risks and Uncertainties – People and labour shortages	55 to 58 10 to 13 69
Human rights	Environment, Social and Governance Statement – Supply chain, human rights	59
Social matters	Environment, Social and Governance Statement – Communities	59
Anti-bribery and corruption	Environment, Social and Governance Statement – Anti-bribery and Corruption Policy	58
Business model	Advantaged Business Model	24
Principal risks	Principal Risks and Uncertainties	64 to 71
Non-financial KPIs	Strategy and KPIs	27 to 36

The Strategic Report on pages 1 to 75 was approved by the Board of Directors on 20 March 2023.

**JOHN HORNBY**  
Chief Executive Officer

**MATT WEBB**  
Chief Financial Officer



# DIRECTORS' REPORT

## What's in this section

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- 80 Board of Directors
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- 90 Nomination Committee Report
- 93 Audit Committee Report
- 97 Remuneration Committee Report
- 127 Other Statutory Disclosures
- 132 Statement of Directors' Responsibilities





# Chair's Introduction



The Group's corporate governance structure is fundamental in ensuring we fulfil our purpose as a business and deliver on our long-term strategy

**GILES BRAND**

Chair

Dear Shareholder,

I am pleased to present the Corporate Governance Report for the year ended 31 December 2022 ("year"). This section of the Annual Report describes our corporate governance structures and processes and how they have been applied throughout the year.

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

## My role as Chair

My role is to ensure that the Luceco Board operates effectively in delivering the long-term success of the Company. In fulfilling this role, I seek to ensure that Board proceedings are conducted in a way that allows all Directors to have the opportunity to express their views openly and that, in particular, the Non-Executive Directors can provide constructive support and challenge to the senior management team. More about my role, and the roles of all the Directors and Committees, can be found on pages 81 to 83.

## The Board's ongoing response to COVID-19

All Board and Committee meetings following the lifting of COVID-19 related restrictions in January 2022 (with the exception of ad-hoc meetings) were held in person. The Board met eight times in 2022. The Board also acknowledges the advantage of virtual meetings, noting that the use of videoconference meetings in 2021 and 2020 did not hinder effective discussion and decision-making. Accordingly, the Board will continue to take advantage of both in person and virtual meetings, as deemed appropriate.

## Board changes and induction

On 19 January 2023, it was announced that Matt Webb, Luceco's Chief Financial Officer, is stepping down to pursue other opportunities after five years in the role. I would like to thank Matt for his outstanding contribution to Luceco's progress over the last five years, a period in which the Group has evolved into a strategically focused, highly profitable and well capitalised business. Will Hoy, formerly a Non-Executive Director of Luceco and Chair of the Audit Committee, assumed an Executive Director position from 1 March 2023 and will become the Chief Financial Officer on 1 April 2023. Will stepped down from his position as Chair of the Audit Committee on 19 January 2023 and was succeeded in the role by Non-Executive Director, Tim Surridge.

# Chair's Introduction continued

## Board changes and induction continued

In addition, following an extensive search process led by the Nomination Committee, the Board welcomed Julia Hendrickson as a Non-Executive Director in June 2022. She became a member of the Remuneration Committee and the Audit Committee in October 2022. I discuss Julia's appointment process in the Nomination Committee Report on page 91. It is my responsibility to ensure that new Directors are provided with a full and formal induction which is tailored to their individual requirements. The Company Secretary provided Julia with a formal induction in June which included introductory meetings with key Group personnel and the provision of a comprehensive Directors' induction pack outlining director duties and the governance structure of the Board and Committees.

## Board and Committee evaluation

As Chair I am also responsible for leading the annual evaluation of the effectiveness of the Board, Committees and individual Directors ("Evaluation"). The 2022 Evaluation was undertaken internally by way of a questionnaire, a method appropriate and proportionate to the Company, and which yields useful results. The 2022 Evaluation considered the composition, balance of skills, experience, knowledge, and collaboration on the Board, as well as other factors relevant to its effectiveness, including diversity. We also received and considered a number of suggestions regarding skills and expertise which could benefit the Board in respect of future appointments. Results of the Evaluation were anonymised by the Company Secretary and provided to me for analysis. I presented the findings to the Board, including individual recommendations made by Directors.

My performance was appraised by the independent Non-Executive Directors under the leadership of the Senior Independent Director. We discussed the outcomes and agreed that the Board, Committees and individual Directors were operating effectively, whilst also noting areas for development. The Evaluation also assisted us in identifying our key areas of focus for 2023, including developing:

- A strategy for diversification of our manufacturing
- The Company's growth strategy
- The Company's talent management process
- The Company's electric vehicle ("EV") offering

We also agreed our strategic priorities for 2023. These are set out in the Strategic Report on pages 1 to 75.

## The year ahead

The Board has made further progress this year in enhancing its governance arrangements, but we still strive to move forward. I am committed to continually monitoring and improving the governance of our Board and will continue to seek out ways to enhance our corporate governance in line with developing best practice, particularly with regard to enhanced diversity reporting and the governance framework around climate-related risks and opportunities.

## GILES BRAND

Chair

20 March 2023

# Compliance with the 2018 UK Corporate Governance Code

The Company is required to report on its compliance with the Principles and Provisions of the 2018 UK Corporate Governance Code ("Code"), a copy of which is available at [www.frc.org.uk](http://www.frc.org.uk). For the year ended 31 December 2022, the Board considers that it has complied in full with the Code's Principles and Provisions in a manner that would enable shareholders to evaluate how the principles have been applied, with the exception of Provisions 4, 9 and 19. Provision 4 states that when 20% or more of votes have been cast against the board recommendation for a resolution at the Annual General Meeting ("AGM"), an update on the views received from shareholders and actions taken should be published no later than six months after the shareholder meeting. At the AGM held on 12 May 2022, more than 20% of shareholders voted against a resolution that would have allowed the Company to disapply Rule 9 of the Takeover Code. The Company believes that being able to disapply Rule 9 is a prerequisite for the Company to be able to commence a share buyback programme. The Company published an update via RNS on 13 January 2023, which was eight months after the AGM, to allow time for appropriate engagement with shareholders. Provision 9 states that the Chair should be independent on appointment when assessed against the circumstances set out in Provision 10. Therefore, as a major shareholder, Giles Brand was not independent on appointment.

Provision 19 states that the Chair should not remain in post beyond nine years from the date of their first appointment to the Board. Giles was appointed as a Director of the Company in 2010 and then appointed Chair in 2016 when the Company listed on the London Stock Exchange. The Company's relationship with Giles Brand and ESO Investments 2 Limited (who together own 28% of the Company's voting rights) is governed by a relationship agreement which serves to regulate the relationship and deliver effective independence.

## Further information

### Board leadership and Company purpose

See pages 85 to 89

### Division of Directors' responsibilities

See page 83

### Composition, succession and evaluation

See pages 91 and 92

### Audit, risk and internal control

See pages 93 to 96

### Remuneration

See pages 97 to 126



# Board of Directors

The Board of Directors has overall responsibility for the Group. Its principal aim is to enhance the Company's long-term value for the benefit of shareholders.

## GILES BRAND

Non-Executive Chair

D N

### Skills and experience

Giles is the founder and Managing Partner of EPIC Investment Partners LLP, an independent investment manager, advisory and placement agent and administrator. Giles is a director of its subsidiary EPIC Investment Partners (UK) Limited, the investment manager of ESO Investments 2 Limited, the Company's largest shareholder. Since 2001, Giles has led over 30 buyout, turnaround, distressed and growth capital transactions. Many of these transactions have made multiple bolt-on acquisitions in the UK and overseas.

### Other roles

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

## JOHN HORNBY

Chief Executive Officer

D

### Skills and experience

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

### Other roles

John holds no other listed or non-listed directorships.

## MATT WEBB

Chief Financial Officer (until 31 March 2023)

D

### Skills and experience

Matt was appointed Chief Financial Officer in 2018 and will step down from the role on 31 March 2023. Matt joined from FTSE 100 listed multinational building materials distribution company Ferguson plc, where he most recently spent five years as Finance Director for its market-leading US Blended Branches business, based in the USA. Prior to that, Matt held other senior finance roles at Ferguson, including Group Financial Controller and Strategic Planning Manager, and at construction products manufacturer BPB plc. Matt qualified as a Chartered Accountant with KPMG LLP and holds a degree in Engineering Science from the University of Oxford.

### Other roles

Matt holds no other listed or non-listed directorships.



# Board of Directors continued

## WILL HOY

Executive Director, Chief Financial Officer from 1 April 2023

### Skills and experience

Will joined the Group as a Non-Executive Director in 2019 and was appointed as Chair of the Audit Committee in October 2021. He stepped down from his position as Chair of the Audit Committee on 19 January 2023 and became an Executive Director of the Group on 1 March 2023. Will assumes the position of Chief Financial Officer on 1 April 2023. Most recently, Will held the position of Chief Financial Officer for GKN Aerospace, the UK-headquartered global aerospace technology leader. He has held a number of senior finance roles in a career with GKN that spanned over 20 years, including nine years as Head of Corporate Finance in which he oversaw GKN's M&A activities. Prior to joining GKN, Will qualified as a Chartered Accountant at KPMG LLP and worked in its Corporate Finance department.

### Other roles

Will holds no other listed or non-listed directorships.

## PIM VERVAAT

Senior Independent Non-Executive Director

A N R

### Skills and experience

Pim joined the Board as Senior Independent Non-Executive Director in 2020 and became a member of the Audit Committee in October 2021, bringing extensive Board-level international manufacturing experience to the Group. Pim is Chief Executive Officer of the leading flexible packaging manufacturer Constantia Flexibles. Previously, he spent 12 years at RPC Group Plc, initially as Chief Financial Officer and then as Chief Executive Officer. Pim was also Chair of the Audit Committee and Senior Independent Director of Avon Rubber plc from March 2015 to January 2021.

### Other roles

Pim is Chief Executive Officer of Constantia Flexibles.

## CAROLINE BROWN

Independent Non-Executive Director

N R

### Skills and experience

Caroline joined the Board as an independent Non-Executive Director and was Chair of the Audit Committee from October 2016 to October 2021. She has managed divisions of FTSE 100 groups and AIM businesses with international industrial and technology operations and has worked as a corporate finance adviser with various leading banks. She is a Fellow of the Chartered Institute of Management Accountants and has chaired audit committees of listed companies for the past 20 years. She holds a degree and PhD in Natural Sciences from the University of Cambridge and an MBA from the University of London.

### Other roles

Caroline is currently a Non-Executive Director of two other listed companies: IP Group plc and WAG Payment Solutions plc.

# Board of Directors continued

## TIM SURRIDGE

Independent Non-Executive Director

A R

### Skills and experience

Tim joined the Group as an independent Non-Executive Director in 2016 and was appointed Chair of the Audit Committee on 19 January 2023. Previously, Tim has served as Group Chief Financial Officer at Olive Group Capital Limited, a Dubai-based security solution provider, and as Chief Financial Officer and an Executive Director at Dangote Cement plc, Nigeria's largest cement producer. Tim joined KPMG LLP UK in 1991 and became a partner in the firm's Transactional Services business in 2006. Tim has considerable accounting and advisory experience including stock market listings, reverse takeovers, management buyouts and acquisitions. Tim is a qualified Chartered Accountant.

### Other roles

Tim is currently a Principal at NM Capital.

## JULIA HENDRICKSON

Independent Non-Executive Director

A R

### Skills and experience

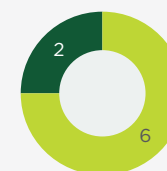
Julia joined the Group as a Non-Executive Director in June 2022 and became a member of the Audit Committee and Remuneration Committee from October 2022. Julia has spent her career in commercial leadership roles within large retail and FMCG organisations. She has extensive international experience in developing and implementing customer-focused commercial strategy, including within the e-commerce channel. Julia is Chief Executive Officer of Linnaeus, a leading veterinary health business in the UK and Republic of Ireland. Previously, she led the Commercial & Marketing function within the International Retail division of Walgreens Boots Alliance and was Managing Director of its European retail business.

### Other roles

Julia is Chief Executive Officer of Linnaeus.

## Board balance

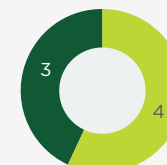
### Gender diversity<sup>1</sup>



■ Male  
■ Female

1. At the latest practicable date; from 1 April 2023 the gender diversity ratio will be five male and two female

### Independence<sup>1</sup>



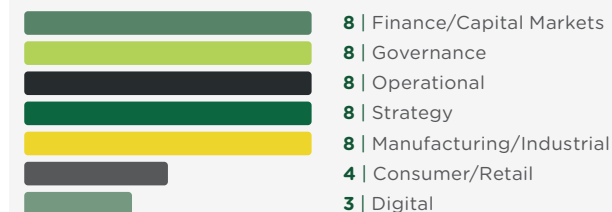
■ Independent Non-Executive Directors  
■ Executive Directors<sup>2</sup>

1. Excluding the Chair  
2. At the latest practicable date

### Ethnic diversity

100% White British or other White (including minority-white groups)

### Sector experience



# Corporate Governance Report

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

## Board division of responsibilities

### CHAIR

#### Giles Brand

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

### EXECUTIVE DIRECTORS

#### Chief Executive Officer ("CEO")

##### John Hornby

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

#### Chief Financial Officer ("CFO") until 31 March 2023

##### Matt Webb

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

#### Executive Director and CFO from 1 April 2023

##### Will Hoy

On 19 January 2023 it was announced that Matt Webb would step down as Chief Financial Officer on 31 March 2023 and would be succeeded as Chief Financial Officer by Will Hoy. Will assumed an Executive Director position on 1 March 2023 and will become Luceco's Chief Financial Officer on 1 April 2023.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

#### Senior Independent Director ("SID")

##### Pim Vervaat

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

#### Non-Executive Directors ("NEDs")

##### Caroline Brown, Tim Surridge, Julia Hendrickson

All of the NEDs are independent and contribute to the strategic direction of the Group, providing an independent sounding board to the Chair and Executive Directors. They have been appointed for their knowledge and expertise and provide healthy debate and challenge to the Executive Directors and senior management team. The independent NEDs are also members of the Board Committees, except for the Disclosure Committee, with responsibility for the oversight of audit, financial control and risk management, composition and remuneration of the Board. Julia Hendrickson joined the Board as a Non-Executive Director on 1 June 2022 and became a member of the Audit and Remuneration Committees from 1 October 2022. Julia took over the role of designated Non-executive Director for workforce engagement from 21 November 2022.

# Corporate Governance Report continued

## Board composition

At the time of this report, the Board comprises the Chair, three Executive Directors and four independent Non-Executive Directors ("NEDs"). From 1 April 2023, the Board will comprise the Chair, two Executive Directors and four independent NEDs.

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

The rules concerning the appointment and replacement of Directors are set out in the Company's Articles of Association and in the Companies Act 2006. There are no agreements between the Company and its Directors concerning any compensation for their loss of office that occurs because of a takeover bid.

## Re-election

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

The Directors' biographical details are set out on pages 80 to 82 of this Report. These demonstrate the wide range of skills and experience that they bring to the Board. The individual performance of each Director standing for re-election has been evaluated and it is recommended that shareholders vote in favour of their re-election at the AGM. Accordingly, resolutions to re-elect all Directors will be contained within the 2023 AGM Notice of Meeting, which will be sent to shareholders within the prescribed timescales.

## Time commitment

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

## Access to advice

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

## Matters reserved for the Board

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

## Committee responsibilities

The Board has formally delegated specific responsibilities for audit, risk management and financial control, public announcements, Board composition and remuneration to four standing Committees, namely the Audit Committee, Nomination Committee, Remuneration Committee and Disclosure Committee. Each Committee is chaired by the Chair or an independent NED, enabling them to take an active role in influencing, overseeing and challenging the work of the Executive Directors and senior management team.

Details of the Disclosure Committee are provided below; information on the composition, responsibilities and activities of the other Board Committees are set out in their respective reports on the following pages:

- Audit Committee pages 93 to 96
- Nomination Committee pages 90 to 92
- Remuneration Committee pages 97 to 126

The terms of reference of the Committees are reviewed annually.

## Disclosure Committee

The Board has delegated responsibility to the Disclosure Committee to oversee the Company's compliance with the FCA's Listing Rules and Disclosure Guidance and Transparency Rules, and the Market Abuse Regulation, in respect of the disclosure and control of inside information directly concerning the Company. The Committee meets as appropriate and met five times during the year. The Disclosure Committee is Chaired by Giles Brand and its other members are John Hornby and Matt Webb. Will Hoy will replace Matt Webb as member of the Disclosure Committee from 1 April 2023. Its terms of reference can be found on the Company's website.



# Corporate Governance Report continued

## Leadership and Company purpose

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

The Board has agreed the Company's purpose, as stated on page 1, and has satisfied itself through regular reports from, and discussions with, management that the culture promoted by the Board and by senior management supports this purpose.

## People and culture

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

More about the Company's approach to its people and culture can be found in the ESG section on pages 55 to 57.

## Workforce engagement

In accordance with the Code, the Board appointed Julia Hendrickson as the designated Non-Executive Director for workforce engagement, to take over this role from Tim Surridge from 21 November 2022. Julia recently held one face-to-face and two virtual group sessions with employees from across the business, representing a variety of functions and geographical locations. The feedback which arose from these sessions was broadly positive across all locations with employees expressing pride in the Company's achievements during 2022, appreciation of financial rewards received and positivity around hybrid working, which employees felt led to better productivity.

Feedback from the UK teams identified opportunities for further employee engagement on the direction of the business and greater focus on diversity. The team in China identified the potential for further training to develop employees' skills and recruitment of the right skill set to drive quality within the team.

The results of the annual employee engagement survey (discussed in the Environment, Social and Governance section on page 57 and the Remuneration Committee Report on page 98) were discussed by the Board, the findings of which were largely consistent with the feedback from Julia's sessions. In 2023, Julia will continue to engage with the workforce, through physical visits to both the UK and China operations where possible. The Board will continue to monitor the effectiveness of its methods of workforce engagement.

Further information on the Company's policies with regard to its people can be found within the Empowering people section of Environment, Social and Governance on pages 55 to 57.

## Whistleblowing and compliance

The Board is responsible for monitoring and periodically reviewing the Group's whistleblowing, anti-bribery and anti-fraud policies. The Board reviewed these during 2022 and satisfied itself that sufficient arrangements are in place to assist in the prevention of fraud and enable employees to report irregularities confidentially and allow appropriate investigation and follow-up action to be taken. The Board is also responsible for reviewing any whistleblowing reports.

## Wider stakeholder considerations

The Company's key stakeholder groups are set out in the Strategic Report on pages 60 to 63. Further information is included in the Section 172(1) Statement in the Strategic Report on page 63.

## Sustainability

Full details of the Company's sustainability strategy and performance with regard to sustainability are provided within the Creating a sustainable future section of Environment, Social and Governance on pages 38 to 54.

# Corporate Governance Report continued

## Board meetings

In advance of its meetings, the Board is provided with an agenda and all relevant documentation and financial information in a timely manner to assist it in the discharge of its duties and ensuring that decisions are well informed and made in the best interests of the Group. If any member is unable to attend a Board meeting, they have the opportunity to discuss any agenda items with the Chair before the meeting. Conflicts of interest are managed in accordance with the procedure described under "Directors' conflicts of interest" on page 129.

## Meeting attendance

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

Name	Board	Audit Committee	Nomination Committee	Remuneration Committee	Disclosure Committee
Giles Brand	8/8	n/a	2/2	n/a	5/5
John Hornby	8/8	n/a	n/a	n/a	5/5
Matt Webb	8/8	n/a	n/a	n/a	5/5
Caroline Brown	8/8	n/a	2/2	3/3	n/a
Will Hoy	8/8	3/3	n/a	n/a	n/a
Tim Surridge	8/8	3/3	n/a	3/3	n/a
Pim Vervaat	8/8	3/3	2/2	3/3	n/a
Julia Hendrickson <sup>1</sup>	4/4	1/1	n/a	1/1	n/a

1. Julia Hendrickson was appointed to the Board as at 1 June 2022 and became a member of the Audit and Remuneration Committees in October 2022.

## Board activity

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

# Corporate Governance Report continued

## Board activity continued

### Strategy

- Regularly considered the potential impact of COVID-19 on the Group's operations and actions taken and proposed by management in response
- Regularly received and discussed strategic updates, proposals and reviews from the Executive Directors and senior management; supported the development of strategy through individual insights and robust challenge
- Received and discussed updates on performance and strategy from the managers of DW Windsor and the Group's operations in Spain, Mexico and Dubai
- Received and discussed a presentation from the Asia Managing Director regarding progress on the transformation of the Group's Chinese factory and improvements to its working culture
- Considered the Group's IT information systems infrastructure and the importance of shifting towards a global IT team to allow for global metrics and knowledge sharing
- Approved the acquisition of Sync EV in March 2022
- Continued to develop the Company's Environment, Social and Governance strategy
- Reviewed the Group's climate strategy and TCFD Compliance Report and discussed the status of the 2022 ESG objectives and future objectives
- Received the outcome of market research and customer surveys conducted with professional installers of the Group's products
- Received an update on work completed to develop the Group's manufacturing diversification strategy

### Internal control and risk management

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

### Financial

- Considered the financial performance of the Group and key performance targets, including a review of the monthly management accounts at each Board meeting
- Monitored performance through regular presentations from the CFO
- Approved the Annual Report, half-year and annual results announcements and analyst presentations
- Approved the implementation of an interest rate hedging policy whereby 60-80% of floating rate interest would be transferred into fixed rates on a rolling three-year basis
- Approved the use of a new tax incentive in China
- Approved the Group's financing arrangements
- Approved the 2023 budget and three-year plan
- Reviewed and challenged management's going concern assessment

# Corporate Governance Report continued

## Board activity continued

### Culture, people and stakeholders

- Discussed the results of the 2022 annual employee engagement survey carried out in the UK and progress made as a result of actions taken in response to the 2021 survey
- Received an update on employee engagement meetings from the designated Non-Executive Director for workforce engagement; discussed findings in conjunction with survey results
- Reviewed and approved the Group's Whistleblowing ("Speak Up") Policy and oversaw its effectiveness

### Corporate governance

- Discussed the outcome of the Evaluation of Board Effectiveness and agreed actions for 2023, including a number of suggestions with regard to skills and experience that would enhance the Board as a whole, including M&A experience, diversity, senior management succession planning and developing the Company's digital and e-commerce offering
- Considered feedback from brokers and analysts as relevant throughout the year
- Received regular updates on legal and governance developments affecting the Company, including new diversity and inclusion targets
- Reviewed and established science based targets in line with requirements set out by the Science Based Targets initiative, relating to reduction of carbon emissions
- Appointed Julia Hendrickson as a Non-Executive Director and a member of the Audit Committee and Remuneration Committee
- Reviewed and approved the Company's Share Dealing Code
- Reviewed and approved the Company's Anti-bribery Policy and Anti-corruption Policy
- Reviewed and approved the Company's Related Party Transaction Policy
- Reviewed and approved the Company's Diversity & Inclusion Policy



# Corporate Governance Report continued

## COVID-19 and consideration of stakeholders

During 2022 the Board monitored the financial health of the Company and any residual impact on stakeholders arising from the coronavirus pandemic. The Board heard regular updates from Executive Directors and it was determined that no extraordinary measures were required during the year. Visits to China have begun more frequently in early 2023 and the China coronavirus risk has lowered.

## Shareholder engagement

The Board, led by the Chair, is committed to maintaining an open and constructive dialogue with shareholders, to ensure there is a common understanding of the strategic objectives, governance and performance of the Group. The CEO and the CFO undertake investor roadshows following the release of financial results, with the presentations made available on the Company's website. Any feedback gained from a roadshow is reported to the Board, to enable Directors to understand the views of shareholders. Where appropriate, the Company consults with shareholders on significant issues. During 2022, major shareholders were offered the opportunity to meet the Chair, CEO and CFO virtually to discuss Luceco's strategy and governance arrangements. In addition, the Company has appointed financial public relations advisers and corporate brokers to gather investor and analyst feedback, which is presented to and reviewed by the Board.

Following the lifting of the UK Government's prohibition on non-essential travel and public gatherings, the Company was able to convene its 2022 AGM in person, enabling shareholders the opportunity to meet and directly engage with the Directors.

## Shareholder engagement following the 2022 AGM

At the Company's 2022 AGM, the resolution to approve the Rule 9 Waiver (Resolution 20) failed to pass, with 29.9% of participating independent shareholders voting in favour.

In accordance with the Code, throughout 2022 and ahead of the 2022 AGM, the Company engaged with its shareholders to understand their views, the majority of whom were supportive of the rationale for permitting the Company to buy back shares as proposed. The approval of the Rule 9 waiver under Resolution 20 is a prerequisite for the Company to be able to commence a share buyback programme and, therefore, the Board believes it to be in the best interests of the Company and the Non-Concert Party Shareholders as a whole to approve the Rule 9 waiver resolution. Per the Notice of AGM, the members of the Concert Party were not entitled to vote on the Resolution.

The Board was naturally disappointed in the failure to pass the resolution by a majority of votes cast by the independent shareholders of the Company. After the AGM the Company sought to engage with key investors to ensure it fully understood the reasons for their vote against the proposal and to continue a transparent and constructive dialogue on this topic. The Company published an update via RNS on 13 January 2023, which was eight months after the AGM, to allow time for appropriate engagement with shareholders.

The Board continues to consider that the ability for the Company to buy back shares is in the best interests of all shareholders. Following discussions with major shareholders who had not supported the Resolution to understand the reasons for their vote against the proposal, the Board intends (subject to approval by the Takeover Panel) to propose a Rule 9 waiver resolution at the 2023 AGM, limiting the Concert Party's interest in shares (if the Company were to repurchase from persons other than members of the Concert Party all

the ordinary shares for which it is seeking authority and assuming no other allotments of ordinary shares) to 49.99% of the issued share capital of the Company. The Company will continue to engage as appropriate with those shareholders regarding their views in this area.

## Annual General Meeting

The 2023 AGM will take place at Numis Securities, 45 Gresham Street, London EC2V 7BF on Wednesday, 10 May 2023. The AGM is the principal forum for dialogue with shareholders and usually includes a presentation outlining recent developments in the business, followed by a question-and-answer session to enable shareholders to ask about specific areas or the business in general. It is intended that the AGM will take place in person. Shareholders intending to attend the AGM are asked to register their intention as soon as practicable by emailing the Company Secretary at [luceco@linkgroup.co.uk](mailto:luceco@linkgroup.co.uk). Shareholders are strongly encouraged to register their proxy votes online. Shareholders may also wish to send their questions for the Board via email to [luceco@linkgroup.co.uk](mailto:luceco@linkgroup.co.uk) in advance of the meeting. Further details will be included in the Notice of AGM, which will be sent to shareholders within the prescribed timescales.

## GILES BRAND

Chair

20 March 2023

# Nomination Committee Report



Ensuring we have a broad range of skills, experience and diversity, particularly at Board and senior management level, is key to ensuring our teams are well equipped to meet the evolving needs of the business

**GILES BRAND**

Nomination Committee Chair

**Chair: Giles Brand**

Other members: Caroline Brown and Pim Vervaat

## Key responsibilities

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

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

The Committee's terms of reference are available on the Company's website. Committee meeting attendance is set out on page 86.

Dear Shareholder,

I am pleased to present the report of the Nomination Committee ("Committee"), which details the role of the Nomination Committee, the work it has undertaken, and the matters considered during the year ended 31 December 2022. The role of the Nomination Committee is vital to ensuring that the Company has a strong Board with a broad range of skills, experience and diversity, and we have made excellent progress during the year, having welcomed Julia Hendrickson to the Board as a Non-Executive Director in June 2022.

## Board Diversity & Inclusion Policy

The Board Diversity & Inclusion Policy ("Policy") was reviewed by the Committee in December 2022, with recommended updates approved by the Board. As part of Board discussions, recognition was given to the importance and benefits of greater diversity, including social and professional background, cognitive and personal strengths, sexual orientation, disability status, gender and ethnicity throughout the organisation, including on the Board itself. The Board is committed to ensuring that recruitment and promotion of individuals at Board and senior management level is based on merit and objective criteria and that, within this context, each candidate is judged on their unique combination of skills, knowledge and experience, as well as their social and professional background, cognitive and personal strengths, sexual orientation, disability status, gender and ethnicity. The Committee reviews the effectiveness of this Diversity & Inclusion Policy annually and recommends any required amendments to the Board for approval.

# Nomination Committee Report continued

## Board Diversity & Inclusion Policy continued

The Board welcomes the recent changes to the Listing Rules which build on the recommendations from the Hampton-Alexander Review on gender diversity on boards and the Parker Review regarding ethnic representation on boards. The UK Listing Rules require listed companies with financial years beginning on or after 1 April 2022 to disclose annually their position against the following board diversity targets:

- At least 40% of women on the board
- At least one woman in the position of the Chair, Senior Independent Director, Chief Executive or Chief Financial Officer
- At least one director from an ethnic minority background

The Company will fully report against the diversity targets in the prescribed format under the Listing Rules in the Company's 2023 Annual Report.

During its review of the Policy in December 2022, the Nomination Committee recommended changes to the Policy to bring it in line with the wording in the Listing Rules and to include new diversity targets ("Targets"), which the Board approved at its meeting on 13 December 2022. The Targets aim to bring the Board in line with the requirement to have at least 40% female Directors on the Board by 2024, to have at least one ethnic minority Director on the Board by 2025 and to have at least one woman in any of the senior positions above by 2030. It is recognised that periods of change in Board composition may result in temporary periods when this balance is not achieved, however the Committee feels that these Targets are realistic and achievable within these timeframes.

## Gender balance of senior management and direct reports

The gender balance of the Board, senior management and direct reports is included in the Environment, Social and Governance Report on page 56.

## Resignations and appointments

In 2022 the Committee continued to focus on strengthening the mix of skills, diversity and experience on the Board, particularly with a view to enhancing the Board's expertise in mergers and acquisitions, climate change, data science and digital marketing and sales channels, to meet the evolving needs of the business and to ensure that the Board is well equipped to meet the current and future needs of the Group. To this end, the Committee commenced a search for an additional Non-Executive Director in early 2022 and Julia Hendrickson was appointed to the Board with effect from 1 June 2022. Julia brings to the Board extensive international experience in developing and implementing customer-focused commercial strategy, including within the e-commerce channel.

On 19 January 2023, it was announced that Matt Webb, Luceco's Chief Financial Officer, is stepping down to pursue other opportunities after five years in the role. Will Hoy, formerly a Non-Executive Director of Luceco and Chair of the Audit Committee, assumed an Executive Director position from 1 March 2023 and will become the Chief Financial Officer on 1 April 2023. Will stepped down from his position as Chair of the Audit Committee on 19 January 2023 and was succeeded in the role by Non-Executive Director, Tim Surridge.

## Board composition

Each year the Committee formally reviews the size, composition and capabilities of the Board, including its diversity, as part of the annual Evaluation of Board Effectiveness. The Committee concluded in the 2022 Evaluation that the Board had an appropriate mix of skills and experience to provide strong and effective leadership, noting that this was being strengthened through ongoing succession planning. The standing Board Committees were also considered, and it was agreed that the composition of each was appropriate and balanced. Informed by this review and ongoing monitoring, the Committee will continue to oversee the refreshment of the Board and Committees and to maintain an appropriate balance of skills, commercial expertise and diversity to satisfy the evolving needs of the Group. The Board and the Nomination Committee have spent a significant amount of time considering Board succession during the course of the year to ensure that the Board has the right mix of skills and experience, as well as the capability to provide effective challenge and promote diversity.

# Nomination Committee Report continued

## Succession planning

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

The Committee also oversees the development of a diverse pipeline of potential Directors and senior managers. This is supported by the Group's Equality and Diversity Policy, described on page 55, which ensures that all employees, regardless of gender, ethnicity, age or other factors, are provided with the opportunity to progress within the organisation, supported by an inclusive culture underpinned by fair and equitable practices and procedures. The Committee believes that this is an appropriate and balanced approach to facilitating the development of a diverse pipeline.

All Non-Executive Directors are appointed for initial terms of three years and may be terminated by either party upon one month's notice or by shareholder vote at the AGM. The Non-Executive Directors do not have any entitlement to compensation (or payment in lieu of notice) if they are not re-elected by shareholders following any retirement.

Full details of the remuneration of the Non-Executive Directors can be found on pages 114 to 116 of this document in the Directors' Remuneration Report.

## Annual evaluation of the Nomination Committee

As part of the Evaluation of Board Effectiveness conducted during 2022, the Committee undertook an evaluation of its own effectiveness and having considered the structure, size and composition of the Board and its Committees as well as reviewing its terms of reference, to which no changes were proposed, concluded that it was operating effectively. Details of the full Evaluation of Board Effectiveness, including how it was conducted and the actions taken as a result, can be found on page 78.

## Directors' performance

The Directors' biographies are set out on pages 80 to 82. The Committee has considered the performance of each Director and concluded that they continue to demonstrate the necessary knowledge and commitment to contribute effectively to the Board.

## Priorities for 2023

During the forthcoming year, the Committee will continue to focus on strengthening the mix of skills, diversity and experience on the Board, particularly with a view to enhancing the Board's diversity and expertise in mergers and acquisitions, climate change, data science and digital marketing and sales channels. The Committee will also undertake an in-depth review of the diversity, development and pipeline of the talent pool below Executive Director level to meet the evolving needs of the business.

## GILES BRAND

Nomination Committee Chair  
20 March 2023

# Audit Committee Report



In 2022, the Committee received updates on the Group's rolling programme on internal control reviews and its preparations for planned UK corporate governance reform

**TIM SURRIDGE**  
Audit Committee Chair

## Chair: Tim Surridge

Other members: Pim Vervaat and Julia Hendrickson  
Julia Hendrickson became a member of the Audit Committee on 1 October 2022. Will Hoy was a member and Chair of the Audit Committee until 19 January 2023<sup>1</sup>.

## Key responsibilities

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

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

The Committee's terms of reference are available on the Company's website. Committee meeting attendance is set out on page 86.

Dear Shareholder,

I am pleased to present the report of the Audit Committee ("Committee") for the year ended 31 December 2022. During the year, the Committee continued to challenge and support management throughout its response to the coronavirus pandemic and closely monitored the Group's position in light of the situation. The Committee also continued to oversee and assess the enhancement of internal controls across the Group and the development of the Group's Finance Manual.

I would like to thank the finance team members and our external assurance providers for their dedication and work under challenging conditions during the last year. I would also like to welcome Julia Hendrickson who joined the Committee in October 2022, and who brings extensive commercial leadership experience with a background in international, large retail and Fast-Moving Consumer Goods sectors.

We continue to make progress in strengthening the controls environment and the quality of our reporting.

## Significant issues

The significant issues that were considered by the Committee in 2022 and early 2023 are set out below. These were addressed through reporting from, and discussion with, the Chief Executive Officer, Chief Financial Officer and the auditor, all of whom are regular Committee meeting attendees. KPMG LLP has set out its audit approach and the work it performed to satisfy its audit requirements in these areas in its independent Auditor's Report on pages 133 to 140.

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



# Audit Committee Report continued

## Significant issues continued

### COVID-19

The Committee continued to review management's response to the coronavirus pandemic, including its impact on accounting judgements, financial reporting, controls and going concern and it remained a key agenda item during 2022. It was encouraging that the impact of the coronavirus pandemic on the Company eased significantly throughout the course of the year, and any residual impact has now subsided.

### Other matters

Other matters discussed by the Committee during the year included:

- Consideration of forecasts against available bank facilities as part of the viability and going concern reviews
- Focus on stress testing climate-related risks, noting the requirements of the Task Force on Climate-related Financial Disclosures ("TCFD") as part of the viability and going concern reviews
- The integration of recently acquired businesses
- Inventory valuation in terms of any obsolescence risk arising from increased stock levels, and the impact of rising input prices on stock cost
- Receivables valuation and customer creditworthiness
- The application of the Company's dividend policy
- The carrying value of intangible assets, including those arising on acquisition
- Finalisation of the fair value of DW Windsor
- Consideration of an audit and assurance policy in response to the BEIS consultation on corporate governance reform

- Deferred tax and transfer pricing
- The application of the Whistleblowing "Speak Up" Policy and improvements including enabling online access to the policy
- Rollout of a new cyber security policy and online training, in addition to an anti-bribery training module
- The Group's use of alternative performance measures, which are included alongside IFRS measures to provide the users of the financial statements with a better-informed view of the Group's performance
- Annual review of the Company's requirement for an internal audit function

### Financial statements

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

- Inventory valuation
- Acquisition accounting
- Impairment of goodwill
- Valuation of intangibles on acquisition of Sync EV
- Recoverability of intra-group debt
- Going concern disclosure quality
- Transfer pricing relating to overseas subsidiaries
- Revenue recognition
- Management override of controls

The Committee confirms that it is satisfied that the presentation of the financial statements for the year ended 31 December 2022 is appropriate and in accordance with the Group's accounting policies.

## Going concern

In preparation for publication of the 2022 Annual Report, the Committee and Board conducted a comprehensive review of the Company's 12-month going concern position in March 2023. Management considered the 12-month assessment of going concern, together with sensitivity analysis results covering the period December 2023 to December 2025 with respect to the viability statement. The full Board discussed the results in detail, including: practicalities of the sensitivity testing process; the rationale behind the choice of risks subject to sensitivity testing and the treatment of one-off versus recurring risks.

### Internal controls

The Group conducts a rolling programme of internal control reviews across its worldwide operations. The scope of the programme is approved by the Committee each year. This year's programme included a review of the Company's newly acquired business, DW Windsor, by Group Finance personnel. The Committee discussed actions arising from the review in the areas of inventory reporting, accounts payable and receivable and health and safety training. PwC undertook a detailed third-party verification of controls effectiveness at the Group's Chinese operations in 2022, following a similar review conducted in 2020. PwC's review determined that financial controls were functioning well overall but identified some opportunities for improvement within supply chain management, quality assurance and the purchasing process. The Committee also assessed the findings of a review, undertaken internally, of internal controls across the Group, and agreed further reviews to be undertaken in 2023.

# Audit Committee Report continued

## Significant issues continued

### Internal controls continued

During the year, PwC also conducted independent verification of the effectiveness of controls at the Group's operations in the UAE. Whilst controls were considered appropriate given the size and scale of the business, PwC recommended that approvals which required independent review be revisited to identify potential enhancements to sign-off protocols in critical areas. PwC further recommended that a review be performed to ensure controls are sufficiently localised and take account of local laws and regulations.

### Governance

The Committee discussed the reporting requirements of the Task Force on Climate-related Financial Disclosures ("TCFD") recommendations on corporate reporting and further engaged with management on preparation for the expected introduction of legislation by the UK Government's Corporate Governance and Audit Reform proposals. The Committee also considered specific outcomes from the BEIS consultation on corporate governance reform, such as the requirement to publish an audit and assurance policy and undertook preparatory work in advance of a timetable for adoption being set.

### Internal financial controls and risk management systems

The Board is responsible for the Group's risk management framework and the Committee has been delegated responsibility for reviewing the overall process of assessing business risks and managing the impact on the Group. The Board retains overall responsibility for the level of risk the Group is willing to take and for allocating sufficient resource to the management of business risk. The risk management process is detailed on pages 64 and 65.

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

- Regular review meetings of various groups, including business functions, senior management, sub-committees and the Board, to discuss key issues
- A detailed business planning process, combining top-down and bottom-up approaches, with outputs reviewed by the Directors
- A system of financial controls, including preventative controls and a review process
- Ongoing dialogue with Directors, including financial reports and trading updates
- Conducting root and branch reviews of internal control systems at companies targeted for acquisition as part of the due diligence process

The Committee, on behalf of the Board, has reviewed the effectiveness of the internal control systems and risk management processes in place during the year, taking account of any material developments since the year end. The Group's rolling programme of internal controls reviews are conducted using a standardised risk-based testing approach introduced in the year.

A new KPI dashboard of financial and non-financial KPIs was completed during the year and a draft audit and assurance policy document had been produced.

Further progress was made in 2022 including enhancements to the Whistleblowing Policy, with introduction of a QR code for online access, translation into Chinese and updates to the cyber security, anti-money laundering and anti-bribery policies with associated training programmes rolled out to employees.

## Review of half and full-year financial results

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

Throughout the year the Committee ensured that the impact of COVID-19 was adequately explained in the Group's published financial statements.

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

## Principal risks and uncertainties

The Committee has considered the impact of risk associated with coronavirus, concentration risks associated with operations, concentration risk associated with customers and products (including product and shipping cost inflation), macroeconomic and political and environmental risk, loss of IT/data, loss of key employees, acquisitions, legal and regulatory and finance and treasury risk.

The principal risks and uncertainties of the Group and their mitigation are included on pages 66 to 71. The crystallisation of these risks has been considered in the Viability Statement on pages 72 to 74 and going concern assessment on page 147.

# Audit Committee Report continued

## External auditor

In accordance with Articles 17 and 41 of the Regulation (EU) No 537/2014 we are required to tender the statutory audit before the end of the 2026 financial year, being ten years from when Luceco PLC was first listed. The Board's current intention is to tender the audit during 2024 and seek approval for the preferred candidate at the Company's 2025 AGM. The Board chose not to run a tender process sooner, because in 2023, we now have a new CFO, new Audit Committee Chair and due to rotation within KPMG a new Senior Statutory Auditor.

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

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

The Committee has considered and approved the terms of engagement and fees of the external auditor for the year ended 31 December 2022. Audit fees payable by the Group to KPMG LLP in 2022 totalled £0.6m (2021: £0.5m). There were no contingent fee arrangements. The Committee reviewed the level of non-audit services and fees provided by KPMG LLP; in respect of the year ended 31 December 2022, these were £0.1m (2021: £0.1m) and related to the 2022 Interim Review and covenant confirmation. The Committee determined that KPMG LLP were best placed to undertake this work in view of their deep knowledge of the Group's global operations. The ratio of non-audit fees to audit fees for the year was 1:7 (2021: 1:7).

The Committee has agreed that this does not pose a threat to the auditor's independence, taking into account the absolute level of fees incurred by the Company in relation to KPMG LLP's revenues as a whole.

The Committee oversees the Group's relationship with its external auditor and makes recommendations to the Board concerning the appointment, re-appointment and remuneration of the auditor. The Committee reviewed the effectiveness and quality of the external audit process by reviewing the audit plan, including how the audit of the Chinese operations was to be performed given ongoing travel restrictions, monitoring changes in response to the new issues and changing circumstances, receiving reports on the results of the audit work performed and questioning the auditor about their findings.

## Internal audit

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

## Climate-related financial disclosures

Throughout the year, the Committee considered the TCFD recommendations on corporate reporting in the context of the Company's operations and reviewed the Company's sustainability strategy. The Company's TCFD disclosures are set out on pages 38 to 53.

## Annual evaluation of the Audit Committee

As part of the Evaluation of Board Effectiveness conducted during 2022, the Committee undertook an evaluation of its own effectiveness and concluded that it was operating effectively. The Board has satisfied itself that Tim Surridge, Pim Vervaat and Julia Hendrickson have recent and relevant financial experience and that the Committee as a whole has competence relevant to the sectors in which the Company operates.

## Priorities for 2023

During the forthcoming year, the Committee will continue to support and challenge management through the evolution of the Group's internal controls framework, including continued integration of the DW Windsor finance team and updating training across the Group in respect of key policy areas. The Committee will also continue to bring increased focus to the risks associated with climate change and the impact of such risks on the financial statements through the TCFD reporting requirements and will further consider the additional requirements expected from the BEIS Corporate Governance and Audit Reform proposals, including the introduction of an Audit and Assurance Policy.

## TIM SURRIDGE

Audit Committee Chair

20 March 2023

# Remuneration Committee Report



Our approach to remuneration continues to incentivise management to drive long-term sustainable performance for shareholders

## TIM SURRIDGE

Remuneration Committee Chair

### Chair: Tim Surridge

Other members: Caroline Brown, Pim Vervaat and Julia Hendrickson

Julia Hendrickson became a member of the Remuneration Committee on 1 October 2022<sup>1</sup>.

Dear Shareholder,

On behalf of the Board, I am pleased to present the Remuneration Committee's report on remuneration for the year ended 31 December 2022.

Although the Group has made significant progress in recent years, trading performance in 2022 was held back by the temporary destocking of our major distributor customers. This temporary trend combined with some softening of the buoyant demand seen throughout the pandemic left profit in 2022 lower than 2021 and below the incentive targets set. However, management have been successful in meeting their cash flow targets, where diligent working capital management, combined with the slowdown in activity versus 2021, created a record cash inflow in 2022.

This year has also generated some key operational and strategic highlights. The integration of DW Windsor is going well, albeit this has caused a short-term reduction in profitability, and plans are in place to use wider Group resources to improve the business's product range in order to gain share in the street lighting market. In addition, the acquisition of Sync EV in 2022 has enabled the business to obtain a foothold in the EV charger market. Furthermore, Kingfisher Lighting, acquired in 2017, has had an outstanding year supported by the Group's experience in designing and manufacturing low cost, high quality products.

1. The Chair of the Board and other Board members also attend Committee meetings at the invitation of the Remuneration Committee Chair.

The Group has also made continued progress against its sustainability agenda and has committed to the Science Based Targets initiative as planned. Operations remain carbon neutral in the year and the business remains on track to meet its previously announced target of £100m low carbon sales by 2025.

### 2023 Directors' Remuneration Policy review

Luceco last sought shareholder approval for its Directors' Remuneration Policy at the AGM in 2020 and therefore, in accordance with the remuneration reporting regulations, is required to seek shareholder approval for its Policy at the AGM in 2023. In light of this, the Committee undertook a review of the Policy during the year. The Committee concluded that the overall framework – based on an annual bonus plan plus a performance share plan – remains appropriate to continue to incentivise management to drive long-term sustainable performance for shareholders. As such, no significant changes are proposed to the Policy.

### Remuneration paid for 2022

The significant step forward the Group made in 2021 has made for a challenging set of comparatives in 2022. That said, even against this challenging backdrop, management have been able to make good strategic progress in the year and are well positioned to generate sustained, profitable growth as we look ahead.

The annual bonus targets for 2022 were based on Adjusted Profit After Tax, Adjusted Free Cash Flow and individual strategic objectives, including measures linked to our ESG strategy.

# Remuneration Committee Report continued

## Remuneration paid for 2022 continued

Adjusted Profit After Tax performance was £17.2m, and Adjusted Free Cash Flow was £30.7m. Adjusted Profit After Tax was below the target set, due to customer destocking creating a temporary unforeseen headwind. Adjusted Free Cash Flow exceeded the maximum target set, driven by diligent working capital management in the year. The CEO and CFO both performed strongly during the year and delivered good progress against their individual strategic objectives in challenging market circumstances (further details are set out on page 118). The Committee determined that the CEO would receive a payment of 5% out of a maximum of 20% for his performance objectives and that the CFO would receive a payment of 10% out of a maximum of 20% for his performance objectives. The overall bonus payable to the CEO is therefore 55% of maximum and the overall bonus payable to the CFO is 60% of maximum. The Committee believes that this level of bonus is appropriate, recognising the strong cash performance during the year and the strategic progress of the business.

## Strategic performance

- **Adjusted Profit After Tax £17.2m** (2021: £31.2m)
- **Adjusted Free Cash Flow £30.7m** (2021: £18.8m)
- **Adjusted EPS 3-year CAGR 13.0%** (2021: 91.0%)
- **TSR 3-year performance<sup>1</sup> -16%** (2021: 965%)

1. TSR performance for 2022 has been calculated over the three-year period between 1 January 2020 and 31 December 2022.

The Executive Directors were granted PSP awards in July 2020. These awards were based 50% on Adjusted EPS performance for the year ended 31 December 2022 and 50% on TSR performance over a three-year period from the date of grant. Adjusted EPS was 11.1p in the period, resulting in 52.5% of this element of the award vesting. TSR performance will be assessed to the third anniversary of the date of award and we will confirm performance in next year's report. TSR performance is currently tracking such that this portion of the award would lapse in full.

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

## Directorate changes

On 19 January 2023, we announced that Matt Webb would be stepping down from the Board and as CFO on 31 March 2023 after five years in the role. Matt will be succeeded as CFO by Will Hoy. The end of Matt's six-month notice period is 18 July 2023, and he will remain employed for some of that period supporting Will and the Board with the transition of the role. The exact date of his cessation of employment is still to be determined and he will receive pay in lieu of any remaining notice period. Full details of his leaving arrangements, including treatment of outstanding bonus and PSP awards will be disclosed once he steps down.

Will was appointed as an Executive Director from 1 March 2023 and will become CFO on 1 April 2023. Will has been appointed on a salary of £350,000. He is entitled to receive a pension contribution of 5% of salary, in line with the pension opportunity of the UK workforce, and benefits in line with the Policy.

His annual bonus opportunity will be 100% of salary, and his LTIP opportunity will be 150% of salary. No other awards or payments will be made in respect of Will becoming CFO.

## Wider workforce engagement

A Group-wide employee engagement survey was conducted in the year, the findings from which are summarised on page 57.

Our Non-Executive Director responsible for workforce engagement, Julia Hendrickson, also conducted meetings with employees from across the business to understand their feedback. Her findings are summarised on page 85.

Both exercises identified understandable concerns regarding the impact of inflation on the cost of living. We have responded to this with salary increases for 2023 that are on average greater than the wider market, with the largest percentage increases given to the lowest paid. Growth provides our employees with opportunities for continued career development. Growth is supported by remaining cost competitive. However, we also have a duty to ensure that our compensation arrangements protect our employees from the financial hardship that often accompanies periods of high inflation. We believe our salary plan for 2023 achieves both aims. Offering larger increases to the lowest paid means that the percentage pay increases given in 2023 to the Executive Directors are below the wider workforce average.

I look forward to receiving your support for both our Directors' Remuneration Policy and our Annual Remuneration Report at the AGM.

## TIM SURRIDGE

Remuneration Committee Chair  
20 March 2023



# Remuneration Committee Report continued

## Annual Remuneration Report

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

## Remuneration "at a glance"

### How our policy was implemented in 2022

Key component	Summary	How we implemented in 2022	
<b>Base salary</b>	8% increase to the CEO's salary to reflect the increased size and complexity of the organisation.  18% increase to the CFO's salary to reflect an increase in the scope and responsibilities of the role.	John Hornby – CEO	Matt Webb – CFO
		£400,000	£375,000
<b>Pension</b>	The CEO does not receive a pension allowance.  The CFO received a pension allowance of 5% of salary, in line with the wider UK workforce.	n/a	£18,750
<b>Benefits</b>	Benefits included car allowance/company car, mobile phone, life insurance and private medical insurance.	£24,344	£10,966
<b>Annual bonus</b>	Maximum opportunity of 100% of salary in 2022. Performance measures for the 2022 annual bonus were as follows: <ul style="list-style-type: none"> <li>• 30% Adjusted Profit After Tax</li> <li>• 50% Adjusted Free Cash Flow</li> <li>• 20% individual strategic objectives</li> </ul>	Outturn as a percentage of maximum: 55% £220,000	Outturn as a percentage of maximum: 60% £225,000
<b>PSP</b>	Awards of 100% of salary were made to the CEO and CFO respectively in 2020. Performance measures for the 2020 award were as follows: <ul style="list-style-type: none"> <li>• 50% TSR relative to the FTSE SmallCap, excluding investment trusts, over three years from the date of grant</li> <li>• 50% Adjusted EPS for the year ended 31 December 2022</li> </ul>	Percentage of award vesting: the Adjusted EPS target was met to some extent, resulting in 52.5% vesting against this element. The TSR performance will be assessed to the third anniversary of the date of the awards and we will confirm performance in next year's report. TSR performance is currently tracking such that this portion of the award would lapse in full.  CEO: £81,383 CFO: £69,757	
<b>Shareholding requirements</b>	200% of salary	7,041%	279%

# Remuneration Committee Report continued

## 2023 Remuneration Policy

The following table sets out our Remuneration Policy for Directors ("Policy"). This Policy will be put forward to shareholders for their binding approval at the AGM on 10 May 2023 and will apply to payments made from this date.

Further details regarding the operation of the Policy for the 2023 financial year can be found on pages 112 and 113.

### Policy table

Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
<b>Base salary</b>  To ensure that the Company is able to attract and retain talented Executive Directors to deliver the strategy of the business.	The Committee sets base salary taking into account: <ul style="list-style-type: none"> <li>• The individual's skills, experience and their performance</li> <li>• Salary levels at other companies of a similar size and complexity</li> <li>• Pay and conditions elsewhere in the Group</li> </ul> Any salary increases are normally effective from 1 January but may be effective at other times if considered appropriate.	Whilst there is no maximum salary, increases will normally be in line with the increases awarded to other employees in the Group.  However, increases may be above this level in certain circumstances such as: <ul style="list-style-type: none"> <li>• Where an Executive Director has been appointed to the Board at a lower than typical market salary to allow for growth in the role, larger increases may be awarded to move salary positioning closer to typical market level as the Executive Director gains experience</li> <li>• Where an Executive Director has been promoted or has had a change in responsibilities</li> <li>• Where there has been a significant change in market practice</li> <li>• Where there has been a change in the size and complexity of the organisation</li> </ul>	n/a
<b>Pension</b>  To provide appropriate levels of retirement benefit for Executive Directors.	Executive Directors generally receive a contribution to a defined contribution pension scheme (or equivalent) or a cash allowance in lieu of a pension.	The maximum annual pension contribution or cash allowance is in line with the rate received by the majority of the workforce in the UK, which is currently 5% of base salary.	n/a

# Remuneration Committee Report continued

## Policy table continued

Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
<p><b>Benefits</b></p> <p>To ensure that the benefits offered by the Company remain competitive in the markets in which it operates and are in line with those provided to other Group employees in a position of management or responsibility.</p>	<p>Current benefits include a car allowance (£9,000 p.a.), mobile phone, life insurance and private medical insurance.</p> <p>Executive Directors may participate in the Share Incentive Plan and any other all-employee plans on the same basis as other employees, up to HMRC approved limits.</p> <p>The Committee may introduce other benefits if it is considered appropriate to do so.</p> <p>Executive Directors shall be reimbursed for all reasonable expenses and the Company may settle any tax incurred.</p> <p>Where an Executive Director is required to relocate to perform their role, the appropriate one-off or ongoing expatriate benefits may be provided (e.g. housing, schooling etc).</p>	<p>There is no maximum level of benefit.</p>	<p>n/a</p>

# Remuneration Committee Report continued

## Policy table continued

Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
<p><b>Annual bonus</b></p> <p>The role of the annual bonus is to incentivise and reward Executive Directors for the delivery of the Group's strategy and objectives.</p>	<p>Bonuses are normally paid in cash following the year end.</p> <p>Where an Executive Director has not met the shareholding guideline set out, they will normally be expected to invest 50% of their post-tax annual bonus into Company shares. The Committee may determine that this requirement shall not apply where it deems that the Executive Director is already on course to meet their shareholding guideline.</p> <p>Bonuses are not pensionable.</p> <p>Bonuses are based on annual performance targets.</p> <p>Malus and clawback provisions apply, detailed on page 106.</p> <p>The Committee may, in its discretion, adjust annual bonus payments, if it considers that the outcome does not reflect the underlying financial or non-financial performance of the participant or the Group over the relevant period or that such payout level is not appropriate in the context of circumstances that were unexpected or unforeseen when the targets were set. When making this judgement, the Committee may take into account such factors as it considers relevant.</p>	<p>Maximum annual bonus opportunity of 100% of base salary.</p> <p>Normally 50% of the bonus shall pay out for on-target levels of performance. The annual bonus normally starts to accrue for meeting threshold levels of performance. Up to 20% of the maximum bonus may be payable for threshold performance.</p>	<p>The Committee shall determine performance measures for the bonus each year. These may include financial measures (for example, profitability and cash flow), other metrics linked to the delivery of the business or ESG strategies or personal objectives.</p> <p>No less than 70% of the annual bonus will be based on financial measures.</p> <p>The Committee has the discretion in exceptional circumstances to adjust the performance targets/ set different measures if events occur outside of management's control or where the target no longer satisfies its original purpose to ensure that pay is aligned with performance.</p>

# Remuneration Committee Report continued

## Policy table continued

Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
<p><b>PSP</b></p> <p>The PSP aligns the Executive Directors and participating employees with shareholder interests, incentivising them to achieve specified performance measures over a three-year period.</p> <p>The PSP also acts as a retention tool.</p>	<p>Awards can be in the form of conditional shares or nil-cost options or in such other form that the Committee determines has the same economic effect. Where awards are in the form of nil-cost options, participants may have up to ten years from grant to exercise awards.</p> <p>Awards may also be granted in conjunction with a tax-advantaged Company Share Option Plan ("CSOP") up to the HMRC limits as an "Approved PSP Award".</p> <p>The vesting of an Approved PSP Award will be scaled back to take account of any gain made on exercise of the associated CSOP option. An approved PSP Award will enable the Executive Director and the Company to benefit from tax advantaged treatment on part of their PSP award without increasing the pre-tax value delivered to the Executive Director or cost to the Company.</p> <p>Awards normally vest based on performance assessed over a period not shorter than three years.</p> <p>Awards will normally be subject to a post-vesting holding period for two years following the end of the performance period.</p> <p>The Committee may in its discretion adjust PSP vesting levels, if it considers that the outcome does not reflect the underlying financial or non-financial performance of the participant or the Group over the relevant period or that such vesting level is not appropriate in the context of circumstances that were unexpected or unforeseen when the targets were set. When making this judgement, the Committee may take into account such factors as it considers relevant.</p> <p>Malus and clawback provisions apply, as detailed on page 106.</p>	<p>The maximum award in respect of a financial year is 150% of base salary.</p> <p>Normally 25% of awards vest for threshold levels of performance.</p>	<p>The Committee shall determine performance measures for awards granted each year. These may include share price related measures, financial measures (for example, profitability and cash flow) or other metrics linked to the delivery of the business or ESG strategies.</p> <p>Awards granted in 2023 will vest subject to a combination of Adjusted EPS and relative TSR. These measures will be equally weighted.</p>



# Remuneration Committee Report continued

## Policy table continued

Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
<p><b>Company Share Option Plan</b></p> <p>It is not intended that awards will be made to Executive Directors under this Plan during the life of the Policy.</p> <p>The CSOP aligns participating employees with shareholder interests, incentivising them to achieve specified performance measures over a three-year period.</p> <p>The CSOP also acts as a retention tool.</p>	<p>Awards can take the form of market value share options.</p> <p>Awards would be subject to performance assessed over a period of no less than three years.</p> <p>The Committee retains the discretion to adjust the final vesting level if it does not consider that it reflects the underlying performance of the Company.</p> <p>Awards may be exercised once vested for up to ten years following the date of grant.</p> <p>Options can be granted in the form of unapproved options or HMRC approved options up to the HMRC limit at the date of grant.</p> <p>Malus and clawback provisions apply, as detailed on page 106.</p>	<p>The maximum annual award is 100% of salary.</p> <p>Normally 25% of awards vest for threshold levels of performance.</p>	<p>If this plan were operated, appropriate performance conditions would be determined by the Committee at the time of award and disclosed in the Remuneration Committee Report for that year.</p>

# Remuneration Committee Report continued

## Policy table continued

Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
<p><b>Share ownership guidelines</b></p> <p>Aligns the interests of Executive Directors and shareholders and encourages long-term shareholding and commitment to the Company both in and post employment.</p>	<p>The Company encourages its Directors to hold shares in the Group to strengthen their commitment to the organisation in terms of delivering the strategic objectives.</p> <p>Executive Directors are expected to build and maintain a holding of Luceco shares equal to at least 200% of base salary. Executive Directors are expected to retain 50% of any post-tax shares that vest under any share incentive plans until this shareholding is reached.</p> <p>The Committee also has a policy to promote interests in share awards following cessation of employment to enable former Executive Directors to remain aligned with the interests of shareholders for an extended period after leaving the Company.</p> <p>Following stepping down from the Board, Executive Directors will normally be expected to maintain a minimum shareholding of 200% of salary (or actual shareholding if lower) for the first 12 months following departure from the Board and 100% of salary (or actual shareholding if lower) for the subsequent 12 months. The Committee retains discretion to waive this guideline if it is not considered to be appropriate in the specific circumstance.</p>	<p>n/a</p>	<p>n/a</p>

# Remuneration Committee Report continued

## Malus and clawback

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

## Share plan operation

Awards under any of the Company's share plans may:

- Have any performance conditions applicable to them amended or substituted by the Committee in circumstances where the Committee determines an amended or substituted performance condition would be more appropriate and not materially less difficult to satisfy
- Incorporate the right to receive an amount equal to the value of dividends which would have been paid on the shares under an award that vests up to the time of vesting. This amount may be calculated assuming that the dividends have been reinvested in the Company's shares on a cumulative basis. This provision does not apply to the CSOP
- Be settled in cash at the Committee's discretion. For Executive Directors, this provision will only be used in exceptional circumstances such as where for regulatory reasons it is not possible to settle awards in shares
- Be adjusted in the event of any variation of the Company's share capital or any demerger, delisting, special dividend or other event that may affect the Company's share price

## Summary of decision-making process and changes to policy

During the year, the Committee undertook a review of the Directors' Remuneration Policy and its implementation to ensure that the Policy supports the execution of strategy and the delivery of sustainable long-term shareholder value. The Committee discussed the content of the Policy at Remuneration Committee meetings during the year. Throughout the review process, the Committee took into account the 2018 UK Corporate Governance Code, wider workforce remuneration and emerging best practice in relation to Executive Director remuneration. The Committee also considered input from management and our independent advisers. The Committee considers that the overall remuneration framework – based on an annual bonus plan plus a performance share plan – remains appropriate to continue to incentivise management to drive long-term sustainable performance for shareholders. As such, no significant changes are proposed to the Policy. Minor changes have been made to the wording of the Policy to aid operation and to increase clarity.

The Committee believes that the proposed Policy is clear and transparent and aligned with our culture. The Committee has taken into account Provision 40 of the UK Corporate Governance Code and considers we comply as described below.

We operate a simple incentive framework, with award levels capped and payouts linked to performance against a limited number of measures which are well linked to our strategy. Stretching but fair targets are set. This ensures that potential reward outcomes are clear and aligned with performance achieved, with the Committee having the discretion to adjust payouts where this is not considered to be the case.

Pay levels are set taking into account external market levels as well as internal practice to ensure pay remains competitive while being equitable within the Company. Malus and clawback, discretion provisions, LTIP holding periods and shareholding guidelines, including post-employment, are in place to mitigate reputational and other risk.

## Approved payments

The Committee reserves the right to make any remuneration payments and/or payments for loss of office (including exercising any discretions available to it in connection with such payments) notwithstanding that they are not in line with the Policy set out above where the terms of the payment were agreed (i) before 25 May 2017; (ii) before the Policy set out above came into effect, provided that the terms of the payment were consistent with the shareholder-approved directors' remuneration policy in force at the time they were agreed; or (iii) at a time when the relevant individual was not a Director of the Company (or other persons to whom the Policy set out above applies) and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company or such other person. For these purposes, "payments" includes the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are "agreed" no later than at the time the award is granted. This Policy applies equally to any individual who is required to be treated as a Director under the applicable regulations.

# Remuneration Committee Report continued

## Selection of performance measures

### Annual bonus

The annual bonus performance measures are intended to incentivise Executive Directors to achieve the financial objectives of the Group and deliver the business strategy. The particular bonus metrics are selected by the Committee each year to ensure that Executive Directors are appropriately focused on the key objectives for the next 12 months.

### Performance Share Plan

Our long-term strategic objective is to provide long-term sustainable returns for all of our shareholders. It is intended that awards made in 2023 will be based on relative TSR performance and Adjusted EPS growth. The Committee believes the measures are aligned with our strategy and will incentivise Executive Directors to deliver enhanced shareholder value.

Performance targets for both the annual bonus and PSP are set taking into account internal budget forecasts, external expectations and the need to ensure that targets remain motivational.

## Remuneration arrangements throughout the Group

Remuneration arrangements are determined throughout the Group based on the same principle: that the remuneration policies and practices should be aligned to Company purpose and values, support the delivery of the strategy and promote long-term sustainable success.

The senior management team, managers and members of the sales teams are eligible to earn bonuses subject to delivering against specific performance measures. Employees have access to healthcare provisions in proportion to their seniority. Other benefits may be provided and are limited to the grade, seniority and role performed by the employee. The Company also contributes to employee pensions either through its defined contribution pension scheme or through The People's Pension depending on the grade of the employee.

## Remuneration outcomes in different performance scenarios

The charts below set out an illustration of the Policy for 2023. The charts provide an illustration of the proportion of total remuneration made up of each component of the Remuneration Policy and the value of each component.

Three performance scenarios have been illustrated for each Executive Director:

Below threshold performance	<ul style="list-style-type: none"> <li>Fixed remuneration</li> <li>No annual bonus payout</li> <li>No vesting under the PSP</li> </ul>
Mid-range performance	<ul style="list-style-type: none"> <li>Fixed remuneration</li> <li>50% annual bonus payout</li> <li>25% vesting under the PSP</li> </ul>
Maximum performance	<ul style="list-style-type: none"> <li>Fixed remuneration</li> <li>100% annual bonus payout</li> <li>100% vesting under the PSP</li> </ul>
Maximum performance plus 50% share price growth	<ul style="list-style-type: none"> <li>Fixed remuneration</li> <li>100% annual bonus payout</li> <li>100% vesting under the PSP + 50% share price growth</li> </ul>

# Remuneration Committee Report continued

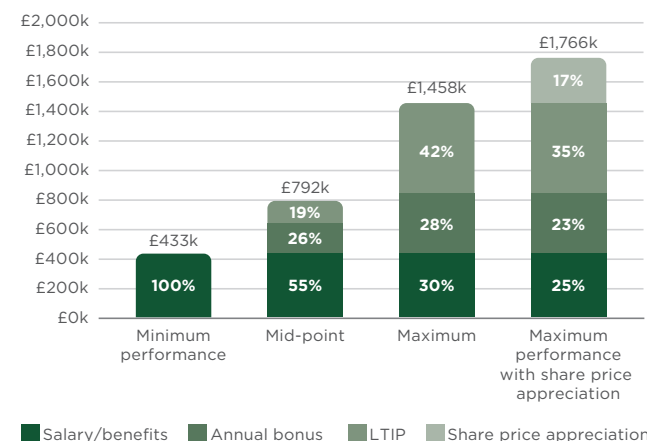
## Remuneration outcomes in different performance scenarios continued

The charts have been prepared on the following basis:

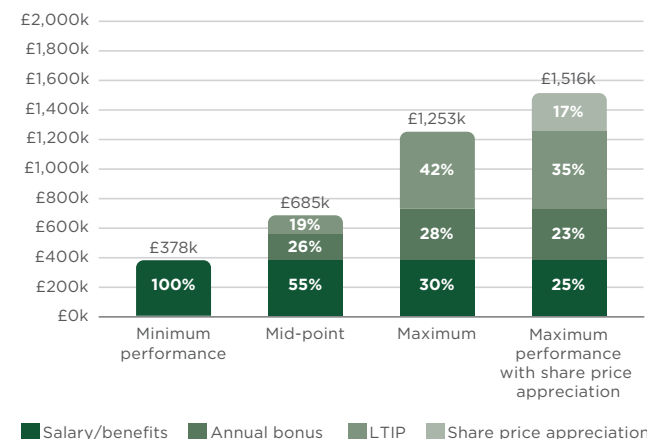
- **Base salary** – the base salary used for the CEO is as at 1 January 2023, and the base salary used for the incoming CFO is that set on his appointment
- **Benefits** – based on the disclosed benefits value in the single figure for 2022. For the incoming CFO, an estimate has been used, aligned with the 2022 disclosed benefits value for the outgoing CFO
- **Pensions** – based on a contribution of 5% of base salary for the CFO. The CEO does not receive any pension benefit
- **Bonus** – based on the maximum award of 100% of base salary
- **PSP** – based on the maximum award of 150% of base salary

No payment of dividend equivalents has been assumed. Potential benefits under all-employee plans have not been included. No share price growth has been assumed other than where stated.

### CEO



### CFO



## Remuneration Policy for newly appointed Directors

When determining the remuneration package for a newly appointed Executive Director, the Committee would seek to apply the following principles:

- The package should be market competitive to facilitate the recruitment of individuals of sufficient calibre to lead the business. At the same time, the Committee would intend to pay no more than it believes is necessary to secure the required talent
- New Executive Directors will normally receive a base salary, benefits and pension contributions in line with the Policy described on pages 100 to 105 and would also be eligible to receive awards under the bonus and share incentive plans up to the limits set out in the Policy
- In addition, the Committee has discretion to include any other remuneration component or award which it feels is appropriate taking into account the specific circumstances of the recruitment, subject to the limit on variable remuneration set out below. The key terms and rationale for any such component would be disclosed as appropriate in the Remuneration Report for the relevant year
- Where an individual forfeits outstanding variable pay opportunities or contractual rights at a previous employer as a result of appointment, the Committee may offer compensatory payments or awards, in such form as the Committee considers appropriate, taking into account all relevant factors including the form of awards, expected value and vesting timeframe of forfeited opportunities



# Remuneration Committee Report continued

## Remuneration Policy for newly appointed Directors continued

- When determining any such “buyout”, the guiding principle would be that awards would generally be on a “like-for-like” basis unless this is considered by the Committee not to be practical or appropriate.
- The maximum level of variable remuneration which may be awarded (excluding any “buyout” awards referred to above) in respect of recruitment is 250% of salary, which is in line with the current maximum limit under the annual bonus and PSP.
- Where an Executive Director is required to relocate from their home location to take up their role, the Committee may provide assistance with relocation (either via one-off or ongoing payments or benefits).
- In the event that an internal candidate is promoted to the Board, legacy terms and conditions would normally be honoured, including any accrued pension entitlements and any outstanding incentive awards.

To facilitate any “buyout” awards outlined above, in the event of recruitment, the Committee may grant awards to a new Executive Director relying on the exemption in the Listing Rules which allows for the grant of awards to facilitate, in unusual circumstances, the recruitment of an Executive Director without seeking prior shareholder approval or under any other appropriate Company incentive plan.

The remuneration package for a newly appointed Non-Executive Director would normally be in line with the structure set out in the policy table for Non-Executive Directors on page 114.

## Executive Directors' service contracts and leaving policy

When determining leaving arrangements for an Executive Director, the Committee takes into account any contractual agreements including the provisions of any incentive arrangements, typical market practice and the performance and conduct of the individual.

The service contracts are available for inspection at the AGM and at the Company's registered office. For new appointments, notice will normally be limited to nine months on either side.

In the event of early termination of the employment, a payment in lieu of notice may be made based on base salary, pension and contractual benefits only for the outstanding notice period. Payments in lieu of notice will be paid at the Committee's discretion, either in monthly instalments or in a lump sum. Payments will normally be subject to mitigation by the Executive Director being required to take reasonable steps to find an alternative position.

The Committee may make any other payments in connection with a Director's cessation of office or employment where the payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of settlement of any claim arising in connection with the cessation of a Director's office or employment. Any such payments may include, but are not limited to, paying any fees for outplacement assistance and/or the Director's legal and/or professional advice fees in connection with their cessation of office or employment.

The service contracts of the Executive Directors contain restrictive covenant clauses for a period of 12 months post-employment relating to non-competition, non-engagement and non-solicitation of the Group's customers, suppliers and employees and confidentiality undertakings. In addition, they provide for the Group to own any intellectual property rights created by the Directors in the course of their employment.

## Annual bonus

The Committee may determine that an Executive Director remains eligible to receive a pro-rata bonus for the financial year in respect of the period they remained in employment. The Committee will determine the level of bonus taking into account time in employment and performance.

# Remuneration Committee Report continued

## Share plan leaver rules

The treatment of leavers under the Company's long-term incentive plans is determined by the rules of the relevant plans.

### Good leavers<sup>1</sup>

#### Performance Share Plan

If a participant dies, their PSP award will vest to the extent determined by the Committee, taking into account the extent to which the performance conditions have been met and, unless the Committee determines otherwise, the proportion of the performance period that has elapsed.

If the participant ceases to be an officer or employee of the Group for any other "good leaver" reason, their award will vest on the original vesting date, or, if the Committee so determines, as soon as practicable after the date of cessation. The extent to which awards vest in these circumstances will be determined by the Committee, taking into account the extent to which the performance conditions have been satisfied, and, unless the Committee determines otherwise, the proportion of the performance period that has elapsed.

Participants have six months to exercise awards (12 months in the case of death) from the cessation of employment.

#### Company Share Option Plan

A participant's CSOP award will vest to the extent determined by the Committee, taking into account the extent to which the performance conditions have been met and pro-rata to the proportion of the vesting period elapsed since grant, unless the Committee determines the performance conditions should be waived.

Participants have six months to exercise their awards (12 months in the case of death) from the cessation of employment.

#### SIP

Leaver provisions are determined in accordance with HMRC-approved provisions.

1. Death, ill-health, injury, disability, retirement or the sale of their employing entity out of the Group, or for any other reason at the Committee's discretion.

## Change of control

In the event of a takeover or winding up of the Company, share awards may vest early. The extent to which CSOP awards vest will be determined by the Committee by reference to, unless the Committee determines otherwise, the performance conditions and the proportion of the vesting period that has elapsed. The extent to which PSP awards vest will be determined by the Committee taking into account the extent to which the performance conditions have been satisfied and, unless the Committee determines otherwise, the proportion of the performance period that has elapsed.

In the case of a demerger, special dividend or similar circumstances, awards may, at the Committee's discretion, vest early on the same basis as for a takeover.

### Leavers in other circumstances

Awards lapse. Participants have six months from the cessation of employment to exercise vested options.

Awards lapse. Participants have six months from the cessation of employment to exercise vested options.

# Remuneration Committee Report continued

## Remuneration Policy table for Non-Executive Directors

Purpose and link to strategy	Operation	Maximum value
<p><b>Fees</b></p> <p>To enable the Company to attract and retain experienced, skilled Non-Executive Directors that are capable of advising and supporting the Executive Directors.</p>	<p>Paid in cash.</p> <p>Fees for the Non-Executive Chair and Non-Executive Directors are set taking into account the time commitment required to fulfil the role and typical practice at other similar companies.</p> <p>Our Non-Executive Director fee policy is to pay a basic fee for membership of the Board, and additional fees for the SID and chairmanship of a Committee to take into account the additional responsibilities and time commitment of these roles.</p> <p>Additional fees may be paid to reflect additional Board or Committee responsibilities as appropriate.</p>	<p>Fees paid to Non-Executive Directors, including the Non-Executive Chair, are subject to consideration and approval by the Committee.</p> <p>No maximum value is specified in the Company's Articles.</p>
<p><b>Benefits and expenses</b></p> <p>To provide suitable arrangements to allow Non-Executive Directors to discharge their duties effectively.</p>	<p>Reasonable costs in relation to travel and accommodation for business purposes are reimbursed to the Chair and Non-Executive Directors. The Company may meet any tax liabilities that may arise on such expenses.</p> <p>The Chair and Non-Executive Directors are not entitled to participate in any of the Group's incentive plans or pension plans.</p> <p>Additional non-significant benefits may be introduced if considered appropriate.</p>	<p>n/a</p>

## Terms and conditions for the Chair and Non-Executive Directors

The Chair and Non-Executive Directors serve the Company on the basis of renewable letters of appointment which can be terminated by written notice by either party. The Chair's appointment is subject to three months' notice and the other Non-Executive Directors are subject to one month's notice. No compensation is awarded on termination. Letters of appointment are available for inspection at the AGM and the Company's registered office.

## Consideration of conditions elsewhere in the Company

The Committee does not consult with employees specifically on its Remuneration Policy for Executive Directors. However, the Committee is mindful of the salary increases and benefits applying across the whole business when considering the remuneration package of Executive Directors. The Company has an open and collaborative management structure which provides a number of channels for employees to raise their views, including via our employee representative Non-Executive Director.

## Consideration of shareholder views

The Committee will consider shareholder views received throughout the year and at the AGM in shaping the Remuneration Policy and when it undertakes the annual remuneration review. It is the Committee's intention to consult with major shareholders in advance of making any material changes to remuneration arrangements.

# Remuneration Committee Report continued

## Summary of Remuneration Policy and implementation for 2023

The following provides a summary of how the Policy will be implemented during 2023 (subject to receiving shareholder approval at the 2023 AGM) and the key changes in the approach to implementation from 2022.

Element	Overview of implementation for 2023	Changes from 2022
<b>Base salary</b>	<p>From 1 January 2023, salaries will be as follows:</p> <ul style="list-style-type: none"> <li>• CEO – £410,000</li> <li>• Outgoing CFO – £384,375</li> <li>• Incoming CFO – £350,000</li> </ul>	<p>Our approach this year has been to focus salary increases on lower-paid workers to provide additional support in the context of the macroeconomic environment. Salaries for the Executive Directors have increased by 2.5%, which has been determined using the same principles used to determine salary increases for the wider workforce. The CFO's salary was set on appointment and he was not eligible for an increase for 2023.</p>
<b>Pension</b>	<p>The CEO does not participate in any pension arrangement.</p> <p>Both the outgoing and incoming CFO will receive a pension contribution of 5% of salary, in line with the pension opportunity for the UK workforce.</p>	No change.
<b>Benefits</b>	<p>Benefits currently include: a company car or car allowance (£9,000 p.a.), mobile phone, life insurance and private medical insurance. Executive Directors may also participate in all-employee share plans on the same basis as other employees.</p>	No change.
<b>Annual bonus</b>	<p>Maximum annual bonus opportunity of 100% of salary.</p> <p>Normally paid in cash. Where an executive has not met their shareholding guideline, or is not on course to meet the guideline, then it is expected that the executive invests at least 50% of the post-tax annual bonus into Company shares.</p> <p>For 2023, performance measures are as follows:</p> <ul style="list-style-type: none"> <li>• 30% on Adjusted Profit After Tax</li> <li>• 50% on Adjusted Free Cash Flow</li> <li>• 20% on individual strategic objectives</li> </ul> <p>The Committee believes the balance of these measures incentivises executives to continue to grow the business and improve profit performance, to focus on operational efficiencies and the generation of cash to fund growth, and to achieve specific operational and strategic objectives.</p> <p>The bonus starts accruing for threshold levels of performance; 50% of the bonus pays out for target performance with full payout for achieving stretching performance targets.</p> <p>Bonus targets are commercially sensitive and therefore have not been disclosed.</p> <p>It is intended that targets will be disclosed in full in the 2023 Directors' Remuneration Report.</p>	No change.

# Remuneration Committee Report continued

## Summary of Remuneration Policy and implementation for 2023 continued

Element	Overview of implementation for 2023	Changes from 2022
<b>Performance share plan</b>	<p>It is intended that 2023 PSP awards for the CEO and incoming CFO will be 150% of base salary. The outgoing CFO will not receive a PSP award in respect of 2023. The Committee is conscious that the current share price is lower than the share price used to determine awards in 2022 and of shareholder guidance in relation to windfall gains in this context. The Committee does not currently intend to make a reduction in the grant level, however, this will be reviewed further based on the share price at the date of award. The Committee will review the award outcome on vesting and will consider scaling back the level of vesting if it considers that management have benefited from a windfall gain.</p> <p>Awards vest based on performance over a three-year period and are subject to a post-vesting holding period for two years following the end of the performance period.</p> <p>For 2023, award performance measures are as follows:</p> <ul style="list-style-type: none"> <li>• 50% based on total shareholder return ("TSR") relative to the FTSE SmallCap index excluding investment trusts. 25% of this portion vests for median TSR with 100% vesting for upper quartile TSR</li> <li>• 50% based on the compound annual growth rate ("CAGR") of Adjusted Earnings Per Share ("EPS") performance for the financial year ended 31 December 2025. 25% of this portion vests if the CAGR in this period is 5%, with 100% vesting if the CAGR is 15%. There will be straight-line vesting between each point</li> </ul> <p>The Committee believes these measures incentivise executives to achieve excellent profit growth while generating above-market returns for shareholders compared to our peers.</p>	No change.
<b>Shareholding guideline</b>	<p>Executive Directors are expected to build and maintain a holding of Luceco shares equal to at least 200% of base salary.</p> <p>Following stepping down from the Board, Executive Directors will normally be expected to maintain a minimum shareholding of 200% of salary (or their actual shareholding if lower) for the first 12 months following departure from the Board and 100% of salary (or their actual shareholding if lower) for the subsequent 12 months. This guideline does not apply to any shares purchased by the Executive Director.</p>	No change.

### Executive Directors' service contracts

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



# Remuneration Committee Report continued

## External appointments

Executive Directors are permitted to hold Non-Executive Director positions in other companies where it is considered appropriate and subject to approval by the Board. Disclosure of any such earnings is required to be made to the Board, to shareholders and in the Annual Report and Financial Statements. For the year ended 31 December 2022, neither Executive Director held any external directorship during the year.

## Non-Executive Directors

Element	Overview of implementation for 2023	Changes from 2022
<b>Fees</b>	<p>From 1 January 2023, the Non-Executive Chair and Non-Executive Director fees are as follows:</p> <ul style="list-style-type: none"> <li>Non-Executive Chair – £108,200</li> <li>Non-Executive Director base fee – £44,500</li> <li>SID, Audit and Remuneration Committee Chair fee – £11,200</li> </ul>	<p>Non-Executive Director fees were increased by 2.5% with effect from 1 January 2023, and were determined using the same principles used to determine salary increases for the wider workforce, as set out above.</p>
<b>Expenses</b>	<p>Reasonable costs in relation to travel and accommodation for business purposes are reimbursed. The Group may meet any tax liabilities that may arise on such expenses.</p>	<p>No change.</p>

## Non-Executive Director terms of appointment

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

Non-Executive Director	Date of appointment
Giles Brand	1 May 2010
Caroline Brown	27 September 2016
Tim Surridge	27 September 2016
Pim Vervaat	1 September 2020
Julia Hendrickson	1 June 2022

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

# Remuneration Committee Report continued

## Alignment of our policy with the UK Corporate Governance Code

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

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

# Remuneration Committee Report continued

## Implementation of Remuneration Policy during 2022

### Single figure of total remuneration (audited)

The table below sets out the single figure of total remuneration received by the Executive and Non-Executive Directors for the years ended 31 December 2022 and 2021.

Director (£'000)	Year	Basic salary/fees	Benefits	Pension	Total fixed	Annual bonus	Long-term incentives	Total variable	Total
John Hornby	<b>2022</b>	<b>400</b>	<b>24</b>	—	<b>424</b>	<b>220</b>	<b>82<sup>1</sup></b>	<b>302</b>	<b>726</b>
	2021	369	20	—	389	185	979 <sup>2</sup>	1,164	1,553
Matt Webb	<b>2022</b>	<b>375</b>	<b>11</b>	<b>19</b>	<b>405</b>	<b>225</b>	<b>69<sup>1</sup></b>	<b>294</b>	<b>699</b>
	2021	317	11	16	344	158	839 <sup>2</sup>	997	1,341
Giles Brand	<b>2022</b>	<b>106</b>	—	—	<b>106</b>	—	—	—	<b>106</b>
	2021	103	—	—	103	—	—	—	103
Caroline Brown	<b>2022</b>	<b>44</b>	—	—	<b>44</b>	—	—	—	<b>44</b>
	2021	50	—	—	50	—	—	—	50
Tim Surridge	<b>2022</b>	<b>54</b>	—	—	<b>54</b>	—	—	—	<b>54</b>
	2021	53	—	—	53	—	—	—	53
Will Hoy	<b>2022</b>	<b>54</b>	—	—	<b>54</b>	—	—	—	<b>54</b>
	2021	45	—	—	45	—	—	—	45
Pim Vervaat	<b>2022</b>	<b>54</b>	—	—	<b>54</b>	—	—	—	<b>54</b>
	2021	53	—	—	53	—	—	—	53
Julia Hendrickson	<b>2022<sup>3</sup></b>	<b>25</b>	—	—	<b>25</b>	—	—	—	<b>25</b>

1. The Executive Directors were granted PSP awards in July 2020. These awards were based 50% on Adjusted EPS performance for the year ended 31 December 2022 and 50% on TSR performance over a three-year period from the date of grant. The Adjusted EPS targets have been met to some extent, resulting in 52.5% vesting against this element. TSR performance will be assessed to the third anniversary of the date of award and we will confirm performance in next year's report. TSR performance is currently tracking such that this portion of the award would lapse in full. The value of the award disclosed in the single figure therefore assumes 26.25% of each award vests and is based on the average share price over the last three months of the financial year ended 31 December 2022 of 85.41p. This amount includes the value of additional shares awarded in respect of dividend equivalents. Between grant and the share price used to value the award for single figure purposes, the share price had decreased from 109.33p to 85.41p. The proportion of the value disclosed in the single figure attributable to share price growth is therefore 0%. The Remuneration Committee did not exercise discretion in respect of the share price depreciation.

2. TSR performance for the 2019 PSP was assessed to the date of vesting. In the 2021 report, we estimated that vesting would be 100% based on performance to date. The three-year TSR performance to 9 April 2022 was 360%, which resulted in 100% of the TSR element of this award vesting. The value of the 2019 PSP awards has been restated to reflect the share price at vesting of 194.2p. The share price had increased from 77p to 194.2p between grant and vesting. The proportion of the value disclosed in the single figure attributable to share price growth is therefore 60%. In line with the Schedule 5 requirements there are no exercise gains in the period.

3. Julia Hendrickson joined the Board on 1 June 2022 and fees are shown from this date.

# Remuneration Committee Report continued

## Explaining the single figure

### Salary

Given the expansion of the Company over recent years, the Board reviewed and increased the scope of the CFO role to include responsibility for ESG, M&A integration, IT and Group inventory management, and expanded the CFO's responsibility of banking relationships and investor relations. In light of the increased size and complexity of the organisation, his personal performance and contribution to the growth of the business, as well as his expanded role, the Committee determined that it was appropriate to increase his base salary from £316,750 to £375,000 (c.18% increase) from 1 January 2022.

The CEO's base salary was also increased from £369,500 to £400,000 (8% increase) to reflect the increased size and complexity of the organisation.

### Benefits

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

### Pension

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

### Annual bonus

For the year ended 31 December 2022, the maximum annual performance bonus was 100% of base salary. The annual bonus was based on the following measures:

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

Performance during 2022 against financial targets set was as follows:

Measure	Threshold 0% payout	Target 50% payout	Maximum 100% payout	Achievement for 2022	Percentage of bonus payable
Adjusted Profit After Tax (30% weighting)	£30.0m	£33.3m	£36.6m	£17.2m	0%
Adjusted Free Cash Flow (50% weighting)	£22.0m	£24.4m	£26.8m	£30.7m	50%

# Remuneration Committee Report continued

## Individual strategic objectives

The individual strategic objectives were set at the start of 2022 and are set out in the table below.

	Overview of objectives and performance	Committee's assessment of performance
CEO	<p>For 2022, the CEO's objectives were set around the management of cost inflation, growing the EV charger business, integrating DW Windsor into the Group and developing a manufacturing diversification strategy.</p> <p>The CEO has performed strongly this year and delivered a good performance against these objectives, although not all objectives have been met in full. The CEO ensured that cost inflation was adequately tracked, measured and mitigated without impacting competitiveness, leading to an improvement in gross margin as the year progressed. The Group's presence in the EV charger market was enhanced by the acquisition of Sync EV in March 2022 and EV sales have grown significantly despite an unexpected shortfall in sales of electric vehicles. Under the CEO's direction, DW Windsor is making use of the Group's product development, sourcing and low-cost manufacturing capabilities that are expected to improve future profitability. Progress on manufacturing diversification was hampered by COVID controls limiting travel to candidate countries, but faster progress is expected in 2023.</p>	<p>The Committee judged that overall, 5% of this element of the bonus should be paid.</p>
CFO	<p>For 2022, the CFO's objectives were set around improving inventory management, delivering the ESG strategy and defining a long-term IT solution for the Group's outdoor lighting businesses.</p> <p>The CFO has delivered a strong performance against these objectives. The CFO oversaw the removal of buffer inventory built up during the pandemic without impinging on customer service, leading to record cash generation and reduced indebtedness in 2022. The CFO led the Group's commitment to the Science Based Targets initiative in the year, setting the Group on a pathway of carbon emission reduction consistent with the Paris Agreement. Improvements to ESG strategy made by the CFO also resulted in an improved rating by the Carbon Disclosure Project. The CFO oversaw the development of an IT solution for DW Windsor and Kingfisher Lighting that is now being implemented.</p>	<p>The Committee judged that overall, 10% of this element of the bonus should be paid.</p>

This performance against targets set therefore resulted in an overall bonus of 55% of maximum for the CEO and 60% of maximum for the CFO. Bonus payments are therefore as follows:

<b>CEO</b>		<b>£220,000</b>
<b>CFO</b>		<b>£225,000</b>

The Committee also considered the underlying financial performance of the Company during 2022, taking into account performance against key financial and strategic performance indicators as well as the experience of shareholders and other stakeholders during the period. The Committee also considered whether there had been a significant negative event (such as an ESG event) which would warrant an adjustment. The Committee concluded that the proposed payout outcome of 55% of maximum for the CEO and 60% of maximum for the CFO was appropriate.



# Remuneration Committee Report continued

## Long-term incentives

The Executive Directors were granted PSP awards in July 2020. These awards were based 50% on Adjusted EPS performance for the year ended 31 December 2022 and 50% on TSR performance over a three-year period from the date of grant. Adjusted EPS for the year ended 31 December 2022 is 11.1p and therefore this portion of the award will vest at 52.5% of maximum. The TSR performance period is not yet completed and we will provide details of final vesting in the 2023 Annual Report. TSR is currently tracking such that this portion of the award would lapse in full.

Measure	Weighting	Threshold	Maximum	Achievement	Element vesting
Adjusted EPS for the year ended 31 December 2022	50%	10.0p	13.0p	11.1p	52.5%
TSR relative to the FTSE SmallCap excluding investment trusts	50%	Median	Upper quartile	TSR to be measured to 13 July 2023	Currently tracking to lapse in full

Therefore the vesting of the award shall be as follows:

Executive Director	Date of grant	Number of awards granted	Number of shares vesting based on estimated performance	Dividend equivalents (number of shares)	Total number of shares vesting	Total estimated value of award vesting <sup>1</sup>
John Hornby	14 July 2020	329,736	86,556	8,729	95,285	£81,383
Matt Webb	14 July 2020	282,631	74,191	7,482	81,673	£69,757

1. The value of the awards vesting is based on the average share price over the last three months of the financial year ended 31 December 2022 being 85.41p. The estimated value of the vesting awards has been included within the "single figure of total remuneration" table on page 116.

Overall, the Committee considers that the Remuneration Policy has operated as it intended during 2022 and that the pay outcomes are aligned with the experience of shareholders and other stakeholders.

## Matt Webb's leaving arrangements

On 19 January 2023, we announced that Matt Webb would be stepping down from the Board and as CFO after five years in the role. Matt will step down from the Board on 31 March 2023, and will be succeeded as CFO by Will Hoy. The end of Matt's six month notice period is 18 July 2023, and he will remain employed for some of that period supporting Will and the Board with the transition of the role. The exact date of his cessation of employment is still to be determined and he will receive pay in lieu of any remaining notice period. Full details of his leaving arrangements including treatment of outstanding bonus and PSP awards will be disclosed once he steps down.

## Payments to former Directors (audited)

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

## Payments for loss of office (audited)

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

# Remuneration Committee Report continued

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

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

Board Directors	Role	Form of award	Date of award	Number of shares awarded	Face value of award <sup>1</sup>	Percentage vesting for achieving minimum performance	Performance period
John Hornby	Chief Executive Officer	Nil cost option over ordinary shares of 0.05p	31 March 2022	283,018	£559,527	25%	See below
Matt Webb	Chief Financial Officer			265,330	£524,557	25%	See below

1. Calculated based on a share price of 198p, being the average of the closing price for the three dealing dates preceding the date of award.

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

## Performance condition

CAGR Adjusted EPS in the three-year period ending 31 December 2024	Rank of the Group's TSR compared to the comparator group	Extent to which the relevant portion of the award vests
15%	Upper quartile or above	100%
Between 5% and 15%	Between median and upper quartile	On a straight-line basis between 25% and 100%
5%	Median	25%
Less than 5%	Below median	0%

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

## Shareholding guidelines

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

# Remuneration Committee Report continued

## Directors' shareholdings and share interests (audited)

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

### Executive Directors

Director	Ordinary shares held at 16 March 2023	Ordinary shares held at 31 December 2022	Ordinary shares held at 31 December 2021	Nil cost options subject to performance measures <sup>1</sup>	Nil cost options not subject to performance measures	Market value options subject to performance measures	Shareholding requirement (% of salary)	Shareholding held at 31 December 2022 <sup>2</sup>	Requirement met?
John Hornby	28,973,632	28,412,532	31,434,286	544,662	503,949	27,440	200%	7,041%	Yes
Matt Webb	715,078	215,078	215,078	81,673	1,606,703	27,440	200%	279%	Yes

1. Includes shares accrued to date in respect of dividend equivalents on unvested LTIP awards.

2. Shareholding as a percentage of salary.

Shares beneficially held count towards Executive Directors' shareholding guidelines. Any unvested shares or unexercised nil cost options which are not subject to performance conditions may count towards the guideline on a net of tax basis. The value of Executive Directors' shareholding has been calculated using the share price on 31 December 2022 of 98.2p.

### Non-Executive Directors

	Ordinary shares held at 16 March 2023	Ordinary shares held at 31 December 2022	Ordinary shares held at 31 December 2021
Giles Brand <sup>1</sup>	9,466,919	9,466,919	9,466,919
Caroline Brown	—	—	—
Tim Surridge	44,331	44,331	56,731
Pim Vervaat	—	—	—
Julia Hendrickson <sup>2</sup>	—	—	—
Will Hoy <sup>3</sup>	45,000	45,000	45,000

1. Giles Brand is a Managing Partner of EPIC Investment Partners LLP and a director of its subsidiary, EPIC Investment Partners (UK) Limited. EPIC Investment Partners (UK) Limited is the investment manager of ESO Investments 2 Limited. ESO Investments 2 Limited owns 35,564,260 shares in the Group.

2. Julia Hendrickson joined the Board on 1 June 2022.

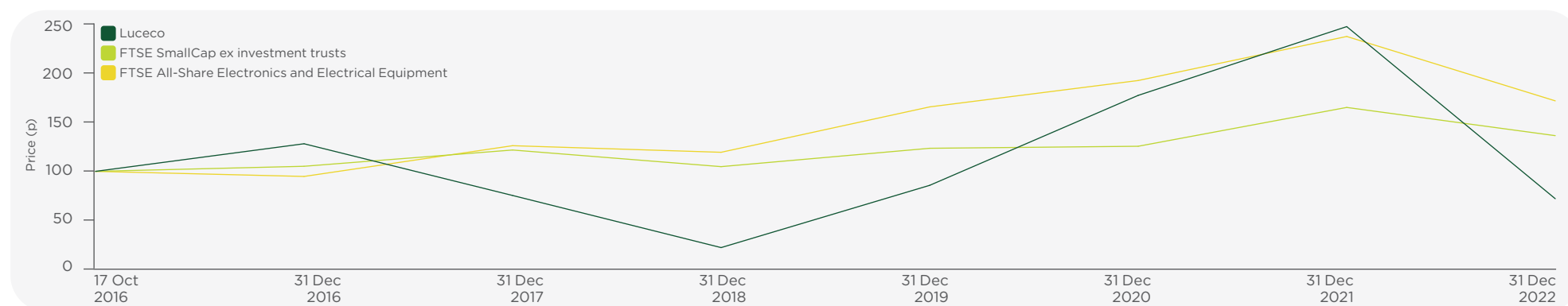
3. Will Hoy stepped down from his position of Non-Executive Director and became an Executive Director on 1 March 2023. Will assumes the position of Chief Financial Officer on 1 April 2023.

# Remuneration Committee Report continued

## Performance graph and table

### Review of past performance

The graph below shows the historical TSR of the Group, the FTSE SmallCap index exclusive of investment trusts and the FTSE All-Share Electronics and Electrical Equipment index for the period from IPO on 17 October 2016 to 31 December 2022. The Group has chosen these indices to reflect its size and the key sector within which it operates.



The table below shows the CEO's "single figure" remuneration for the ten years ended 31 December 2022. John Hornby was CEO for the full period.

£'000	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total remuneration	219	251	314	337	365	504	726	699	1,553	726
Annual bonus (% of max)				nil	nil	50%	100%	90%	50%	55%
LTIP vesting <sup>1</sup> (% of max)	n/a	n/a	n/a	n/a	n/a	n/a	0%	n/a <sup>2</sup>	100%	26.25% <sup>3</sup>

1. No LTIPs were in place during the reporting periods 2012 to 2016. The first LTIP awards post-IPO were granted in 2017, with vesting based on performance to 31 December 2019.

2. On 27 November 2018, John Hornby surrendered the 2018 PSP award granted to him on 27 July 2018. This award would have vested at 100% of maximum.

3. The PSP awards granted in 2020 are expected to vest at 26.25% of maximum. The TSR performance period for these awards runs to 14 July 2023 and final vesting will be determined at this point.

The CEO received a reduced remuneration package during the period 2012 to 2014, reflective of the financial position of the Group, having undertaken extensive investment in its Chinese manufacturing operation and LED Lighting operation. His salary changed in 2015 and 2016 to better reflect the market rate of remuneration of a CEO in a similarly sized operation. With effect from 1 January 2018, the CEO accepted a temporary reduction in salary in response to the Group's performance at that time. With effect from 1 January 2019, the CEO's salary reverted to £350,000. To recognise the increased size and complexity of the organisation, from 1 January 2022, the CEO's salary was £400,000.

# Remuneration Committee Report continued

## Annual percentage change in remuneration of Directors and employees

The following table sets out the change in remuneration paid to the Directors who served on the Board from 2019 to 2022 compared with the average percentage change for UK-based employees. The Committee considers this the most meaningful comparison as the Group does not have a harmonised salary and benefits structure across its global operations. Furthermore, the majority of its overseas employees are based in Asia, where the pay structure is significantly different to that of the Executive Directors, which does not facilitate a like-for-like comparison.

	Executive Directors		Non-Executive Directors						UK employees
	John Hornby	Matt Webb	Giles Brand	Caroline Brown <sup>3</sup>	Tim Surridge	Will Hoy <sup>1,3</sup>	Pim Vervaat <sup>2</sup>	Julia Hendrickson <sup>4</sup>	
<b>2022 vs. 2021</b>									
Base salary/fees	8.3%	18.4%	3.0%	(13.2)%	3.0%	21.1%	3.0%	n/a	3.0%
Benefits	22.7%	0.7%	—	—	—	—	—	—	—
Bonus	19.1%	42.1%	—	—	—	—	—	—	(5.8)%
<b>2021 vs. 2020</b>									
Base salary/fees	2.5%	2.5%	2.5%	(7.4)%	2.5%	8.9%	207.3%	n/a	2.5%
Benefits	41.7%	(0.9)%	—	—	—	—	—	—	—
Bonus	(43.1)%	(43.1)%	—	—	—	—	—	—	(4.5)%
<b>2020 vs. 2019</b>									
Base salary/fees	3.0%	3.0%	100%	3.0%	3.0%	21.7%	n/a	n/a	3.0%
Benefits	(44.3)%	—	—	—	—	—	—	—	—
Bonus	(7.3)%	(7.3)%	—	—	—	—	—	—	(1.5)%

1. Will Hoy was appointed to the Board on 1 September 2019.

2. Pim Vervaat was appointed to the Board on 1 September 2020.

3. Will Hoy succeeded Caroline Brown as Chair of the Audit Committee in October 2021.

4. Julia Hendrickson joined the Board on 1 June 2022.

The main benefits provided include a company car or cash equivalent, medical cover and life assurance. There has been no change in the level of benefits provided to Group employees.



# Remuneration Committee Report continued

## Relative importance of spend on pay

The table below shows the total amount paid by the Group to its employees and distributions to shareholders for 2022 and 2021.

£m	31 December 2022	31 December 2021	% change
Overall spend on pay for employees including Executive Directors <sup>1</sup>	40.3	36.4	10.7%
Distributions to shareholders	10.9	11.2	(2.7)%

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

## CEO pay ratio

For the year ended 31 December 2022, the Chief Executive's total remuneration as a ratio against the full-time equivalent remuneration of UK employees is detailed in the table below:

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2022	Option B	27 : 1	17 : 1	11 : 1
2021	Option B	68 : 1	45 : 1	25 : 1
2020	Option B	30 : 1	21 : 1	11 : 1
2019	Option B	30 : 1	22 : 1	15 : 1

Year		25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2022	Salary	£23,759	£37,755	£45,642
	Total pay	£27,106	£42,948	£68,798

The ratios have been calculated using Option B, as defined under the relevant regulations, as it is considered to be the most appropriate methodology for Luceco based on the availability of data at the time the Annual Report is published. This utilises data analysed within our Gender Pay Gap report, with employees at the three quartiles identified from this analysis based on the 2021-22 snap-shot date. Their respective single figure values for 2022 have then been calculated. No estimates were required, and no elements of pay were omitted in calculating the relevant single figures.

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

The CEO pay ratio has been rounded to the nearest whole number and represents a decrease on the 2021 ratio. The main reason for the change in the ratio from last year is the lower level of LTIP vesting in respect of the year for the CEO. The Board has confirmed that the ratio is consistent with the Company's wider policies on employee pay, reward and progression. Pay for senior leaders within the Group has a much greater emphasis on performance-based pay through the annual bonus and the LTIP. The ratios are therefore likely to vary year-on-year depending on bonus and LTIP outcomes.

# Remuneration Committee Report continued

## Role of the Committee

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

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

The Committee is chaired by Tim Surridge. Pim Vervaat, Caroline Brown and Julia Hendrickson (joined 1 June 2022) are also members of the Committee. There have been three meetings of the Committee during the year. The Committee has met once since the year end and the date of issuing the Annual Report and Financial Statements to consider the Remuneration Policy and its implementation for 2023 and to agree performance targets for 2023.

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

During the remainder of 2023, the Committee is scheduled to meet at least twice and the areas that the Committee intends to focus attention on are as follows:

- The implementation of the Remuneration Policy for 2023 as outlined in this report
- Determining reward outcomes for 2023
- Review of remuneration trends and governance developments

## Remuneration Committee advisers

During the year to 31 December 2022, the Committee engaged the services of external advisers Deloitte LLP ("Deloitte").

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

Deloitte's fees are charged on a time and materials basis. During the year, Deloitte was paid £61,455 for advice provided to the Committee. Deloitte did not provide any additional services to the Group during the year.

# Remuneration Committee Report continued

## Shareholder voting

Shareholder voting in relation to the resolution to approve the Directors' Remuneration Report (June 2022 AGM) and to approve the Remuneration Policy (June 2020 AGM) are as follows:

	Votes for	% for	Votes against	% against	Votes withheld
To approve the Directors' Remuneration Report (2022)	96,826,276	83.29%	19,421,351	16.71%	18,000
To approve the Remuneration Policy (2020)	113,292,183	91.5%	10,509,986	8.5%	4,609

## TIM SURRIDGE

Remuneration Committee Chair

20 March 2023

# Other Statutory Disclosures

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

## Disclosures required under Listing Rule 9.8.4R

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

Listing Rule requirement	Annual Report location
Interest capitalised	Not applicable
Publication of unaudited financial information	Not applicable
Details of long-term incentive schemes	Page 119
Waiver of emoluments by a Director	Not applicable
Waiver of future emoluments by a Director	Not applicable
Non-pre-emptive issues of equity for cash	Not applicable
Non-pre-emptive issues of equity for cash by a major subsidiary	Not applicable
Parent participation in a placing by a listed subsidiary	Not applicable
Contracts of significance	Not applicable
Provision of services by a controlling shareholder	Page 131
Dividend waivers	Page 131
Agreements with controlling shareholders	Page 131

## Results and dividends

The Group's profit for the year ended 31 December 2022 was £11.0m (2021: £27.1m); details are shown in the Consolidated Income Statement on page 141. The Directors recommend the payment of a final dividend of 3.0p per ordinary share which, subject to the approval of shareholders at the AGM on 10 May 2023, will be paid on 19 May 2023 to ordinary shareholders registered as members of the Company at the close of business on 11 April 2023. The final date for elections under the Company's dividend reinvestment plan will be 26 April 2023. An interim dividend of 1.6p per share was paid during the year. The Company's dividend policy is to pay out between 40% and 60% of Adjusted Earnings Per Share.

# Other Statutory Disclosures continued

## Directors

The Directors who held office during the year were:

- John Hornby
- Matt Webb (until 1 April 2023)
- Giles Brand
- Caroline Brown
- Will Hoy
- Tim Surridge
- Pim Vervaat
- Julia Hendrickson (appointed 1 June 2022)

Biographical details of the Directors appear on pages 80 to 82. Information on the Directors' remuneration, employee share schemes and service contracts is given in the Remuneration Committee Report on pages 97 to 126.

## Appointment and replacement of Directors

The rules about the appointment and replacement of Directors are contained in the Company's Articles. They provide that the Directors may be appointed by ordinary resolution of the shareholders or by the Board. Directors appointed by the Board may only hold office until the next AGM of the Group and then shall be eligible for election. The Group may remove a Director by ordinary resolution where special notice has been given and the necessary statutory procedures are complied with. In line with best practice corporate governance, all Directors will seek election or re-election at the AGM on 10 May 2023.

## Powers of Directors

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

## Compensation for loss of office

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

## Future developments

In accordance with s414C(11) of the Companies Act 2006, the Group has disclosed future developments within its Strategic Report on pages 1 to 75.

## Corporate governance

A report on corporate governance and the Company's compliance with the UK Corporate Governance Code is set out on page 79 and forms part of this report by reference.

## Post balance sheet events

There were no post balance sheet events.

## Research and development

The Directors consider that investment in research and development ("R&D") is critical to enable the Group to maintain its competitive advantage and continue to grow its market share. The Group has a substantial specialist R&D function in China which works alongside the UK R&D team. R&D expenditure in the year was £3.6m (2021: £3.0m), of which £1.7m (2021: £0.9m) was capitalised and amortised.

## Asset values

Property, plant and equipment is disclosed in note 9 of the consolidated financial statements on pages 161 to 164. The Directors do not believe there is any material difference between the carrying value and market value.

## Financial instruments

An analysis of the Group's financial instruments, risk management objectives and its exposure to credit and liquidity risk are disclosed in note 20 of the consolidated financial statements.

The Group's exposure to fluctuations in foreign exchange rates and the steps it takes to mitigate them are detailed in the principal risks and uncertainties on pages 64 to 71, and the Chief Financial Officer's Review on pages 14 to 22.

## Global operations

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

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



# Other Statutory Disclosures continued

## Political donations

No political donations were made and no political expenditure was incurred during the year (2021: nil).

## Employees

Information on how we promote employee involvement can be found on page 57. Details of the Group's employment policies and its approach to diversity and disability can be found in the Environment, Social and Governance section on pages 55 and 56.

An explanation of the activities of the appointed Non-Executive Director for workforce engagement can be found on page 85.

UK employees are encouraged to participate in the Company's performance through our share incentive plan, discussed on pages 185 to 187.

## Greenhouse gas emissions

Details of the Group's greenhouse gas emissions can be found in the "Creating a sustainable future" section of the Environment, Social and Governance section on pages 38 to 54.

## Task Force on Climate-related Financial Disclosures ("TCFD")

Details of the Group's TCFD reporting are outlined in the Environment, Social and Governance section on pages 38 to 54.

## Directors' interests and share options

During the year ended 31 December 2022, no Director had an interest in any third-party contract between the Company or any of its subsidiaries.

Directors' shareholdings are disclosed in the Remuneration Committee Report on page 121. Details of Directors' share options are set out in note 22 of the consolidated financial statements.

## Directors' conflicts of interest

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

## Directors' liability and indemnity insurance

The Group maintains Directors' and officers' liability insurance, which gives appropriate cover for legal action brought against its Directors. In addition, third-party qualifying indemnity provisions (as defined in s234 of the Act) for its Directors and officers were in force during the year ended 31 December 2022 and remain in force. There were no qualifying pension scheme indemnity provisions.

## Articles of Association

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

## Share capital and waiver of pre-emption rights

The Group has one class of share in issue. The rights attached to each share are identical and each share carries equal rights to dividends, return of capital on the winding up of the Group and one vote at general meetings of the Group. There are no securities carrying special rights. There are no restrictions on the transfer of shares in the Group (other than following a service of notice under s793 of the Act) and there are no restrictions on any voting rights or deadlines, other than those prescribed by law. The Group is not aware of any arrangements between its shareholders which may result in the restriction on the transfer of shares or voting rights. Further details of the rights and obligations attached to the shares are set out in the Company's Articles.

At the AGM on 12 May 2022, authority was given to the Directors to allot new ordinary shares up to a nominal value of £26,800, equivalent to 33.33% of the issued share capital of the Group. In addition, authority was given to the Directors to allot further new ordinary shares up to a nominal value of £53,600, equivalent to 66.67% of the authorised share capital of the Group. These authorities expire on the conclusion of the 2023 AGM. No shares have been allotted under these authorities as at the date of this report.

At 31 December 2022, the Group had 160,800,000 fully paid ordinary shares of 0.05p each in issue which are traded on the London Stock Exchange. Details of the share capital at 31 December 2022 are disclosed in note 23 on page 187.

# Other Statutory Disclosures continued

## Authority for the Group to purchase its own shares

A resolution will be proposed at the 2023 AGM that the Company be authorised to purchase up to approximately 10% of its ordinary shares at the Directors' discretion. If the resolution is passed, the new authority will lapse at the conclusion of the 2024 AGM or, if earlier, on 30 June 2024.

At the AGM held on 12 May 2022, authority was given for the Company to make market purchases of its ordinary shares provided that the maximum aggregate number of ordinary shares that may be purchased is limited to 16,080,000, with a minimum price of 0.05p per share. The maximum price (exclusive of expenses) which may be paid for each ordinary share shall be the higher of (i) an amount equal to 105% of the middle market quotations for an ordinary share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the date on which the ordinary share is purchased; and (ii) an amount equal to the higher of the price of the last independent trade of any ordinary share and the highest current independent bid for an ordinary share on the trading venue where the purchase is carried out. These authorities shall expire at the conclusion of the 2023 AGM.

## Substantial shareholdings

The Company has been notified of the following disclosable interests in its issued share capital in accordance with DTR 5 as at 31 December 2022 and at 16 March 2023 (being the latest practicable date prior to the date of this report). The shareholdings of John Hornby and his persons closely associated ("PCAs") and Giles Brand also take account of share movements announced under the UK Market Abuse Regulation ("MAR") that did not trigger notifications under DTR 5. The transactions by John Hornby and his PCAs notified to the market on 27 January 2023, in accordance with MAR, resulted in no change to the combined beneficial shareholdings of John Hornby and his PCAs.

Shareholder	At 16 March 2023		At 31 December 2022	
	Number of shares held	% voting rights	Number of shares held	% voting rights
ESO Investments 2 Limited <sup>1</sup>	35,564,260	22.12	35,564,260	22.12
John Hornby	12,373,632	7.70	9,153,374	5.69
Deanmor Investments <sup>2</sup>	13,000,000	8.08	16,000,000	9.95
Philippa Hornby <sup>3</sup>	3,400,000	<3%	3,259,158	<3%
PCA of John Hornby <sup>4</sup>	100,000	<3%	35,997	<3%
PCA of John Hornby <sup>5</sup>	100,000	<3%	35,997	<3%
Giles Brand	9,466,919	5.89	9,466,919	5.89
BlackRock Inc	6,523,932	4.06	6,523,932	4.06
Polar Capital LLP	7,943,623	4.94	7,943,623	4.94

1. On 16 June 2022, EPIC Investments LLP completed a distribution in specie of 100% of its shares to its parent company, ESO Investments 2 Limited.

2. Deanmor Investments is an investment vehicle wholly owned by John and Philippa Hornby and is a PCA of John Hornby.

3. Philippa Hornby is a PCA of John Hornby.

4. Details disclosed to market in accordance with DTR 3.

5. Details disclosed to market in accordance with DTR 3.

## Other Statutory Disclosures continued

### Provision of services by substantial shareholders

Giles Brand is Luceco plc's Chair and Managing Partner of EPIC Investment Partners ("EPIC") LLP (formerly EPIC Private Equity LLP), which is controlled by ESO Investments 2 Limited. Giles Brand and ESO Investments 2 Limited are therefore connected parties and substantial shareholders of the Company. Giles Brand was paid a monthly fee of £8,798 (£105,575 per annum) in respect of his services as Chair during 2022.

John Hornby has a service contract with the Group, as detailed on page 113, which is available for inspection at the AGM and at the Group's registered office. Further details of his remuneration can be found in the Remuneration Committee Report on pages 97 to 126.

### Significant agreements

The Group has an agreement with its significant shareholders, ESO Investments 2 Limited (which controls EPIC Investments LLP) and Giles Brand ("connected parties"), who collectively exercise or control 28.0% of the voting rights. With respect to this agreement, both the Group and ESO Investments 2 Limited have complied with the independence provisions and procurement obligation as required under the Listing Rules.

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

### Change of control

Change of control provisions are included in the Group's banking agreements. Should a change of control event occur, the Group's revolving credit facility would be subject to immediate cancellation and the Bank may call for immediate repayment of any balance outstanding.

### Shareholder waiver of dividends

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

### Directors' statement regarding disclosure of information to the auditor

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

### Appointment of auditor

On the recommendation of the Audit Committee, resolutions will be proposed at the 2023 AGM to re-appoint KPMG LLP as auditor of the Group and to authorise the Audit Committee to set the auditor's remuneration.

### Annual General Meeting

The Group's AGM will be held on 10 May 2023. Details of the resolutions to be proposed at the AGM are set out in the Notice of Meeting, which is provided to all shareholders.

The Directors' Report was approved by the Board of Directors and authorised for issue on 20 March 2023.

By Order of the Board

### MATT WEBB

Chief Financial Officer

Company registered number: 05254883

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

# Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with UK-adopted international accounting standards and applicable law and have elected to prepare the Parent Company financial statements in accordance with UK accounting standards and applicable law, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with UK-adopted international accounting standards; for the Parent Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the Parent Company financial statements;
- assess the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and

- use the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

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

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

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

In accordance with Disclosure Guidance and Transparency Rule 4.1.14R and the requirements of Companies Act 2006, the financial statements will form part of the annual financial report prepared using the single electronic reporting format. The auditor's report on these financial statements provides no assurance over the ESEF format.

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

Each of the Directors whose names are listed on pages 80 to 82 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

# Independent Auditor's Report

to the members of Luceco plc

## 1. Our opinion is unmodified

We have audited the financial statements of Luceco plc ("the Company") for the year ended 31 December 2022 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement, Company Balance Sheet, Company Statement of Changes in Equity and the related notes, including the accounting policies in note 1 and 28.

### In our opinion:



- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2022 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

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

We were first appointed as auditor by the shareholders on 20 February 2015. The period of total uninterrupted engagement is for the 9 financial years ended 31 December 2022. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

## Overview

<b>Materiality:</b> Group financial statements as a whole	£1.1m (2021: £1.7m) 4.8% (2021: 4.6%) of normalised profit before tax
<b>Coverage</b>	100% (2021: 96%) of Group profit before tax <sup>1</sup>
<b>Key audit matters</b>	vs 2021
<b>Recurring risks</b>	Recoverability of finished goods 
	<b>Parent Company:</b> Recoverability of parent's debt due from Group entities 

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



## Independent Auditor's Report continued

to the members of Luceco plc

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

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters (unchanged from 2021), in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
<p><b>Recoverability of finished goods (excluding Luceco Electrical (Jiaxing) Limited, DW Windsor Group Limited and Kingfisher Lighting Limited)</b></p> <p>Refer to page 94 (Audit Committee Report), page 170 (accounting policy) and page 170 (financial disclosures).</p>	<p><b>Subjective estimate:</b></p> <p>The Group operates in an evolving industry in terms of technology, legal standards and customer demand. These factors can lead to obsolete inventory that is un-sellable or only sellable at discounted prices.</p> <p>Inventories are carried at the lower of cost and net realisable value with the result that the directors apply judgement in estimating the appropriate provisions for inventory based upon analysis of inventory levels, discontinued inventory and sales margins.</p> <p>The subjectivity in these assessments by the directors means that there is a risk that the assessment of the level of these provisions is inappropriate.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> <li>• <b>Benchmarking assumptions:</b> We assessed the directors' assumptions behind the provision against finished goods against available data on selling price(s) of these goods;</li> <li>• <b>Tests of detail:</b> We obtained an understanding of the directors' process in calculating the provision and we calculated the inventory provision using alternative methods, comparing these results and investigating differences; and</li> </ul> <p>We performed the tests above rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.</p> <p><b>Our results</b></p> <ul style="list-style-type: none"> <li>• As a result of our work, we consider the recoverable amount used for inventory to be acceptable (2021: acceptable).</li> </ul>

## Independent Auditor's Report continued

to the members of Luceco plc

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

	The risk	Our response
<p><b>Parent Company risk:</b> <b>Recoverability of parent's debt due from Group entities (£84.5 million; 2021: £77.8 million)</b></p> <p>Refer to page 94 (Audit Committee Report), page 197 (accounting policy) and page 197 (financial disclosures).</p>	<p><b>Low risk, high value:</b></p> <p>The carrying amount of the intra-Group debtor balance represents 95.2% (2021: 96.0%) of the parent Company's total assets.</p> <p>Their recoverability is not at a high risk of significant misstatement or subject to significant judgement.</p> <p>However, due to their materiality in the context of the parent company financial statements, this is considered to be the area that had the greatest effect on our overall parent Company audit.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> <li>• <b>Test of details:</b> We compared the carrying amount of 100% of debt due from the Group entity to the total balance with the relevant subsidiary draft balance sheet to identify whether it had a positive net asset value and therefore coverage of the debt owed, and also assessed whether the subsidiary has historically been profit-making. We considered the results of that work on the ability of that subsidiary to fund the repayment of the receivable.</li> </ul> <p>We performed the tests above rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.</p> <p><b>Our results</b></p> <ul style="list-style-type: none"> <li>• We found the Group's conclusion that there is no impairment of the parent's debt due from Group entities to be acceptable (2021: acceptable).</li> </ul>

## Independent Auditor's Report continued

to the members of Luceco plc

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

Materiality for the Group financial statements as a whole was set at £1.1m (2021: £1.7m), determined with reference to a benchmark of Group profit before tax from continuing operations (PBTCO). We normalised PBTCO by adding back adjustments that do not represent the normal, continuing operations of the Group and additionally in 2022 by averaging over 4 years. The items we adjusted for were Sync EV acquisition and related costs of £1.2m, reversal of restructuring expenses of £1m and a loss on remeasurement of derivative instruments of £5.7m (2021: determined with reference to a benchmark of Group profit before tax, normalised to exclude restructuring expenses of £2.3m, DW Windsor acquisition costs of £0.7m and a loss of £0.4m in respect of remeasurement of derivative instruments) of which it represents 4.8% (2021: 4.6%). We selected 4 years (2019 to 2022) to average Group profit before tax to account for the fluctuations in the Group's performance due to the unusual changes in the customer's demand on account of the anticipated bottlenecks in the supply chains.

Materiality for the parent Company financial statements as a whole was set at £0.34m (2021: £0.34m), determined with reference to a benchmark of Company total assets, of which it represents 0.38% (2021: 0.41%).

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

Performance materiality was set at 75% (2021: 75%) of materiality for the financial statements as a whole, which equates to £0.82m (2021: £1.27m) for the Group and £0.25m (2021: £0.25m) for the parent Company. We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £55,000 (2021: £85,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 22 (2021: 22) reporting components, we subjected 4 (2021: 3) to full scope audits for Group purposes and 8 (2021: 9) to specified risk-focused audit procedures. The latter were not individually financially significant enough to require a full scope audit for Group purposes, but did present specific individual risks that needed to be addressed.

We subjected 8 (2021: 9) components to specified risk-focused audit procedures over cash and 6 components (2021: 8) over inventory.

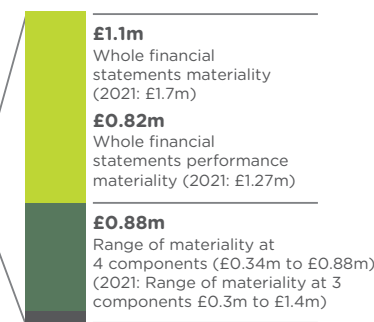
The components within the scope of our work accounted for the percentages illustrated opposite.

**Normalised Group profit before tax**  
£24.3m (2021: £36.7m)



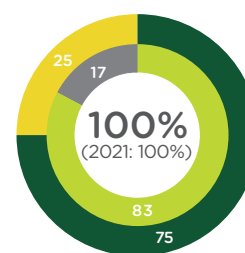
■ Normalised PBT  
■ Group materiality

**Group materiality**  
£1.1m (2021: £1.7m)

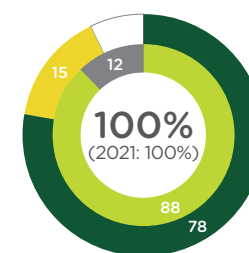


■ Misstatements reported to the audit committee (2021: £0.08m)

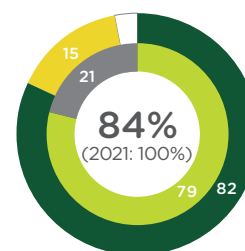
**Group revenue**



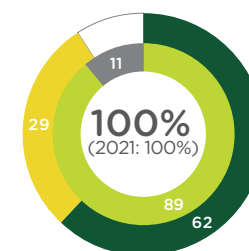
**Group profit before adjusted items and tax**



**Group total assets**



**Group profit after adjusted items**



■ Full scope for Group audit purposes 2022  
■ Specified risk-focused audit procedures 2021  
■ Full scope for Group audit purposes 2022  
■ Specified risk-focused audit procedures 2021  
■ Residual components

## Independent Auditor's Report continued

to the members of Luceco plc

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

The Group team instructed component auditors as to the significant areas to be covered and the information to be reported back. The Group team approved the component materialities, which ranged from £0.34m to £0.88m (2021: £0.3m to £1.4m), having regard to the mix of size and risk profile of the Group across the components. The work on 1 of the 4 components (2021: 1 of the 3 components) was performed by component auditors and the rest, including the audit of the parent Company, was performed by the Group team. The Group team performed procedures on the items excluded from normalised Group profit before tax.

The scope of the audit work performed was predominately substantive as we placed limited reliance upon the Group's internal control over financial reporting.

The Group team visited 1 (2021: 1) component in China (2021: China) to assess the audit risk and strategy. Video and telephone conference meetings were also held with the component auditors. At these visits and meetings, the findings reported to the Group team were discussed in more detail, and any further work required by the Group team was then performed by the component auditor.

### 4. Going concern

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

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

- Concentration risks with associated operations;
- Macroeconomic, political and environmental risks.

We considered whether these risks could plausibly affect the liquidity or covenant compliance in the going concern period by assessing the degree of downside assumption that, individually and collectively, could result in a liquidity issue, taking

into account the Group's current and projected cash and facilities (a reverse stress test). We also assessed the completeness of the going concern disclosure.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or parent Company's ability to continue as a going concern for the going concern period;
- we have nothing material to add or draw attention to in relation to the directors' statement in note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and parent Company's use of that basis for the going concern period, and we found the going concern disclosure in note 1 to be acceptable; and
- the same statement is materially consistent with the financial statements and our audit knowledge.

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

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

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

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

- Enquiring of directors, the audit committee and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board, audit committee, remuneration and nomination committee minutes.
- Considering remuneration incentive schemes and performance targets for directors including the EPS target for management remuneration.
- Using analytical procedures to identify any unusual or unexpected relationships.
- Consultation with forensic specialists to brainstorm over plausible fraud risk factors.

## Independent Auditor's Report continued

to the members of Luceco plc

### **5. Fraud and breaches of laws and regulations – ability to detect** continued **Identifying and responding to risks of material misstatement due to fraud** continued

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

As required by auditing standards, and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that Group and component management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because there is limited perceived pressure and opportunity to inflate revenue as the Group is trading significantly below incentive thresholds for this year and revenue recognition does not involve complex judgement.

We did not identify any additional fraud risks.

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

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

As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

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

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

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

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

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

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

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

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



## Independent Auditor's Report continued

to the members of Luceco plc

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

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

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

#### Strategic report and directors' report

Based solely on our work on the other information:

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

#### Directors' remuneration report

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

#### Disclosures of emerging and principal risks and longer-term viability

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

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

- the directors' confirmation within the viability statement on pages 72 to 74 that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;

- the Principal risk disclosures describing these risks and how emerging risks are identified, and explaining how they are being managed and mitigated; and
- the directors' explanation in the viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to review the viability statement, set out on pages 72 to 74 under the Listing Rules. Based on the above procedures, we have concluded that the above disclosures are materially consistent with the financial statements and our audit knowledge.

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

#### Corporate governance disclosures

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

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

- the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy;
- the section of the annual report describing the work of the Audit Committee, including the significant issues that the audit committee considered in relation to the financial statements, and how these issues were addressed; and
- the section of the annual report that describes the review of the effectiveness of the Group's risk management and internal control systems.

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

## Independent Auditor's Report continued

to the members of Luceco plc

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

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

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

We have nothing to report in these respects.

### 8. Respective responsibilities

#### Directors' responsibilities

As explained more fully in their statement set out on page 132, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

#### Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

The Company is required to include these financial statements in an annual financial report prepared using the single electronic reporting format specified in the TD ESEF Regulation. This auditor's report provides no assurance over whether the annual financial report has been prepared in accordance with that format.

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

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

### MICHAEL FROMM (SENIOR STATUTORY AUDITOR)

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

One Snowhill  
Snow Hill Queensway  
Birmingham B4 6GH

20 March 2023

## Consolidated Income Statement

for the year ended 31 December 2022

£m	Note	Adjusted	Adjustments <sup>1</sup>	2022	Adjusted	Adjustments <sup>1</sup>	2021
<b>Revenue</b>	2	<b>206.3</b>	<b>—</b>	<b>206.3</b>	228.2	—	228.2
Cost of sales		<b>(132.0)</b>	<b>—</b>	<b>(132.0)</b>	(143.5)	—	(143.5)
<b>Gross profit</b>		<b>74.3</b>	<b>—</b>	<b>74.3</b>	84.7	—	84.7
Distribution expenses		<b>(9.2)</b>	<b>—</b>	<b>(9.2)</b>	(7.8)	—	(7.8)
Administrative expenses		<b>(43.1)</b>	<b>(2.0)</b>	<b>(45.1)</b>	(37.9)	(3.7)	(41.6)
<b>Operating profit</b>	3	<b>22.0</b>	<b>(2.0)</b>	<b>20.0</b>	39.0	(3.7)	35.3
Finance expense	5	<b>(2.6)</b>	<b>(5.7)</b>	<b>(8.3)</b>	(1.6)	(0.4)	(2.0)
<b>Net finance expense</b>		<b>(2.6)</b>	<b>(5.7)</b>	<b>(8.3)</b>	(1.6)	(0.4)	(2.0)
<b>Profit before tax</b>		<b>19.4</b>	<b>(7.7)</b>	<b>11.7</b>	37.4	(4.1)	33.3
Taxation	6	<b>(2.2)</b>	<b>1.5</b>	<b>(0.7)</b>	(6.2)	—	(6.2)
<b>Profit for the year</b>		<b>17.2</b>	<b>(6.2)</b>	<b>11.0</b>	31.2	(4.1)	27.1
<b>Earnings Per Share (pence)</b>							
Basic	7	<b>11.1p</b>	<b>(4.0p)</b>	<b>7.1p</b>	20.2p	(2.6p)	17.6p
Diluted	7	<b>11.0p</b>	<b>(4.0p)</b>	<b>7.0p</b>	19.8p	(2.6p)	17.2p

1. Definition of the adjustments made and reconciliations to the reported figures can be found in note 1 of the consolidated financial statements on page 148.

The accompanying notes on pages 147 to 190 form an integral part of these financial statements.

## Consolidated Statement of Comprehensive Income

for the year ended 31 December 2022

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

All results are from continuing operations.

The accompanying notes on pages 147 to 190 form an integral part of these financial statements.

## Consolidated Balance Sheet

at 31 December 2022

£m	Note	2022	Restated <sup>1</sup> 2021
<b>Non-current assets</b>			
Property, plant and equipment	9	21.4	21.2
Right-of-use assets	9	6.1	7.8
Intangible assets	10	41.7	33.7
Investment in associate	11	—	2.1
Financial assets held for trading	20	0.5	4.3
Deferred tax asset	12	0.8	0.3
		70.5	69.4
<b>Current assets</b>			
Inventories	13	47.5	56.6
Trade and other receivables	14	52.9	69.7
Financial assets held for trading	20	0.7	0.4
Current tax asset		1.2	—
Cash and cash equivalents	15	5.3	6.9
		107.6	133.6
<b>Total assets</b>		<b>178.1</b>	<b>203.0</b>
<b>Current liabilities</b>			
Trade and other payables	18	49.8	66.6
Current tax liabilities		—	1.8
Financial liabilities held for trading	20	2.3	0.1
Other financial liabilities	17	2.0	2.2
		54.1	70.7

£m	Note	2022	Restated <sup>1</sup> 2021
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings	16	28.4	36.8
Other financial liabilities	17	4.3	6.0
Deferred tax liability	12	2.3	—
Provisions	17	2.3	1.8
		37.3	44.6
<b>Total liabilities</b>		<b>91.4</b>	<b>115.3</b>
<b>Net assets</b>		<b>86.7</b>	<b>87.7</b>
<b>Equity attributable to equity holders of the parent</b>			
Share capital	23	0.1	0.1
Share premium	23	24.8	24.8
Translation reserve	23	2.6	0.2
Treasury reserve	23	(8.7)	(6.7)
Retained earnings		67.9	69.3
<b>Total equity</b>		<b>86.7</b>	<b>87.7</b>

1. Amounts at 31 December 2021 have been restated for the finalisation of acquisition accounting for DW Windsor (note 26).

The accompanying notes on pages 147 to 190 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 20 March 2023 and were signed on its behalf by:

**JOHN HORNBY**

Chief Executive Officer

**MATT WEBB**

Chief Financial Officer

Company registered number: 05254883

# Consolidated Statement of Changes in Equity

for the year ended 31 December 2022

£m	Share capital	Share premium	Translation reserve	Retained earnings	Treasury reserve	Total equity
Balance at 1 January 2021	0.1	24.8	(0.1)	52.4	(6.8)	70.4
<b>Total comprehensive income</b>						
Profit for the year	—	—	—	27.1	—	27.1
Foreign currency translation differences on investments in overseas entities	—	—	(1.1)	—	—	(1.1)
Currency translation differences	—	—	1.4	—	—	1.4
Total comprehensive income for the year	—	—	0.3	27.1	—	27.4
<b>Transactions with owners in their capacity as owners</b>						
Dividends	—	—	—	(11.2)	—	(11.2)
Purchase of own shares	—	—	—	—	(1.3)	(1.3)
Disposal of own shares	—	—	—	(1.3)	1.4	0.1
Deferred tax on share-based payment transactions	—	—	—	0.7	—	0.7
Share-based payments charge	—	—	—	1.6	—	1.6
<b>Total transactions with owners in their capacity as owners</b>	—	—	—	(10.2)	0.1	(10.1)
<b>Balance at 31 December 2021</b>	0.1	24.8	0.2	69.3	(6.7)	87.7



## Consolidated Statement of Changes in Equity continued

for the year ended 31 December 2022

£m	Share capital	Share premium	Translation reserve	Retained earnings	Treasury reserve	Total equity
<b>Balance at 31 December 2021</b>	0.1	24.8	0.2	69.3	(6.7)	87.7
<b>Total comprehensive income</b>						
Profit for the year	—	—	—	11.0	—	11.0
Foreign currency translation differences on investments in overseas entities	—	—	2.5	—	—	2.5
Currency translation differences	—	—	(0.1)	—	—	(0.1)
Total comprehensive income for the year	—	—	2.4	11.0	—	13.4
<b>Transactions with owners in their capacity as owners</b>						
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)
Corporate tax on foreign currency translation difference on investments in overseas entities	—	—	—	(0.5)	—	(0.5)
Share-based payments charge	—	—	—	1.0	—	1.0
<b>Total transactions with owners in their capacity as owners</b>	—	—	—	(12.4)	(2.0)	(14.4)
<b>Balance at 31 December 2022</b>	0.1	24.8	2.6	67.9	(8.7)	86.7

The accompanying notes on pages 147 to 190 form an integral part of these financial statements.

# Consolidated Cash Flow Statement

for the year ended 31 December 2022

£m	Note	Adjusted	Adjustments <sup>1</sup>	2022	Adjusted	Adjustments <sup>1</sup>	2021
<b>Cash flows from operating activities</b>							
Profit for the year		17.2	(6.2)	11.0	31.2	(4.1)	27.1
Adjustments for:							
Depreciation and amortisation	9,10	7.1	1.8	8.9	6.7	1.0	7.7
Financial expense	5	2.6	5.7	8.3	1.6	0.4	2.0
Taxation	6	2.2	(1.5)	0.7	6.2	—	6.2
Loss on disposal of tangible assets		0.1	—	0.1	—	—	—
Increase in provisions		0.1	—	0.1	0.2	—	0.2
Share-based payments charge	22	1.0	—	1.0	1.7	—	1.7
Other non-cash items		—	0.5	0.5	—	—	—
<b>Operating cash flow before movement in working capital</b>		<b>30.3</b>	<b>0.3</b>	<b>30.6</b>	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)
<b>Cash from operations</b>		<b>43.7</b>	<b>(0.4)</b>	<b>43.3</b>	35.0	(0.8)	34.2
Tax paid		(4.7)	—	(4.7)	(8.1)	—	(8.1)
<b>Net cash from operating activities</b>		<b>39.0</b>	<b>(0.4)</b>	<b>38.6</b>	26.9	(0.8)	26.1

1. Definition of the adjustments made and reconciliations to the reported figures can be found in note 1 of the consolidated financial statements on page 148.

## Consolidated Cash Flow Statement continued

for the year ended 31 December 2022

£m	Note	Adjusted	Adjustments <sup>1</sup>	2022	Adjusted	Adjustments <sup>1</sup>	2021
<b>Cash flows from investing activities</b>							
Acquisition of property, plant and equipment		(4.1)	—	(4.1)	(5.7)	—	(5.7)
Acquisition of other intangible assets		(1.7)	—	(1.7)	(0.9)	—	(0.9)
Disposal of tangible assets		0.2	—	0.2	0.2	—	0.2
Acquisition of subsidiary	26	(7.8)	—	(7.8)	(16.3)	—	(16.3)
Investment in associate	11	—	—	—	(2.1)	—	(2.1)
<b>Net cash used in investing activities</b>		<b>(13.4)</b>	<b>—</b>	<b>(13.4)</b>	<b>(24.8)</b>	<b>—</b>	<b>(24.8)</b>
<b>Cash flows from financing activities</b>							
(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	17	(1.9)	(0.3)	(2.2)	(1.4)	—	(1.4)
Purchase of own shares	23	(2.4)	—	(2.4)	(1.3)	—	(1.3)
<b>Net cash used in financing activities</b>		<b>(26.8)</b>	<b>(0.3)</b>	<b>(27.1)</b>	<b>(1.1)</b>	<b>—</b>	<b>(1.1)</b>
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			—
<b>Cash and cash equivalents at 31 December</b>	15			<b>5.3</b>			6.9

1. Definition of the adjustments made and reconciliations to the reported figures can be found in note 1 of the consolidated financial statements on page 148.

The accompanying notes on pages 147 to 190 form an integral part of these financial statements.

# Notes to the Consolidated Financial Statements

for the year ended 31 December 2022

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

### Overview

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

### Basis of accounting

The Group financial statements have been prepared and approved by the Directors in accordance with international accounting standards in accordance with UK-adopted international accounting standards ("UK-adopted IFRS"). The Company has elected to prepare its Parent Company financial statements in accordance with FRS 102; these are presented on pages 191 to 197. On publishing the Parent Company financial statements here, together with the Group financial statements, the Company is taking advantage of the exemption in s408 of the Companies Act 2006 not to present its individual income statement and related notes that form a part of these approved financial statements.

### Basis of preparation

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

### Accounting policy

#### Non-statutory measures of performance

The Group will review the financial statements to identify if there are any large/unusual items or transactions that are required to be removed to reflect the underlying business operations and these are applied consistently over time. These large/unusual items that have been identified are referred to as "Adjustments" and are detailed on pages 148 to 153.

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

### Going concern

The Directors have concluded that it is reasonable to adopt a going concern basis in preparing the financial statements. This is based on an expectation that the Company and the Group have adequate resources to continue in operational existence for 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 £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 £29.4m (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, £28.2m 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

## Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2022

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

#### Going concern continued

The Directors ran scenario tests on the severe but plausible downside case. The assumptions in this scenario were as follows: concentration risks with associated operations (25% reduction in revenue for three months followed by 50% reduction for three months and 20% increase in shipping costs during the period) and macroeconomic, political and environmental risks (18-month recession with a 10% reduction in revenue and gross profit). 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 their 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.

#### Estimates and judgements

The Directors do not consider there to be any key estimates or key judgements in preparing these financial statements.

### Statutory and non-statutory measures of performance

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

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

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

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



# Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2022

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

### Statutory and non-statutory measures of performance continued

Nature of measure	Related IFRS measure	Related IFRS source	Definition	Use/relevance
Adjusted 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 on pages 152 and 153	• Allows management to assess the performance of the business after removing large/unusual items or transactions that are not reflective of the underlying business operations
Adjusted Operating Costs	• Operating gross profit less operating profit	• Consolidated Income Statement		
Adjusted Operating Profit	• Operating profit	• Consolidated Income Statement		
Adjusted Profit for the Year	• Profit for the year (profit after tax)	• Consolidated Income Statement		
Adjusted Basic EPS	• Basic EPS	• Consolidated Income Statement		
Constant Currency			• Current period reviewed translated at the average exchange rate of the prior year	• Allows management to identify the relative YOY performance of the business by removing the impact of currency 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 operational 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

# Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2022

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

### Statutory and non-statutory measures of performance continued

Nature of measure	Related IFRS measure	Related IFRS source	Definition	Use/relevance
Contribution profit	<ul style="list-style-type: none"> <li>Operating profit and operating costs</li> </ul>	<ul style="list-style-type: none"> <li>Consolidated Income Statement</li> </ul>	<ul style="list-style-type: none"> <li>Contribution profit is after allocation of directly attributable adjusted operating expenses for each operating segment</li> </ul>	<ul style="list-style-type: none"> <li>Provides management with an assessment of profitability by operating segment</li> </ul>
Contribution margin	<ul style="list-style-type: none"> <li>Operating profit and operating costs</li> </ul>	<ul style="list-style-type: none"> <li>Consolidated Income Statement</li> </ul>	<ul style="list-style-type: none"> <li>Contribution margin is contribution profit, as above, divided by revenue for each operating segment</li> </ul>	<ul style="list-style-type: none"> <li>Provides management with an assessment of margin by operating segment</li> </ul>
Adjusted Operating Cash Flow	<ul style="list-style-type: none"> <li>Cash flow from operations</li> </ul>	<ul style="list-style-type: none"> <li>Consolidated Cash Flow Statement</li> </ul>	<ul style="list-style-type: none"> <li>Adjusted Operating Cash Flow is the cash from operations but excluding the cash impact of the adjusting items excluded from Adjusted Operating Profit</li> </ul>	<ul style="list-style-type: none"> <li>Provides management with an indication of the amount of cash available for discretionary investment</li> </ul>
Adjusted Free Cash Flow	<ul style="list-style-type: none"> <li>Net increase/(decrease) in cash and cash equivalents</li> </ul>	<ul style="list-style-type: none"> <li>Consolidated Cash Flow Statement</li> </ul>	<ul style="list-style-type: none"> <li>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</li> </ul>	<ul style="list-style-type: none"> <li>Provides management with an indication of the free cash generated by the business for return to shareholders or reinvestment in M&amp;A activity</li> </ul>
Adjusted Net Cash Flow	<ul style="list-style-type: none"> <li>Net increase/(decrease) in cash and cash equivalents</li> </ul>	<ul style="list-style-type: none"> <li>Consolidated Cash Flow Statement</li> </ul>	<ul style="list-style-type: none"> <li>Adjusted Net 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, taxes paid, purchase of shares and dividends paid</li> </ul>	<ul style="list-style-type: none"> <li>Provides management with an indication of the net cash flow generated by the business after dividends and purchase of shares</li> </ul>
Adjusted Operating Cash Conversion	<ul style="list-style-type: none"> <li>None</li> </ul>	<ul style="list-style-type: none"> <li>Consolidated Cash Flow Statement/Income Statement</li> </ul>	<ul style="list-style-type: none"> <li>Adjusted Operating Cash Conversion is defined as Adjusted Operating Cash Flow divided by Adjusted Operating Profit</li> </ul>	<ul style="list-style-type: none"> <li>Allows management to monitor the conversion of operating profit into cash</li> </ul>
Return on Capital Invested ("ROCI")	<ul style="list-style-type: none"> <li>None</li> </ul>	<ul style="list-style-type: none"> <li>Operating profit</li> <li>Net assets</li> </ul>	<ul style="list-style-type: none"> <li>Adjusted Operating Profit divided into the sum of net assets and net debt (average for the last two years) as a percentage</li> </ul>	<ul style="list-style-type: none"> <li>To provide an assessment of how profitably capital is being deployed in the business</li> </ul>

# Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2022

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

### Statutory and non-statutory measures of performance continued

The following tables illustrate how alternative performance measures are calculated:

#### Adjusted EBITDA

£m	2022	2021
Adjusted Operating Profit	22.0	39.0
Adjusted Depreciation and Amortisation	7.1	6.7
<b>Adjusted EBITDA</b>	<b>29.1</b>	45.7

#### Covenant EBITDA

£m	2022	2021
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
<b>Covenant EBITDA</b>	<b>30.3</b>	46.9

#### Adjusted Operating Cash Conversion

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

#### Adjusted Free Cash Flow

£m	2022	2021
Adjusted Operating Cash Flow (see table opposite)	43.7	35.0
Net cash used in investing activities excluding acquisitions and disposals (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)
<b>Adjusted Free Cash Flow</b>	<b>30.7</b>	18.8
Revenue	206.3	228.2
<b>Adjusted Free Cash Flow as % revenue</b>	<b>14.9%</b>	8.2%

#### Adjusted Net Cash Flow as % of revenue

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

#### Return on Capital Invested

£m	2022	2021
Net assets	86.7	87.7
Net debt (see note 16)	29.4	38.1
<b>Capital Invested</b>	<b>116.1</b>	125.8
Average Capital Invested (from last two years)	121.0	107.3
Adjusted Operating Profit (from above)	22.0	39.0
<b>Return on Capital Invested (Adjusted Operating Profit/average Capital Invested)</b>	<b>18.2%</b>	36.4%

# Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2022

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

### Additional metrics

Inventory days – calculated by reference to the closing stock versus the cost of sales over a three-month period. Debtor days – the “countback” method is used to calculate debtor days by reference to revenue over the prior period. Creditor days – the “countback” method is used to calculate creditor days by reference to purchases over the prior period. Organic revenue growth is calculated per the reconciliation on page 18 of the Chief Financial Officer's Review.

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

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

1. Relating to Kingfisher Lighting, DW Windsor and Sync EV (included within acquisition costs was a fair value loss on 100% acquisition of Sync EV).

2. Relating to currency/interest hedges.

3. Relating to the closure of Germany and France operations.

# Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2022

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

### Additional metrics continued

£m	2021	Amortisation of acquired intangibles and related acquisition costs <sup>1</sup>	Re- measurement to fair value of hedging portfolio <sup>2</sup>	Restructuring <sup>3</sup>	2021 Adjustments	2021 Adjusted
<b>Revenue</b>	228.2	—	—	—	—	228.2
Cost of sales	(143.5)	—	—	—	—	(143.5)
<b>Gross profit</b>	84.7	—	—	—	—	84.7
Distribution expenses	(7.8)	—	—	—	—	(7.8)
Administrative expenses	(41.6)	1.4	—	2.3	3.7	(37.9)
<b>Operating profit</b>	35.3	1.4	—	2.3	3.7	39.0
Finance income	—	—	—	—	—	—
Finance expense	(2.0)	—	0.4	—	0.4	(1.6)
<b>Net finance (expense)/income</b>	(2.0)	—	0.4	—	0.4	(1.6)
<b>Profit before tax</b>	33.3	1.4	0.4	2.3	4.1	37.4
Taxation	(6.2)	0.1	(0.1)	—	—	(6.2)
<b>Profit for the year</b>	27.1	1.5	0.3	2.3	4.1	31.2
Gross margin % (gross profit/revenue)	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 operations.



# Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2022

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

### 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

### Accounting policy

#### Revenue

Revenue is recognised when the Group has satisfied its performance obligations to the customer and the customer has obtained control of the goods and services being transferred.

The following table summarises the nature, amounts and timing and uncertainty of revenue which follows our segmental splits of revenue.

Segment	Nature of revenue	Amount (as a percentage of total revenue)	Timing of satisfaction of performance obligations
Wiring Accessories	Revenue from the supply of goods in the form of Wiring Accessories to trade and specialists.	36%	Largely when delivered to the customer. Free on Board (“FOB”) when legal title passes to the customer (when the goods are on the ship).
LED Lighting	Revenue from the supply of commercial and domestic lighting solutions. This includes revenue from our DW Windsor LED business.	39%	Largely when delivered to the customer. FOB when legal title passes to the customer (when the goods are on the ship).
Portable Power	Revenue from the supply of goods in the form of Portable Power to retailers and wholesalers and EV chargers. Revenue from the supply of Ross-branded audio-visual products and Sync EV and BG EV chargers.	25%	Largely when delivered to the customer. FOB when legal title passes to the customer (when the goods are on the ship).

#### Customer rebates

Where the Group has rebate agreements with its customers, the value of customer rebates paid or payable, calculated in accordance with the agreements in place based on the most likely outcome, is deducted from turnover in the year in which the rebate is earned.

## Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2022

### 2 Operating segments continued

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

£m	Adjusted 2022	Adjustments	Reported 2022	Adjusted 2021	Adjustments	Reported 2021
<b>Revenue</b>						
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
<b>Operating profit</b>						
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
	22.0	(2.0)	20.0	39.0	(3.7)	35.3

# Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2022

## 2 Operating segments continued

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

	2022			2021		
	Total	Amortisation of acquired intangibles and related costs <sup>1</sup>	Restructuring <sup>2</sup>	Total	Amortisation of acquired intangibles and related costs <sup>1</sup>	Restructuring <sup>2</sup>
£m						
<b>Cost of sales</b>						
Wiring Accessories	—	—	—	—	—	—
LED Lighting	—	—	—	—	—	—
Portable Power	—	—	—	—	—	—
<b>Gross profit</b>	—	—	—	—	—	—
<b>Administrative expenses</b>						
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)
<b>Total</b>	<b>(2.0)</b>	<b>(3.0)</b>	<b>1.0</b>	<b>(3.7)</b>	<b>(1.4)</b>	<b>(2.3)</b>
<b>Operating profit</b>						
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)
<b>Operating profit</b>	<b>(2.0)</b>	<b>(3.0)</b>	<b>1.0</b>	<b>(3.7)</b>	<b>(1.4)</b>	<b>(2.3)</b>

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.

# Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2022

## 2 Operating segments continued

### Revenue by location of customer

£m	2022	2021
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
<b>Total revenue</b>	<b>206.3</b>	<b>228.2</b>

Revenue by location is an appropriate way to disaggregate revenue to reflect the nature, amount, timing and uncertainty of revenue and cash flows affected by economic factors. Revenues exceeded 10% or more of total revenue for one customer. This customer's revenue represents 25% (2021: 30%) of total revenue and is across all operating segments.

### Non-current assets by location

£m	2022	2021 <sup>1</sup>
UK	52.1	52.1
China	17.6	16.3
Other	0.8	1.0
<b>Non-current assets</b>	<b>70.5</b>	<b>69.4</b>

1. Amounts restated for the finalisation of acquisition accounting for DW Windsor (note 26).

## 3 Expenses and auditor's remuneration

Included in the Consolidated Income Statement are the following:

£m	2022	2021
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

## Auditor's remuneration:

£m	2022	2021
Audit of these financial statements	0.5	0.3
Amounts receivable by the auditor and its associates in respect of:		
Additional amounts in respect of the audit of prior year's financial statements	0.1	0.1
Audit-related assurance for covenant certificates and interim reviews	0.1	0.1
<b>Total</b>	<b>0.7</b>	<b>0.5</b>

## 4 Staff numbers and costs

The average monthly number of employees, including the Directors, during the year was as follows:

	Number of employees	
	2022	2021
Administration and support	577	473
Production	882	1,343
	<b>1,459</b>	<b>1,816</b>

The aggregate remuneration:

£m	2022	2021
Wages and salaries	33.8	29.7
Social security costs	4.5	4.2
Other pension costs	1.0	0.8
Share-based payment expense (note 22)	1.0	1.7
<b>Total staff costs</b>	<b>40.3</b>	<b>36.4</b>

## Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2022

### 5 Net finance expense

#### Accounting policy

##### Finance income and expenses

The Group's finance income and finance expense include: interest income, interest expense, dividend income and the financial currency gain or loss on financial assets and financial liabilities.

Interest income or expense is recognised using the effective interest method.

£m	2022	2021
Finance expense:		
Net loss on remeasurement to fair value of financial instruments	(5.7)	(0.4)
Interest on finance leases	(0.1)	(0.1)
Interest on bank borrowings	(2.5)	(1.5)
<b>Net finance (expense)</b>	<b>(8.3)</b>	<b>(2.0)</b>

### 6 Taxation

#### Accounting policy

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items which are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. This is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction (other than in a business combination) that affects neither the taxable profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on tax laws and rates that have been enacted or substantially enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt within equity.



## Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2022

### 6 Taxation continued

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

### Reconciliation of effective tax rate

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

## Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2022

### 7 Earnings Per Share

£m	2022	2021
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)	—
<b>Adjusted earnings for calculating Adjusted Basic Earnings Per Share</b>	<b>17.2</b>	31.2
Number million	2022	2021
<b>Weighted average number of ordinary shares</b>		
Basic	154.3	154.1
Dilutive effect of share options on potential ordinary shares	2.6	3.8
<b>Diluted</b>	<b>156.9</b>	157.9
Pence	2022	2021
Basic Earnings Per Share	7.1	17.6
Diluted Earnings Per Share	7.0	17.2
<b>Adjusted Basic Earnings Per Share</b>	<b>11.1</b>	20.2
<b>Adjusted Diluted Earnings Per Share</b>	<b>11.0</b>	19.8

### 8 Dividends

#### Accounting policy

Dividends proposed by the Board of Directors and unpaid at the period end are not recognised in the financial statements until they have been approved by shareholders at the Annual General Meeting.

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

£m	2022	2021
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
<b>Total dividend recognised during the year</b>	<b>10.9</b>	11.2

The Board is proposing a final dividend for the year ended 31 December 2022 of 3.0p which is a £4.6m cash payment (2021: £8.5m).

# Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2022

## 9 Property, plant and equipment

### Accounting policy

#### Owned assets

Property, plant and equipment are stated at cost or deemed cost, less accumulated depreciation and accumulated impairment losses.

Depreciation is charged to the Consolidated Income Statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

Buildings	over the lease term, to a maximum of 50 years
Plant and equipment	three to ten years
Fixtures and fittings	one to ten years
Motor vehicles	four years
Tooling	two to seven years
Work in progress	no depreciation until the asset comes into economic use

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

#### Leased assets

Identifying a lease: At the inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the Group has both the right to direct the identified asset's use and to obtain substantially all the economic benefits from that use. For each lease or lease component, the Group follows the lease accounting model as per IFRS 16 Leases, unless the recognition exemptions can be used.

Recognition exemptions: The Group has elected to account for lease payments as an expense on a straight-line basis over the lease term or another systematic basis for the following two types of leases:

- i) leases with a lease term of 12 months or less and containing no purchase options – this election is made by class of underlying asset
- ii) leases where the underlying asset has a low value when new – this election can be made on a lease-by-lease basis

The value of leases less than 12 months or low value was £0.1m (2021: £0.1m).

### Lessee accounting:

For leases acquired in a business combination, the Company measures the acquired lease liability at the present value of the remaining lease payments, as if the acquired lease were a new lease at the acquisition date. The right-of-use asset is measured at acquisition at the same amount as the lease liability, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms. Upon lease commencement the Group recognises a right-of-use asset and a lease liability.

Initial measurement: The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the Group uses the incremental borrowing rate. Variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability and are initially measured using the index or rate as at the commencement date. Amounts expected to be payable by the lessee under residual value guarantees are also included. Variable lease payments that are not included in the measurement of the lease liability are recognised in profit or loss in the period in which the event or condition that triggers payment occurs, unless the costs are included in the carrying amount of another asset under another accounting standard.

Subsequent measurement: After lease commencement, the Group measures right-of-use assets using a cost model. Under the cost model a right-of-use asset is measured at cost less accumulated depreciation and accumulated impairment. The lease liability is subsequently remeasured to reflect changes in: the lease term (using a revised discount rate), the assessment of a purchase option (using a revised discount rate), the amounts expected to be payable under residual value guarantees (using an unchanged discount rate), future lease payments resulting from a change in an index or a rate used to determine those payments (using an unchanged discount rate). The remeasurements are matched by adjustments to the right-of-use asset. Lease modifications may also prompt remeasurement of the lease liability unless they are determined to be separate leases.

### Depreciation:

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment.

## Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2022

### 9 Property, plant and equipment continued

£m	Land and buildings	Plant and equipment	Fixtures and fittings	Motor vehicles	Tooling	Work in progress	Total
<b>Cost</b>							
Balance at 1 January 2021	14.8	12.6	2.1	0.2	10.5	1.4	41.6
Reclassification	—	(0.1)	—	—	0.1	—	—
Acquisitions through business combinations (note 26)	—	0.1	—	—	0.8	—	0.9
Additions	0.4	2.9	0.2	—	1.5	0.7	5.7
Disposals	—	(0.6)	(0.1)	—	(0.4)	—	(1.1)
Effect of movements in foreign exchange	0.4	0.2	0.1	—	0.2	0.1	1.0
Balance at 31 December 2021	15.6	15.1	2.3	0.2	12.7	2.2	48.1
Additions	<b>0.3</b>	<b>2.3</b>	<b>0.1</b>	<b>—</b>	<b>1.2</b>	<b>0.2</b>	<b>4.1</b>
Disposals	<b>—</b>	<b>(0.3)</b>	<b>(0.1)</b>	<b>—</b>	<b>(3.1)</b>	<b>(0.1)</b>	<b>(3.6)</b>
Effect of movements in foreign exchange	<b>0.3</b>	<b>0.3</b>	<b>—</b>	<b>—</b>	<b>0.2</b>	<b>—</b>	<b>0.8</b>
<b>Balance at 31 December 2022</b>	<b>16.2</b>	<b>17.4</b>	<b>2.3</b>	<b>0.2</b>	<b>11.0</b>	<b>2.3</b>	<b>49.4</b>

## Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2022

### 9 Property, plant and equipment continued

£m	Land and buildings	Plant and equipment	Fixtures and fittings	Motor vehicles	Tooling	Work in progress	Total
<b>Depreciation</b>							
Balance at 1 January 2021	4.5	8.3	1.9	0.2	8.9	—	23.8
Transfers	—	(0.1)	—	—	0.1	—	—
Depreciation charge for the year	0.6	1.8	0.1	—	1.0	—	3.5
Disposals	—	(0.5)	(0.1)	—	(0.3)	—	(0.9)
Effect of movements in foreign exchange	0.1	0.1	0.1	—	0.2	—	0.5
Balance at 31 December 2021	5.2	9.6	2.0	0.2	9.9	—	26.9
Depreciation charge for the year	<b>0.6</b>	<b>1.7</b>	<b>0.1</b>	<b>—</b>	<b>1.7</b>	<b>—</b>	<b>4.1</b>
Disposals	<b>—</b>	<b>(0.2)</b>	<b>—</b>	<b>—</b>	<b>(3.1)</b>	<b>—</b>	<b>(3.3)</b>
Effect of movements in foreign exchange	<b>0.1</b>	<b>0.1</b>	<b>—</b>	<b>—</b>	<b>0.1</b>	<b>—</b>	<b>0.3</b>
<b>Balance at 31 December 2022</b>	<b>5.9</b>	<b>11.2</b>	<b>2.1</b>	<b>0.2</b>	<b>8.6</b>	<b>—</b>	<b>28.0</b>
<b>Net book value</b>							
At 1 January 2021	10.3	4.3	0.2	—	1.6	1.4	17.8
At 31 December 2021	10.4	5.5	0.3	—	2.8	2.2	21.2
<b>At 31 December 2022</b>	<b>10.3</b>	<b>6.2</b>	<b>0.2</b>	<b>—</b>	<b>2.4</b>	<b>2.3</b>	<b>21.4</b>



## Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2022

### 9 Property, plant and equipment continued

The carrying values of the following right-of-use assets:

£m	Land and buildings	Plant and equipment	Motor vehicles	Total
<b>Cost</b>				
Balance at 1 January 2021	3.2	1.3	0.6	5.1
Acquisitions through business combinations (note 26)	3.5	—	0.1	3.6
Additions	3.0	0.2	0.2	3.4
Disposals	(0.9)	—	—	(0.9)
Effect of movements in foreign exchange	(0.1)	—	—	(0.1)
Balance at 31 December 2021	8.7	1.5	0.9	11.1
Additions	—	—	0.1	0.1
Disposals	(0.4)	—	(0.2)	(0.6)
Effect of movements in foreign exchange	0.1	—	—	0.1
<b>Balance at 31 December 2022</b>	<b>8.4</b>	<b>1.5</b>	<b>0.8</b>	<b>10.7</b>

£m	Land and buildings	Plant and equipment	Motor vehicles	Total
<b>Depreciation</b>				
Balance at 1 January 2021	1.4	0.7	0.3	2.4
Depreciation charge for the year	1.3	0.3	0.2	1.8
Disposals	(0.9)	—	—	(0.9)
Balance at 31 December 2021	1.8	1.0	0.5	3.3
Depreciation charge for the year	<b>1.5</b>	<b>0.2</b>	<b>0.2</b>	<b>1.9</b>
Disposals	<b>(0.4)</b>	<b>—</b>	<b>(0.2)</b>	<b>(0.6)</b>
<b>Balance at 31 December 2022</b>	<b>2.9</b>	<b>1.2</b>	<b>0.5</b>	<b>4.6</b>
<b>Net book value</b>				
At 1 January 2021	1.8	0.6	0.3	2.7
At 31 December 2021	6.9	0.5	0.4	7.8
<b>At 31 December 2022</b>	<b>5.5</b>	<b>0.3</b>	<b>0.3</b>	<b>6.1</b>

# Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2022

## 10 Intangible assets

### Accounting policy

#### Goodwill

Goodwill arising on acquisition represents the excess of the cost of acquisition over the share of the aggregate fair value of identifiable net assets (including intangible assets) of a business or a subsidiary at the date of acquisition. All material intangible fixed assets obtained on acquisition have been recognised separately in the financial statements. Goodwill is initially recognised as an asset and allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the combination and is then reviewed at least annually for impairment. Any impairment is recognised immediately in the income statement and is not reversed. Goodwill is accordingly stated in the balance sheet at cost less any provisions for impairment in value.

#### Development costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally generated intangible asset arising from the Group's development of new and enhanced products is recognised only if all of the following conditions are met:

- An asset is created that can be identified (such as product designs and new processes)
- The costs of developing this asset can be measured reliably
- The technical feasibility of completing the intangible asset so that it will be available for use or sale
- Its intention to complete the intangible asset and use or sell it
- How the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset

Where no internally generated intangible asset can be recognised, the expenditure is recognised as an expense in the period in which it is incurred. The Group has not included any borrowing costs within capitalised development costs.

#### Customer relationships and tradenames and brands

A fair value exercise which was conducted following the acquisition of Kingfisher Lighting, DW Windsor and Sync EV identified customer relationship and tradename intangible assets that met the criteria for separate recognition under IFRS.

#### Other intangible assets

Expenditure on internally generated goodwill and brands is recognised in the Consolidated Income Statement as an expense as incurred. Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and less accumulated impairment losses.

#### Amortisation

Amortisation is charged to administrative expenses in the Consolidated Income Statement on a straight-line basis over the estimated useful lives of internally generated intangible assets. Other internally generated intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Patents and trademarks	ten years
Capitalised development costs	five years
Customer relationships	two to 12 years
Tradenames and brands	five to 15 years

#### Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquisition. Acquisition costs incurred are expensed. The acquired identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition are recognised at their fair value at the date of acquisition, except for non-current assets that are classified as held for resale in accordance with IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after the assessment, the Group's interest in the net fair value of the acquired identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the Consolidated Income Statement.

# Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2022

## 10 Intangible assets continued

£m	Goodwill <sup>1</sup>	Patents	Development costs	Customer relationships	Tradenames and brands	Total
<b>Cost</b>						
Balance at 1 January 2021	13.2	0.6	7.2	4.1	1.2	26.3
Acquisitions through business combinations (note 26)	6.2	—	2.5	3.2	1.8	13.7
Other acquisitions – internally developed	—	—	0.9	—	—	0.9
Balance at 31 December 2021	19.4	0.6	10.6	7.3	3.0	40.9
Acquisitions through business combinations (note 26)	6.9	—	—	1.5	0.8	9.2
Other acquisitions – internally developed	—	—	1.7	—	—	1.7
Disposals	—	—	(3.5)	—	—	(3.5)
<b>Balance at 31 December 2022</b>	<b>26.3</b>	<b>0.6</b>	<b>8.8</b>	<b>8.8</b>	<b>3.8</b>	<b>48.3</b>
<b>Amortisation</b>						
Balance at 1 January 2021	—	0.3	3.0	1.1	0.4	4.8
Amortisation for the year	—	0.1	1.8	0.5	—	2.4
Balance at 31 December 2021	—	0.4	4.8	1.6	0.4	7.2
Amortisation for the year	—	0.1	1.5	1.1	0.2	2.9
Disposals	—	—	(3.5)	—	—	(3.5)
<b>Balance at 31 December 2022</b>	<b>—</b>	<b>0.5</b>	<b>2.8</b>	<b>2.7</b>	<b>0.6</b>	<b>6.6</b>
<b>Net book value</b>						
At 1 January 2021	13.2	0.3	4.2	3.0	0.8	21.5
At 31 December 2021	19.4	0.2	5.8	5.7	2.6	33.7
<b>At 31 December 2022</b>	<b>26.3</b>	<b>0.1</b>	<b>6.0</b>	<b>6.1</b>	<b>3.2</b>	<b>41.7</b>

1. Amounts at 31 December 2021 have been restated for the finalisation of acquisition accounting for DW Windsor (note 26).

## Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2022

### 10 Intangible assets continued

#### Impairment testing for cash-generating units containing goodwill

In accordance with the requirements of IAS 36 Impairment of Assets, goodwill is allocated to the Group's cash-generating units ("CGUs") which are identified by the way goodwill is monitored for impairment. The Group's total consolidated goodwill of £26.3m at 31 December 2022 is allocated as follows:

£m	Goodwill	
	2022	2021 <sup>1</sup>
Portable Power	8.9	2.0
Wiring Accessories	4.0	4.0
LED Lighting	7.2	7.2
DW Windsor	6.2	6.2
	26.3	19.4

1. Amounts at 31 December 2021 have been restated for the finalisation of acquisition accounting for DW Windsor (note 26).

Each CGU is assessed for impairment annually and whenever there is a specific indication of impairment. There have been no impairment indicators in the year. As part of the annual impairment test review, the carrying value of goodwill has been assessed with reference to value-in-use over a projected period of five years together with a terminal value. This reflects the projected cash flows of each CGU based on the actual operating results, the most recent Board-approved budget, strategic plans and management projections. The key assumptions on which value-in-use calculations are based relate to business performance over the next five years derived from the Group's Strategic Plan, long-term growth rates beyond 2027 and the discount rates applied. The key estimates are the level of revenue and operating margins anticipated and the proportion of operating profit converted into cash flow in each year. Forecasts are based on past experience and take into account current and future market conditions and opportunities. Growth rates for the period beyond 2027 are assumed to be 2.0% (2021: 2.0%), which is considered to be a conservative assessment of long-term market trends for these CGUs. The cash flow projections have been discounted to present value using the Group's weighted average cost of capital (which approximates to the market participant rate) adjusted for economic and CGU-specific risk factors including markets and size of business. The pre-tax rates, reflecting factors such as different geographies, expected technological change and growth opportunity risk, have been used for each CGU as follows:

%	2022	2021
Portable Power	12.4	9.2
Wiring Accessories	12.5	10.2
LED Lighting	12.3	11.3
DW Windsor	12.4	11.3

#### Sensitivity of results to changes in assumptions

Whilst management believe the assumptions are realistic, it is possible that impairment would be identified if any of the above key assumptions were changed significantly. For instance, factors which could cause an impairment are:

- Significant underperformance relative to the forecast results
- Changes to the way the assets are used or changes to the strategy for the business
- A material and unexpected deterioration in the UK economy

The impairment review calculations are based upon anticipated discounted future cash flows. All CGUs have sufficient headroom and the Directors do not foresee that any reasonable or possible changes to the key operating assumptions are sufficient to generate a different outcome to the impairment calculations undertaken. The Group has also considered the impact of climate change on impairment, however given the products the Group sells and our strategy, this is a revenue opportunity for the Group.

The following specific individual sensitivities of reasonable change have been considered for each CGU, resulting in the carrying amount not exceeding the recoverable amount for each CGU:

- A 10% increase in unlevered beta
- A 200 basis point increase in the discount factor
- A growth rate of 1% for the periods after 2027
- A 10% reduction in cash flows forecast over the next five years in the Group's Strategic Plan

The change required to DW Windsor, for the carrying amount to equal the recoverable amount, under a sensitised scenario would be: a 4.7% increase in the discount rate or a 7.5% decline in the growth rate or an operating margin of 7.5%.

# Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2022

## 11 Investment in associate

### Accounting policy

The Group equity accounts for its investment in associate in accordance with the IAS 28. The investment in associate was with EV Charge Points UK T/A EVCP Limited for £2.1m from August 2021, which is based in Crawley, England. The business manufactures electrical equipment for the electric vehicle charging sector. The investment represented 20% of the business. On 21 March 2022, the remaining 80% of the business was acquired by the Group for £8.2m (see note 26).

## 12 Deferred tax assets and liabilities

### Accounting policy

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Recognised deferred tax assets and liabilities are attributable to the following:

£m	Assets		Liabilities		Net	
	2022	2021 <sup>1</sup>	2022	2021 <sup>1</sup>	2022	2021 <sup>1</sup>
Property, plant and equipment	—	(0.1)	1.6	0.8	1.6	0.7
Inventories	—	(0.2)	—	—	—	(0.2)
Intangible assets	—	—	2.7	2.5	2.7	2.5
Losses	(1.0)	(0.6)	—	—	(1.0)	(0.6)
Share-based payments	(0.8)	(2.6)	—	—	(0.8)	(2.6)
Financial assets and liabilities	(1.0)	(0.1)	—	—	(1.0)	(0.1)
<b>Deferred tax liability/(asset)</b>	<b>(2.8)</b>	<b>(3.6)</b>	<b>4.3</b>	<b>3.3</b>	<b>1.5</b>	<b>(0.3)</b>

1. Amounts restated for the finalisation of acquisition accounting for DW Windsor (note 26).

A deferred tax asset of £1.0m has been recognised against carried forward non-trading tax losses of £3.9m (2021: £2.5m) during the period as it is expected that they can be offset against current year profits. Of the £1.5m deferred tax liability, £2.3m liability relates to the UK and a (£0.8m) asset relates to China.



## Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2022

### 12 Deferred tax assets and liabilities continued

#### Movement in deferred tax (asset)/liability during the year

£m	1 January 2022 <sup>1</sup>	Acquisition	Recognised in income	Recognised in equity	31 December 2022
Property, plant and equipment	0.7	—	0.9	—	1.6
Inventories	(0.2)	—	0.2	—	—
Intangible assets	2.5	0.6	(0.4)	—	2.7
Losses	(0.6)	—	(0.4)	—	(1.0)
Share-based payments	(2.6)	—	0.2	1.6	(0.8)
Financial assets and liabilities	(0.1)	—	(0.9)	—	(1.0)
	(0.3)	0.6	(0.4)	1.6	1.5

1. Amounts restated for the finalisation of acquisition accounting for DW Windsor (note 26).

A deferred tax liability had been recognised from intangible assets acquired when Kingfisher Lighting was acquired in 2017. A deferred tax liability of £1.5m has been recognised in respect of intangible assets acquired as part of the acquisition of the DW Windsor Group in 2021. A deferred tax liability of £0.6m has been recognised in respect of intangible assets acquired as part of the acquisition of Sync EV in 2022.

#### Movement in deferred tax (asset)/liability during the prior year

£m	1 January 2021	Acquisition <sup>1</sup>	Recognised in income	Recognised in equity	31 December 2021 <sup>1</sup>
Property, plant and equipment	0.2	—	0.5	—	0.7
Inventories	—	(0.2)	—	—	(0.2)
Intangible assets	1.4	1.5	(0.4)	—	2.5
Losses	(0.4)	—	(0.2)	—	(0.6)
Share-based payments	(1.5)	—	(0.4)	(0.7)	(2.6)
Financial assets and liabilities	(0.2)	—	0.1	—	(0.1)
	(0.5)	1.3	(0.4)	(0.7)	(0.3)

1. Amounts restated for the finalisation of acquisition accounting for DW Windsor (note 26).

## Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2022

### 13 Inventories

#### Accounting policy

Inventories are stated at the lower of cost and net realisable value. Cost includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured inventories, cost includes an appropriate share of overheads based on normal operating capacity.

Provision is made for slow-moving and obsolete stock by comparing the stock holding against the product sales for the financial year and applying a provision which is based on an estimation of the likely sales price with reference to the stock category.

£m	2022	2021 <sup>1</sup>
Raw materials	8.9	9.7
Work in progress	2.1	2.7
Finished goods	36.5	44.2
	47.5	56.6

1. Amounts restated for the finalisation of acquisition accounting for DW Windsor (note 26).

In 2022, inventories of £125.8m (2021: £123.4m) were recognised as an expense during the year and are included in "cost of sales".

The inventory charge for write-downs was £0.1m (2021: £3.8m) in the period, with the prior year impacted by the restructuring of the Germany and France businesses.

Write-downs and reversals are included in "cost of sales". No reversals of stock provision occurred in the current or prior year.

### 14 Trade and other receivables

#### Accounting policy

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

£m	2022	2021
Trade receivables	50.4	67.9
Prepayments and other receivables	2.5	1.8
	52.9	69.7

## Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2022

### 14 Trade and other receivables continued

The following table provides information about the exposure to credit risk and expected credit losses for trade receivables as at 31 December 2022. The loss amount has increased year-on-year due to an increase in the overall loss rate and a greater proportion of overdue receivables in the higher ageing category.

Age overdue (days)	31 December 2022			1 January 2022		
	Loss rate (%)	Gross debtor (£k)	Loss amount (£k)	Loss rate (%)	Gross debtor (£k)	Loss amount (£k)
Current	2.00%	44,913	898	0.59%	61,022	360
0-30	2.00%	4,281	86	0.64%	3,651	23
30-60	2.15%	1,829	39	1.24%	3,320	41
60-90	4.19%	341	14	3.97%	632	25
90-120	2.02%	404	8	1.23%	683	8
120+	6.98%	629	44	47.57%	1,174	558
<b>Total</b>	<b>2.08%</b>	<b>52,397</b>	<b>1,089</b>	<b>1.44%</b>	<b>70,482</b>	<b>1,015</b>

### 15 Cash and cash equivalents

£m	2022	2021
Current cash balances	5.3	6.9

### 16 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate and foreign currency risk, see note 20 of the consolidated financial statements.

£m	2022	2021
<b>Non-current liabilities</b>		
Revolving credit facility	28.2	36.8
Overdrafts	0.2	—
	<b>28.4</b>	<b>36.8</b>

# Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2022

## 16 Interest-bearing loans and borrowings continued

### Terms and debt repayment schedule

£m	Currency	Nominal interest rate	Maturity date	Face value <sup>1</sup> 2022	Carrying amount <sup>1</sup> 2022	Face value <sup>1</sup> 2021	Carrying amount <sup>1</sup> 2021
Revolving credit facility	GBP	1.75% + SONIA	Sep 2025	28.2	28.2	36.8	36.8
Overdrafts	GBP	1.75% + base rate	Sep 2025	0.2	0.2	—	—
				28.4	28.4	36.8	36.8

1. For more information on fair value/carrying value assessment, see note 20 of the consolidated financial statements.

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

At 31 December 2022, undrawn facilities were £51.8m (2021: £43.2m).

£m	2022	2021
<b>Net debt as at 31 December represented by:</b>		
Revolving credit facility	28.2	36.8
Overdrafts	0.2	—
Cash and cash equivalents	(5.3)	(6.9)
Finance leases – pre-IFRS 16	0.7	0.7
<b>Covenant Net Debt</b>	<b>23.8</b>	<b>30.6</b>
Finance leases – post-IFRS 16	5.6	7.5
<b>Net debt</b>	<b>29.4</b>	<b>38.1</b>

# Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2022

## 16 Interest-bearing loans and borrowings continued

£m	Cash	Borrowings	Finance leases	Total
<b>Net debt movement:</b>				
As at 1 January 2022	(6.9)	36.8	8.2	<b>38.1</b>
Cash (in)/outflow	1.9	(8.9)	(2.2)	<b>(9.2)</b>
Acquired borrowings	—	0.5	—	<b>0.5</b>
Finance lease movements	—	—	0.2	<b>0.2</b>
Effect of exchange rate fluctuations	(0.3)	—	0.1	<b>(0.2)</b>
<b>As at 31 December 2022</b>	<b>(5.3)</b>	<b>28.4</b>	<b>6.3</b>	<b>29.4</b>

£m	Cash	Borrowings	Finance leases	Total
<b>Net debt movement:</b>				
As at 1 January 2021	(6.7)	22.2	2.8	<b>18.3</b>
Cash (in)/outflow	(0.2)	14.5	(1.4)	<b>12.9</b>
Additions to finance leases	—	—	6.8	<b>6.8</b>
Effect of exchange rate fluctuations	—	0.1	—	<b>0.1</b>
<b>As at 31 December 2021</b>	<b>(6.9)</b>	<b>36.8</b>	<b>8.2</b>	<b>38.1</b>

## 17 Other financial liabilities and provisions

### Accounting policy

The Group has leases for the main warehouse and related facilities, offices and production building, plant and machinery, some IT equipment and some vehicles. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. Variable lease payments which do not depend on an index or a rate (such as lease payments based on a percentage of Group sales) are excluded from the initial measurement of the lease liability and asset. The Group classifies its right-of-use assets in a consistent manner to its property, plant and equipment (see note 9). Leases of vehicles and IT equipment are generally limited to a lease term of three to five years. Leases of property generally have a lease term ranging from three years to seven years. Lease payments are generally fixed other than for property leases where rentals are linked to annual changes in an index (either RPI or CPI).

Each lease generally imposes a restriction that, unless there is a contractual right for the Group to sublet the asset to another party, the right-of-use asset can only be used by the Group. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to purchase the underlying leased asset outright at the end of the lease, or to extend the lease for a further term. The Group is prohibited from selling or pledging the underlying leased assets as security. For leases over office buildings and factory premises the Group must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Group must insure items of property, plant and equipment and incur maintenance fees on such items in accordance with the lease contracts. Warranty product provisions are for Sync EV chargers and selected DW Windsor LED products.

### Provisions

£m	Dilapidations provisions	Warranty product provisions	Total
As at 1 January 2022	1.1	0.5	<b>1.6</b>
Final fair value adjustments (see note 26)	0.2	—	<b>0.2</b>
Acquired through acquisition (see note 26)	—	0.4	<b>0.4</b>
Movement	0.1	—	<b>0.1</b>
<b>As at 31 December 2022</b>	<b>1.4</b>	<b>0.9</b>	<b>2.3</b>

### Finance lease

£m	2022	2021
<b>Current liabilities</b>		
Lease liabilities	<b>2.0</b>	2.2
<b>Non-current liabilities</b>		
Lease liabilities	<b>4.3</b>	6.0

## Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2022

### 17 Other financial liabilities and provisions continued

#### Finance lease liabilities

Finance lease liabilities are payable as follows:

£m	Future minimum lease payments		Interest		Present value of minimum lease payments	
	2022	2021	2022	2021	2022	2021
Less than one year	2.0	2.2	—	—	2.0	2.2
Between one and five years	4.7	6.5	(0.4)	(0.5)	4.3	6.0
	6.7	8.7	(0.4)	(0.5)	6.3	8.2

#### Reconciliation of interest payments from cash flow

£m	2022	2021
Interest paid from leases under IFRS 16	0.1	0.1
Interest paid excluding interest from leases under IFRS 16	2.6	1.6
<b>Interest paid per cash flow</b>	<b>2.7</b>	<b>1.7</b>

### 18 Trade and other payables

#### Accounting policy

Trade and other payables comprise amounts outstanding for trade purchases and ongoing costs and are measured at amortised cost using the effective interest method. The Directors consider that the carrying amount of trade payables approximates to their fair value. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

£m	2022	2021 <sup>1</sup>
Current liabilities		
Trade payables	24.2	38.8
Other payables and accrued expenses	25.6	27.8
<b>Trade and other payables</b>	<b>49.8</b>	<b>66.6</b>

1. Amounts restated for the finalisation of acquisition accounting for DW Windsor (note 26).



## Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2022

### 19 Employee benefits

#### Defined contribution plans

##### Accounting policy

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the Consolidated Income Statement in the periods during which services are rendered by employees.

The Group operates a number of defined contribution pension plans. UK-based employees of the Group have the option to be members of a defined contribution pension scheme managed by a third-party pension provider. For each employee who is a member of the scheme, the Company will contribute a fixed percentage of each employee's salary to the scheme. The only obligation of the Group with respect to this scheme is to make the specified contributions.

The total expense relating to these plans was £1.0m (2021: £0.8m).

### 20 Financial instruments

#### Accounting policy

Financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

- a) They include no contractual obligations upon the Company (or Group as the case may be) to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company (or Group)
- b) Where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called-up share capital and share premium account exclude amounts in relation to those shares.

Where a financial instrument that contains both equity and financial liability components exists, these components are separated and accounted for individually under the above policy.

#### Derivative financial instruments and hedge accounting

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the Consolidated Income Statement. Remeasurements to fair value recognised immediately in the Consolidated Income Statement are excluded from adjusted measurements as explained on pages 152 and 153. However, where derivative transactions qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

#### Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

# Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2022

## 20 Financial instruments continued

### Accounting policy continued

#### Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

#### Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Investments in subsidiaries are carried at cost less impairment in the Parent Company financial statements.

#### Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents.

#### Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses, so as to produce a constant rate of return over the period to the date of expected redemption. In instances where the Company has an early redemption option, the term over which financing costs are amortised is the period to the earliest date the option can be exercised, unless there is no genuine commercial possibility that the option will be exercised.

#### Intra-Group financial instruments

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its Group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

### Impairment excluding inventories and deferred tax assets

The Company recognises loss allowances for expected credit losses ("ECLs") on financial assets measured at amortised cost, debt investments measured at FVOCI and contract assets (as defined in IFRS 15).

The Company measures loss allowances at an amount equal to lifetime ECL, except for other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition, which are measured as 12-month ECL.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- The financial asset is more than 120 days past due and if we believe that it will default

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

# Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2022

## 20 Financial instruments continued

### Accounting policy continued

#### Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

#### Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit impaired. A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

#### Write-offs

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the Consolidated Income Statement.

### Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value-in-use and its fair value less costs to sell. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets ("cash-generating unit" or "CGU"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to groups of CGUs which are expected to benefit from the synergies of the combination. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in the Consolidated Income Statement. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro-rata basis.

## Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2022

### 20 Financial instruments continued

#### Financial risk management

##### Overview

The Group has exposure to the following risks arising from financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

#### Risk management framework

The Board has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

#### Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers.

#### Exposure to credit risk

The carrying amount of financial assets and liabilities represents the maximum credit exposure. The exposure to credit risk at the reporting date was as follows:

£m	Carrying amount	
	2022	2021
Trade receivables	50.4	67.9
Cash and cash equivalents	5.3	6.9
Financial assets held for trading	1.2	4.7
	56.9	79.5

#### Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk. The Group's credit risk is significantly reduced as the Group utilises Letters of Credit for its largest customer.

The Group has established a credit policy under which each new customer is analysed individually for creditworthiness before standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer and are reviewed regularly. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

All significant Group customers have been transacting with the Group for over three years and, whilst this creates a concentration of credit risk, no impairment losses have been recognised against these customers. In monitoring customer credit risk, customers are grouped according to their characteristics, including whether they are an independent or major multi-national company, geographic location, industry, ageing profile, maturity and existence of previous financial difficulties.

As at 31 December 2022, the Group had an allowance for impairment of £1.1m (2021: £1.0m). The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was as follows:

£m	Carrying amount	
	2022	2021
Europe	44.6	57.4
North America	0.1	0.1
Rest of World	5.7	10.4
	50.4	67.9

Of this total balance, £11.9m is with our largest customer.

#### Cash and cash equivalents

The Group held cash of £5.3m at 31 December 2022 (2021: £6.9m), which represents its maximum credit exposure on these assets. There are no cash equivalents in the year. Cash and cash equivalents are held with bank and financial institution counterparties, which are rated "A" to "AA-" based on rating agency ratings.

## Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2022

### 20 Financial instruments continued

#### Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, both under normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. It has access to a number of sources of finance to manage its liquidity risk.

The following are the contractual maturities of financial liabilities excluding the impact of netting agreements.

31 December 2022 (£m)	Carrying amount	Within 1 year	1-2 years	2-5 years
Financial liabilities:				
Revolving credit facility	28.2	—	—	28.2
Overdrafts	0.2	—	—	0.2
Financial liabilities held for trading	2.3	2.3	—	—
Finance leases	6.3	2.0	1.6	2.7
Trade payables	24.2	24.2	—	—
	61.2	28.5	1.6	31.1

31 December 2021 (£m)	Carrying amount	Within 1 year	1-2 years	2-5 years
Financial liabilities:				
Revolving credit facility	36.8	—	—	36.8
Financial liabilities held for trading	0.1	0.1	—	—
Finance leases	8.2	2.2	1.9	4.1
Trade payables	38.8	38.8	—	—
	83.9	41.1	1.9	40.9

#### Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Group's income. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

## Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2022

### 20 Financial instruments continued

#### Interest rate risk

The Group adopts a policy of monitoring its exposure to changes in interest rates on borrowings to ensure that likely changes do not constitute a material risk to the profitability of the Group.

During the year the Group entered into swaps to fix the interest rate applicable to approximately 70% of its 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.

For the year ended 31 December 2022, a change of 100 basis points in interest rates would have increased/(decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

£m	Profit or loss	
	100bps increase	100bps decrease
<b>31 December 2022</b>		
Variable rate instruments	<b>(0.5)</b>	<b>0.5</b>
<b>Cash flow sensitivity (net)</b>	<b>(0.5)</b>	<b>0.5</b>
31 December 2021		
Variable rate instruments	(0.3)	0.3
<b>Cash flow sensitivity (net)</b>	(0.3)	0.3

The Group's capital structure policy is to ensure Covenant Net Debt remains in a range of 1.0 to 2.0 times Covenant EBITDA (the definition of the adjustments made and reconciliations to the reported figures can be found in note 1 of the consolidated statements on pages 148 to 153).

#### Currency risk

The Group is exposed to currency risk on the following transactions:

- Sales and purchases by a Group company in a currency other than its functional currency
- Flows arising from the servicing of the Group's debt under foreign currency

The Group is also exposed to fluctuations in exchange rates in the translation of net assets and profits earned by its subsidiaries overseas. These profits are translated at average exchange rates for the year, which is an approximation to the rates at the date of the transaction.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group's policy is to ensure that its net exposure is kept to an acceptable level by buying or selling forward.



## Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2022

### 20 Financial instruments continued

#### Exposure to currency risk

The table below shows the extent to which the Group had monetary assets and liabilities denominated in currencies other than the local currency of the Company in which they are recorded:

£m	2022			2021		
	RMB	USD	EUR	RMB	USD	EUR
Trade receivables	—	13.2	0.7	—	27.3	0.5
Bank facilities	(0.1)	(12.0)	—	—	(14.6)	0.2
Trade payables	(2.4)	(0.3)	(0.2)	(10.2)	(1.7)	(0.2)
<b>Net statement of financial position exposure</b>	<b>(2.5)</b>	<b>0.9</b>	<b>0.5</b>	(10.2)	11.0	0.5

The following significant exchange rates were applied during the year:

£m	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

# Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2022

## 20 Financial instruments continued

### Sensitivity analysis

A strengthening/(weakening) of sterling, as indicated below, against the US dollar and RMB at 31 December would have increased/(decreased) equity and profit or loss by the amounts shown below. This quantifies the impact of a change in value of assets and liabilities denominated in a currency other than the functional currency of that business unit. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the reporting date. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecasted sales and purchases. The analysis is performed on the same basis for 2021, as indicated below.

£m	Equity	Profit/(loss)
<b>31 December 2022</b>		
<b>GBP strengthens against the USD by 10%</b>	<b>(0.1)</b>	<b>(0.1)</b>
<b>GBP strengthens against the EUR by 10%</b>	<b>—</b>	<b>—</b>
<b>GBP strengthens against the RMB by 10%</b>	<b>0.2</b>	<b>0.2</b>
<b>31 December 2021</b>		
<b>GBP strengthens against the USD by 10%</b>	<b>(1.0)</b>	<b>(1.0)</b>
<b>GBP strengthens against the EUR by 10%</b>	<b>—</b>	<b>—</b>
<b>GBP strengthens against the RMB by 10%</b>	<b>0.9</b>	<b>0.9</b>

A weakening of sterling against the above currencies at 31 December would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

The Group holds financial derivative instruments to manage the currency risks on USD and RMB used to transact the current and future settlement of monetary assets and liabilities.

## Accounting classifications and fair values

### Fair values versus carrying amounts

The following assets' and liabilities' carrying values meet the definition of financial instruments and are classified according to the following categories:

£m	2022	2021
<b>Assets carried at amortised cost:</b>		
Trade receivables	<b>50.4</b>	67.9
Cash and cash equivalents	<b>5.3</b>	6.9
<b>Assets carried at fair value:</b>		
Financial assets held for trading	<b>1.2</b>	4.7
<b>Financial assets</b>	<b>56.9</b>	79.5
<b>Liabilities carried at amortised cost:</b>		
Revolving credit facility	<b>28.2</b>	36.8
Overdrafts	<b>0.2</b>	—
Finance leases	<b>6.3</b>	8.2
Trade payables	<b>24.2</b>	38.8
<b>Liabilities carried at fair value:</b>		
Financial liabilities held for trading	<b>2.3</b>	0.1
<b>Financial liabilities</b>	<b>61.2</b>	83.9

The fair value of financial assets and liabilities that are held at amortised cost are considered to be the same as the carrying amounts for the Group.

For trade and other receivables/payables with a remaining life of less than one year, the carrying amount is deemed to reflect the fair value. For cash and cash equivalents, the amount reported on the Consolidated Balance Sheet approximates to fair value. For borrowing at floating rates, the carrying value is deemed to reflect the fair value as it is considered to represent the price of the instrument in the marketplace. For borrowing at fixed rates, the fair values are considered to be the same as the carrying amount reported on the Consolidated Balance Sheet due to the frequent updating of these funding facilities in a competitive market.

## Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2022

### 20 Financial instruments continued

#### Accounting classifications and fair values continued

##### Fair values versus carrying amounts continued

The table below analyses financial instruments into a fair value hierarchy based on the valuation technique used to determine fair value.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The only Level 2 instruments for 2022 are financial (liabilities)/assets held for trading, which relate to forward exchange contracts and interest rate swaps. The fair value (liability)/asset is shown below:

£m	2022	2021
Financial (liabilities)/assets held for trading	(1.1)	4.6

At 31 December 2022, undrawn facilities were £56.9m (2021: £43.2m).

### 21 Capital management

The Group's primary capital resources comprise share capital, bilateral bank facilities and operating cash flow.

The core debt requirements of the Group are met via an £80m revolving credit facility.

The Board's policy is to maintain a strong capital base to maintain market confidence and sustain the development of the business, whilst maximising the return on capital to the Group's shareholders. The Group's strategy will be to maintain facilities appropriate to the working requirements of the Group, to grow organically and through acquisition and service its debt requirements through cash flow generation.

The Group has set the following capital structure policies:

- Maintain a Covenant Net Debt : Covenant EBITDA ("Leverage Ratio") within a target range of 1.0 to 2.0 : 1, averaging 1.5 across each economic cycle
- Maintain Covenant EBITDA : Adjusted Net Finance Expense ("Interest Cover Ratio") of at least 4.0 : 1
- Apply a progressive dividend policy, with a payout rate of 40%-60% of adjusted earnings
- Provided it is in compliance with its Leverage Ratio, Interest Cover Ratio and dividend policies, the Company will reinvest cash generated by the business in organic and acquisitive growth opportunities that it believes will generate long-term shareholder value. If insufficient opportunities are available to reinvest cash in this way, the Company will seek ways to return surplus cash to shareholders in order to maintain its Leverage Ratio policy

The Covenant Net Debt to Covenant EBITDA ratio is calculated in accordance with the Group's loan agreements, as follows:

£m	2022	2021
<b>Covenant EBITDA (see note 1)</b>	<b>30.3</b>	46.9
<b>Covenant Net Debt (see note 16)</b>	<b>23.8</b>	30.6
<b>Covenant Net Debt : Covenant EBITDA</b>	<b>0.8</b>	0.7

The Covenant EBITDA : Net Finance Expense ratio is calculated as follows:

£m	2022	2021
<b>Covenant EBITDA (see note 1)</b>	<b>30.3</b>	46.9
<b>Adjusted Net Finance Expense (see note 1)</b>	<b>2.6</b>	1.6
<b>Covenant EBITDA : Adjusted Net Finance Expense</b>	<b>11.7</b>	29.3

## Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2022

### 21 Capital management continued

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

2022 year-end covenant	Covenant	2022 actual	Headroom
Covenant Net Debt : Covenant EBITDA	3.0 : 1	0.8 : 1	Covenant Net Debt headroom: £67.1m <sup>1</sup> Adjusted EBITDA headroom: £22.4m
Covenant EBITDA : Adjusted Net Finance Expense	4.0 : 1	11.7 : 1	Adjusted EBITDA headroom: £19.9m Adjusted 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 Earnings Per Share (pence)	11.1	20.2
Covenant Net Debt : Covenant EBITDA (times)	0.8	0.7
Adjusted Free Cash Flow (£m)	30.7	18.8

# Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2022

## 22 Share-based payments

### Accounting policy

Incentives in the form of shares are provided to employees through the following schemes: Company Share Option Plan ("CSOP"), Share Incentive Plan ("SIP") and Long-Term Incentive Plan ("LTIP"). Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of shares that will eventually vest.

The grant date fair value of an equity-settled payment under the SIP is measured as the face value of the award on the date of grant.

The grant date fair value of the awards under the Group's LTIP is measured by the use of the Monte Carlo simulation for any market-related performance conditions (given the increased uncertainty around the potential vesting of share options).

The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. Charges made to the income statement in respect of share-based payments are credited to the reserves. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market-based vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity. The purchase price of the shares that are transferred when options are exercised is credited to treasury shares reserve and debited to retained earnings. Any proceeds received, net of any directly attributable transaction costs are also debited to retained earnings. The Group operates an employee share benefit trust as part of its incentive plans for UK-based employees. All assets and liabilities of the trust are recorded in the balance sheet as assets and liabilities of the Company until such time as the assets are awarded to the beneficiaries. All income and expenditure of the trust is similarly brought into the results of the Company. The Company fulfils exercised options with treasury shares the Company has purchased. The purchase price of the shares that are transferred when options are exercised is credited to treasury shares reserve and debited to retained earnings. Any proceeds received, net of any directly attributable transaction costs are also debited to retained earnings.

The share-based payments charge relates to option awards from the LTIP, CSOP and SIP schemes. Vesting periods for the plans range from one to three years and if the options remain unexercised after a period of ten years from the date of grant, the options expire. In addition, options are forfeited if the employee voluntarily leaves the Group before the options vest.

The Group recorded a share-based payment charge of £1.0m (2021: £1.7m) included in the Consolidated Income Statement within administrative expenses.

### Share Incentive Plan

All UK-based employees are eligible to participate in the SIP. The scheme enables employees to buy shares in the Group out of their salary, before tax deductions, up to a limit of £1,800 per tax year. The shares acquired are called partnership shares and are held in trust, managed by a third party, on behalf of the employee.

For every partnership share bought by the employee, the Group can award:

- Matching shares. One share at nil cost
- Free shares. Up to two shares at nil cost, the number depending on service, subject to a maximum of £3,600 free shares per tax year

For the SIP conditions to be met, the employees must be continuously employed by the Group for a period of at least three years from the date of the award grant. If employees voluntarily leave the Group within the three-year period they must take their shares out of the plan and they will not be entitled to the matching and free shares.

	Number of free shares		Number of partnership and matching shares	
	2022	2021	2022	2021
Outstanding at 1 January	36,466	45,915	798,586	791,324
Granted during the year	—	—	306,824	80,900
Forfeited during the year	(4,436)	—	(3,849)	(18,686)
Released during the year	(3,049)	(9,449)	(46,394)	(54,952)
<b>Outstanding at 31 December</b>	<b>28,981</b>	36,466	<b>1,055,167</b>	798,586

## Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2022

### 22 Share-based payments continued

#### Share Incentive Plan continued

For the purposes of IFRS 2, the fair value of these matching shares and free shares is determined as the market value of the shares at the date of grant. No valuation model is required to calculate the fair value of awards under the SIP. The fair value of an equity-based payment under the SIP is the face value of the award on the date of grant because the participants are entitled to receive the full value of the shares and there are no market-based performance conditions attached to the awards.

The Group recognised a total expense of £0.2m (2021: £0.1m) in the year relating to matching and free share awards.

#### Company Share Option Plan ("CSOP")

At the time the free shares were awarded, all eligible employees of the Group were also granted CSOP options. The CSOP options had an exercise price equal to the market value of the share at the date of grant. The ordinary free shares award is subject to condition that it will be automatically exercised at the time the CSOP option is exercised. The options can only be exercisable after the performance period determined by the Board, being three years. CSOP options will normally be exercisable from release until the tenth anniversary of the grant date.

#### Long-Term Incentive Plan

Awards have been granted to the Chief Executive Officer and the Chief Financial Officer, and other key management personnel within the Group, under the Luceco 2017 Performance Share Plan ("PSP"), which was approved by shareholders at the Company's AGM held on 25 May 2017.

The following awards have been granted in the form of nominal cost options over the number of ordinary shares of 0.05p in the Company under the terms of the PSP, as set out on page 119:

Executive Directors	Role	Number of shares awarded
John Hornby	Chief Executive Officer	283,018
Matt Webb	Chief Financial Officer	265,330

#### Measurement of fair values

The 2022 LTIP awards will vest subject to the satisfaction of performance conditions measuring the Company's Earnings Per Share ("EPS") and total shareholder return ("TSR") performance. The extent to which awards will vest will depend on the extent to which the performance conditions are satisfied over the performance period. For the EPS condition, this runs from 1 January 2022 to 31 December 2024. For the TSR condition, this runs for three years from the three-month average TSR to 31 March 2022, the date of the grant, to the three-month average TSR to 31 March 2025. No consideration was paid for any of the awards.

As the options under the 2022 award include a TSR performance condition, given the increased uncertainty around potential vesting, they have been valued using the Monte Carlo model with the following assumptions:

Directors' and employee share options LTIP award 2022	2022	2021
Three-day average share price before options were issued (pence)	204.00	273.00
Fair value of share options	158.92p	231.2p
Average expected volatility	67.50%	70.00%
Expected life	3 years	3 years
Risk-free rate	1.40%	0.10%

The share-based payments charge of £1.0m (2021: £1.7m) included in the Consolidated Income Statement within administrative expenses is attributable to the LTIP nominal cost options.



## Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2022

### 22 Share-based payments continued

#### Measurement of fair values continued

A summary of the number of share options under the share option programmes is as follows:

	2022 Options	2021 Options
Outstanding at 1 January	5,876,639	6,166,222
Granted during the year	3,637,562	904,591
Forfeited during the year	(1,268,568)	—
Exercised during the year	(118,069)	(1,194,174)
Lapsed during the year	—	—
<b>Outstanding at 31 December</b>	<b>8,127,564</b>	5,876,639

As at 31 December 2022, a total of 8,127,564 options were outstanding which had a weighted average remaining contractual life to vesting of 23 months.

During the year, no tax-qualifying share options were granted to employees (2021: 415,323 at an average price of nil).

The Group has previously purchased its own shares on the basis that they will be used to fulfil the LTIP and the number of share options granted when they come to be exercised. The purchased shares are held in a Trust which is managed by a third party. At 31 December 2022, the Trust had 6,460,288 shares held at a cost of £8.7m (31 December 2021: 5,982,189 shares at a cost of £6.7m). These shares are held within the treasury reserve and are shown in the Consolidated Statement of Changes in Equity.

### 23 Capital and reserves

#### Share capital

	Allotted, called up and fully paid		Number of shares in issue (thousands)	
	2022 £	2021 £	2022 Number	2021 Number
At 1 January	80,400	80,400	160,800	160,800
<b>At 31 December</b>	<b>80,400</b>	80,400	<b>160,800</b>	160,800

All ordinary shares, except for those shares held by the Employee Benefit Trust ("EBT"), carry one vote per share at general meetings of the Company, participate equally with the distribution of dividends and capital (including on a winding up) and are not redeemable.

#### Reserves

The nature and purpose of each reserve is given below:

- The share premium represents the excess of share value paid for shares
- The treasury reserve arose when the Group bought back equity share capital and this is held in trust by the Trustee of the Group's EBT to satisfy the Group's share option schemes. Treasury shares cease to be accounted for as such when the interest is transferred in full to the participant pursuant to the terms of the relevant plan. At 31 December 2022, the EBT held 6,460,288 of the Company's shares (2021: 5,982,189 shares)
- During the year the Company purchased £2.4m of shares (2021: £1.3m)
- The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations, as well as the foreign currency translation differences on investments in overseas entities

## Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2022

### 24 Related parties

Key personnel include executive and non-executive Board members and the senior management team.

The Group has a related party relationship with its subsidiaries and its Directors. Transactions between Group companies, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Company and its subsidiaries are disclosed below. In addition, the remuneration of the Directors, and the details of their interests in the share capital of the Company, are provided in the audited part of the Remuneration Committee Report.

#### Transactions with key personnel

Key management personnel are defined as Executive and Non-Executive Directors and the senior management team. The compensation of key management personnel is as follows:

£m	2022	2021
Remuneration (including benefits in kind)	5.1	6.9
Element of share-based payments expense	1.0	1.7
	6.1	8.6

The aggregate remuneration paid or receivable by Executive and Non-Executive Directors and the value of contributions to money purchase pension schemes in respect of qualifying services are disclosed on page 116. The remuneration figure reflects £0.2m in respect of the Chief Financial Officer's and Chief Operating Officer's 2020 Performance Share Plan. There were no other gains exercised on share options or under long-term incentive schemes in respect of qualifying services made by any other Executive or Non-Executive Directors in respect of 2022 (2021: nil).

Defined contribution pension scheme retirement benefits are accruing to one Director at the year end (2021: one).

### 25 Ultimate Parent Company, controlling party and changes in significant accounting policies

There is no controlling party.

### 26 Acquisitions

#### DW Windsor

On 12 October 2021, the Group completed the acquisition of DW Windsor Group Limited and made provisional fair value assessments at that time. There have been some adjustments to the fair value of assets and liabilities acquired that were identified within 12 months following the acquisition and the process is now concluded with final fair values. The impact of these changes is as follows:

£m	Fair value on acquisition	Fair value adjustments	Final fair value
Intangible assets	7.5	—	7.5
Property, plant and equipment	4.5	—	4.5
Inventories	5.3	(0.7)	4.6
Trade and other receivables	4.2	—	4.2
Cash	2.5	—	2.5
Interest-bearing loans and borrowings	(3.5)	—	(3.5)
Deferred tax assets/(liabilities)	(1.5)	0.2	(1.3)
Trade and other payables	(5.2)	(0.1)	(5.3)
Provisions	(0.4)	(0.2)	(0.6)
<b>Total</b>	<b>13.4</b>	<b>(0.8)</b>	<b>12.6</b>
Consideration – cash	18.8	—	18.8
<b>Goodwill arising</b>	<b>5.4</b>	<b>0.8</b>	<b>6.2</b>

During 2021, the acquisition contributed revenue of £3.6m and an operating loss of £0.1m to the Group. If the acquisition had occurred on 1 January 2021, the results of the Group would have shown revenue of £19.4m and operating profit of £1.7m. The fair value adjustments primarily comprised adjustments to:

- Recognise £3.2m of acquired customer-related intangible assets
- Recognise £2.5m of acquired technology intangible assets
- Recognise £1.8m of acquired brand intangible assets

The main adjustments to the provisional fair value on acquisition relate to obsolete stock of £0.7m that existed at the acquisition date.

## Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2022

### 26 Acquisitions continued

#### DW Windsor continued

##### Income statement

In 2021, DW Windsor contributed revenues of £3.6m and operating losses of £0.1m to the Group. If the acquisition had occurred on 1 January 2021, the results of the Group would have shown revenue of £19.4m and operating profit of £1.7m.

##### Cash flow

The cash flow impact of the acquisition in the prior year can be summarised as follows:

	£m
Consideration paid for the prior year acquisition	18.8
Cash acquired	(2.5)
<b>Total</b>	<b>16.3</b>

##### Acquisition costs

The Group incurred prior year acquisition-related costs of £0.7m in relation to the acquisition of DW Windsor Group Limited. These have been included as adjustments to administrative costs, as outlined in note 1.

### Sync EV

On 21 March 2022, the Group completed the acquisition of EV Charge Points UK T/A EVCP Limited ("Sync EV"). This was a step acquisition as the Group acquired 20% of Sync EV in August 2021 with the remaining 80% in March 2022 for a total consideration of £10.3m. Sync EV, based in Surrey, UK, is a well-regarded EV charge point brand among professional installers. The business specialises in supplying smart charge points for residential installations and has benefited from rapid growth in this market as electric vehicle sales have accelerated – there are many synergies that the Group can gain with this acquisition, these synergies make up part of the goodwill recognised. Goodwill on acquisition is not deductible for tax purposes. There have been some final adjustments to the fair value of assets and liabilities acquired that were identified within 12 months following the acquisition. The impact of these changes are as follows:

£m	Final fair value
Intangible assets	2.3
Inventories	1.5
Trade and other receivables	1.4
Cash	0.4
Interest-bearing loans and borrowings	(0.5)
Deferred tax liabilities	(0.6)
Trade and other payables	(1.2)
Provisions	(0.4)
<b>Total</b>	<b>2.9</b>
Consideration – cash	10.3
Loss on fair value of 20% minority interest	(0.5)
<b>Goodwill arising</b>	<b>6.9</b>

The fair value adjustments primarily comprised adjustments to:

- Recognise £1.5m of acquired customer-related intangible assets
- Recognise £0.8m of acquired brand intangible assets

## Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2022

### 26 Acquisitions continued

#### Sync EV continued

#### Impact of current year acquisition

##### Income statement

Sync EV was merged into Luceco UK Limited in May 2022. Sync EV contributed revenue of £3.8m and an operating profit of £0.4m. Had the acquisition occurred on 1 January 2022, the results of the Group would have increased revenue by £1.6m and increased operating profit by £0.3m.

##### Cash flow

The cash flow impact of the acquisition in the year can be summarised as follows:

	£m
Consideration paid for the current year acquisition	8.2
Cash acquired	(0.4)
<b>Total</b>	<b>7.8</b>

##### Acquisition costs

The Group incurred acquisition-related costs of £0.2m in relation to the acquisition of Sync EV. These have been included as adjustments to administrative costs, as outlined in note 1.

### 27 Post balance sheet events

There were no post balance sheet events.

# Company Balance Sheet

at 31 December 2022

£m	Note	2022	2021
<b>Non-current assets</b>			
Investments	29	4.3	3.3
Debtors	30	84.5	77.8
<b>Net assets</b>		<b>88.8</b>	81.1
<b>Capital and reserves</b>			
Called-up share capital	31	0.1	0.1
Share premium account		24.8	24.8
Treasury reserve		(8.7)	(6.7)
Profit and loss account		72.6	62.9
<b>Equity</b>		<b>88.8</b>	81.1

The accompanying notes on pages 193 to 197 form an integral part of these financial statements.

The Company reported a profit for the year ended 31 December 2022 of £20.0m (2021: £40.0m).

These financial statements were approved by the Board of Directors on 20 March 2023 and were signed on its behalf by:

**JOHN HORNBY**

Chief Executive Officer

Company registered number: 05254883

**MATT WEBB**

Chief Financial Officer

## Company Statement of Changes in Equity

for the year ended 31 December 2022

£m	Share capital	Share premium	Retained earnings	Treasury reserve	Total equity
Balance at 1 January 2021	0.1	24.8	33.9	(6.8)	52.0
<b>Total comprehensive income</b>					
Profit for the year	—	—	40.0	—	40.0
Total comprehensive income for the year	—	—	40.0	—	40.0
<b>Transactions with owners in their capacity as owners:</b>					
Dividends	—	—	(11.2)	—	(11.2)
Purchase of own shares	—	—	—	(1.3)	(1.3)
Disposal of own shares	—	—	(1.4)	1.4	—
Share-based payments charge	—	—	1.6	—	1.6
<b>Total transactions with owners in their capacity as owners</b>	—	—	(11.0)	0.1	(10.9)
<b>Balance at 31 December 2021</b>	0.1	24.8	62.9	(6.7)	81.1
<b>Total comprehensive income</b>					
Profit for the year	—	—	20.0	—	20.0
Total comprehensive income for the year	—	—	20.0	—	20.0
<b>Transactions with owners in their capacity as owners:</b>					
Dividends	—	—	(10.9)	—	(10.9)
Purchase of own shares	—	—	—	(2.4)	(2.4)
Disposal of own shares	—	—	(0.4)	0.4	—
Share-based payments charge	—	—	1.0	—	1.0
<b>Total transactions with owners in their capacity as owners</b>	—	—	(10.3)	(2.0)	(12.3)
<b>Balance at 31 December 2022</b>	0.1	24.8	72.6	(8.7)	88.8

The accompanying notes on pages 193 to 197 form an integral part of these financial statements.



# Notes to the Company Financial Statements

for the year ended 31 December 2022

## 28 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except as noted below.

### Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") as issued in August 2014. All applicable amendments to FRS 102 have been applied since its issue in August 2014. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £0.1m. The financial statements are prepared on the historical cost basis.

Under s408 of the Companies Act 2006, the Company is exempt from the requirement to present its own profit and loss account. The Company did not trade during the year.

In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to the end of the period
- Cash flow statement and related notes
- Key management personnel compensation

As the consolidated financial statements of the Company include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 102 in its next financial statements.

Amounts receivable by the Company's auditor and its associates in respect of services to the Company and its associates, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements.

## Going concern

Note 1 of the consolidated financial statements contains the going concern statement.

## Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

## Notes to the Company Financial Statements continued

for the year ended 31 December 2022

### 28 Accounting policies continued

#### Basic financial instruments

##### Trade and other debtors/creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

### 29 Fixed asset investments

#### Accounting policy - investments

These are the separate financial statements of the Company. Investments in subsidiaries are carried at cost less impairment.

#### Accounting policy - share-based payments

Incentives in the form of shares are provided to employees through the Company's Share Incentive Plan ("SIP") and Long-Term Incentive Plan ("LTIP") schemes. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of shares that will eventually vest.

The grant date fair value of an equity-settled payment under the SIP is measured as the face value of the award on the date of grant.

The grant date fair value of the awards under the Group's LTIP is measured by the use of the Monte Carlo simulation for any market-related performance conditions (given the increased uncertainty around the potential vesting of share options).

The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. Charges made to the income statement in respect of share-based payments are credited to reserves.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market-based vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The Group operates an employee share benefit trust as part of its incentive plans for UK-based employees.

All assets and liabilities of the trust are recorded in the balance sheet as assets and liabilities of the Company until such time as the assets are awarded to the beneficiaries. All income and expenditure of the trust is similarly brought into the results of the Company.

Where the Company grants options over its own shares to the employees of its subsidiaries, it recognises, in its individual financial statements, an increase in the cost of investment in its subsidiaries equivalent to the equity-settled share-based payment charge recognised in its consolidated financial statements, with the corresponding credit being recognised directly to equity.

£m	2022	2021
Balance at 1 January	3.3	1.7
Share-based payment charge relating to subsidiaries	1.0	1.6
<b>Balance at 31 December</b>	<b>4.3</b>	3.3

## Notes to the Company Financial Statements continued

for the year ended 31 December 2022

### 29 Fixed asset investments continued

The Company holds 100% of the share capital of the following companies (with only Luceco Holdings Limited being a direct investment) whose principal activities were as follows:

Company	Registered office	Principal activity	% of shares held
Luceco Holdings Limited* (Reg: 05254785)	Luceco Distribution Centre Stafford Park 1, Telford TF3 3BD, UK	Intermediate holding company	100
Luceco UK Limited* (Reg: 02255270)	Luceco Distribution Centre Stafford Park 1, Telford TF3 3BD, UK	Electrical accessories importer and distributor	100
BG Electrical Limited* (Reg: 01388059)	Luceco Distribution Centre Stafford Park 1, Telford TF3 3BD, UK	Electrical accessories importer and distributor	100
Luceco Electrical (Jiaxing) Limited	1,438 Jiachung Road Xiuzhou Industrial Park, Jiaxing, Zhejiang 314000, China,	Manufacturing company	100
Luceco (Hong Kong) Limited	Room 2401, 24th Floor, CC Wu Building, 302-308 Hennessy Road, Wanchai, Hong Kong	Registered office	100
Luceco Inc	Batallon de San Patricio 109 Sur, Col. Valle Oriente San Pedro Garza Garcia, Mexico	Administrative and development office	100
Luceco SAS	3 Rue de Courtalin, 77700 Magny Le Hongre, France	Administrative and development office	100
Luceco GmbH	Holstenplatz 20b, 22765 Hamburg, Germany	Administrative and development office	100
Luceco Mexico	Batallon de San Patricio 109 Sur, Col. Valle Oriente San Pedro Garza Garcia, Mexico	Administrative and development office	100
BG Electrical SDN	No. 2 Jalan SS 24/17, 47301 Petaling Jaya, Selangor, Malaysia	Administrative and development office	100
Nexus Industries PTE Limited	3,791 Jalan Bukit Merah #09-25 (E-center@redhill), Singapore, 159471	Administrative and development office	100
Luceco Southern Europe SL	CL Bobinadora 1-5, Local 7, 08302 Mataro Barcelona, Spain	Administrative and development office	100
Luceco Middle East FZCO	Building 5EB, Office 342, DAFZA PO Box 371128, Dubai	Administrative and development office	100

## Notes to the Company Financial Statements continued

for the year ended 31 December 2022

### 29 Fixed asset investments continued

Company	Registered office	Principal activity	% of shares held
Kingfisher Lighting Limited* (Reg: 02236337)	Luceco Distribution Centre Stafford Park 1, Telford TF3 3BD, UK	Electrical accessories importer, installer and distributor	100
DW Windsor Group Limited* (Reg: 08849218)	Luceco Distribution Centre Stafford Park 1, Telford TF3 3BD, UK	Intermediate holding company	100
D.W. Windsor Limited* (Reg: 01309755)	Luceco Distribution Centre Stafford Park 1, Telford TF3 3BD, UK	Manufacture of electric lighting equipment	100
Pulsar Lighting Solutions Limited* (Reg: 00943317)	Luceco Distribution Centre Stafford Park 1, Telford TF3 3BD, UK	Manufacture of electric lighting equipment	100
Urban Control Limited* (Reg: 09950591)	Luceco Distribution Centre Stafford Park 1, Telford TF3 3BD, UK	Manufacture of electric lighting equipment	100
Fusion Lighting Limited	Luceco Distribution Centre Stafford Park 1, Telford TF3 3BD, UK	Dissolved 13 September 2022	100
Street Lighting Limited	Luceco Distribution Centre Stafford Park 1, Telford TF3 3BD, UK	Dissolved 13 September 2022	100
EV Charge Points UK T/A EVCP Limited* (Reg: 12454736)	Burlands, Charlwood Road, Ifield, Crawley, England RH11 0JZ	Manufacture of electric vehicle chargers	100

\* All UK registered subsidiaries are exempt from audit, which is set out within Section 479A of the Companies Act 2006 for the year ended 31 December 2022. The Company will guarantee the debts and liabilities of each of the UK subsidiary undertakings at the balance sheet date in accordance with Section 479C of the Companies Act 2006. The Company has assessed the probability of loss under the guarantee as remote.

Luceco Holdings Limited is the only company which is owned directly. All other companies are owned and controlled by virtue of the Company's holding in Luceco Holdings Limited.

## Notes to the Company Financial Statements continued

for the year ended 31 December 2022

### 30 Debtors

£m	2022	2021
Amounts owed by Group undertakings	<b>84.5</b>	77.8

Amounts owed by the Group's subsidiaries are repayable at the Company's demand and attract no interest.

### 31 Capital and reserves

#### Accounting policy

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a reduction from equity, net of any tax effects.

	Allotted, called up and fully paid		Number of shares in issue (thousands)	
	2022 £	2021 £	2022 Number	2021 Number
At 1 January	<b>80,400</b>	80,400	<b>160,800</b>	160,800
<b>At 31 December</b>	<b>80,400</b>	80,400	<b>160,800</b>	160,800

Each ordinary share carries one vote, participates equally with the other ordinary shares in distribution of dividends and capital (including on a winding up) and is not redeemable.

### 32 Ultimate parent and controlling party

There is no controlling party.

## Company 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 results	March 2024

### Share price history

The following table sets out the reported high, low, average and financial year end (31 December or immediately preceding business day) closing middle market quotations of Luceco's ordinary shares on the London Stock Exchange for the period 1 January 2022 to 31 December 2022.

Share price (pence)	High	Low	Average	Financial year end <sup>1</sup>
<b>2022</b>	<b>337.5</b>	<b>66.0</b>	<b>148.8</b>	<b>98.2</b>
2021	497.0	231.0	336.9	348.5

1. Last trading day at the London Stock Exchange, 30 December 2022.

### Shareholder queries

Shareholders who change address, lose their share certificates, wish to amalgamate multiple shareholdings or have payments paid directly into their bank account, or otherwise have a query or require information relating to their shareholding, should contact the Company's registrar.

This can be done by writing to **Link Group, 10th Floor, Central Square, 29 Wellington Street, Leeds LS1 4DL**. Alternatively, shareholders can contact **Link Group** on **+44 (0)371 664 0300** (calls cost 12p per minute plus network extras; lines are open 9.00am to 5.30pm Monday to Friday), or on **+44 (0)371 644 0300** if calling from overseas, or email their enquiry to **shareholderenquiries@linkgroup.co.uk**, indicating they are a Luceco shareholder.

Shareholders are also able to access and amend details of their shareholding, via the registrar's website at **www.signalshares.com**. If you have not previously registered to use this facility you will need your investor code, which can be found on your proxy card or on any share certificate issued by Link Asset Services.

You can access the service via the investor relations section of Luceco's website at **www.lucecoplc.com**.

### Online shareholder services

Luceco provides a number of services online in the investor relations section of its website at **www.lucecoplc.com**, where shareholders and other interested parties may:

- View and/or download annual and half-year reports
- Check and/or download current or historic share prices
- Check the amounts and dates of historic payments to shareholders
- Use interactive tools to calculate the value of shareholdings
- Chart Luceco ordinary share price changes against indices
- Register to receive email alerts regarding press releases, including regulatory news announcements, Annual Reports and Company presentations



## Company Information continued

### ShareGift

Luceco supports ShareGift, the share donation charity (registered charity number 1052686). ShareGift was set up so that shareholders who have only a very small number of shares which might be considered uneconomic to sell are able to dispose of them by donating them for the benefit of UK charities. Donated shares are aggregated and sold by ShareGift, the proceeds being passed on to a wide range of UK charities. Donating shares to charity gives rise neither to a gain nor a loss for UK capital gains purposes and UK taxpayers may also be able to claim income tax relief on the value of the donation.

Further information about donating shares to ShareGift is available either from its website at [www.sharegift.org](http://www.sharegift.org), by writing to **ShareGift at 4th Floor Rear, 67/68 Jermyn Street, London SW1Y 6NY** or by contacting them on **+44 (0)20 7930 3737**.

Even if the share certificate has been lost or destroyed, the gift can be completed. The service is generally free; however, there may be an indemnity charge for a lost or destroyed share certificate where the value of the shares exceeds £100.

### Unsolicited mail

The Company is obliged by law to make its share register publicly available should a request be received. As a consequence, shareholders may receive unsolicited mail from organisations that use it as a mailing list. Shareholders wishing to limit the amount of such mail should either write to **Mailing Preference Service, DMA House, 70 Margaret Street, London W1W 8SS**, register online at [www.mpsonline.org.uk](http://www.mpsonline.org.uk) or call the Mailing Preference Service ("MPS") on **+44 (0) 207 291 3310**. MPS is an independent organisation which offers a free service to the public.

### Warning to shareholders – boiler room scams

Each year in the UK, £1.2bn is lost to investment fraud, with the average victim losing around £20,000. What is more, it is estimated that only 10% of the people that become victims of investment fraud actually report it.

Investment scams are becoming ever-more sophisticated – designed to look like genuine investments, they are increasingly difficult to spot. They are targeted at those most at risk, typically people in retirement who are actively seeking an investment opportunity.

### Protect yourself

#### 1) Reject cold calls

If you have been cold called with an offer to buy or sell shares, it is likely to be a high-risk investment or scam. You should treat the call with extreme caution. The safest thing to do is hang up.

If you are offered unsolicited investment advice, discounted shares, a premium price for shares you own, or free company or research reports, you should get the name of the person and organisation contacting you and take these steps before handing over any money.

#### 2) Check the firm on the Financial Services Register at [www.fca.org.uk/register](http://www.fca.org.uk/register)

The Financial Services Register is a public record of all the firms and individuals in the financial services industry that are regulated by the FCA. Use the details on the Financial Services Register to contact the firm.

#### 3) Get impartial advice

Think about getting impartial financial advice before you hand over any money. Seek advice from someone unconnected to the firm that has approached you.

#### REMEMBER, if it sounds too good to be true, it probably is!

If you use an unauthorised firm to buy or sell shares or other investments, you will not have access to the Financial Ombudsman Service or Financial Services Compensation Scheme if things go wrong.

### Report a scam

If you suspect you have been approached by fraudsters, please tell the FCA using the share fraud reporting form at [www.fca.org.uk/consumers/report-scam-us#Report](http://www.fca.org.uk/consumers/report-scam-us#Report) where you can find out more about investment scams. You can also call the FCA Consumer Helpline on **+44 (0)800 111 6768**.

If you have lost money to investment fraud, you should report it to Action Fraud on **+44 (0)300 123 2040** or online at [www.actionfraud.police.uk](http://www.actionfraud.police.uk).

Find out more at [www.fca.org.uk/scamsmart](http://www.fca.org.uk/scamsmart).

## Advisers

### Company's registered office

#### Luceco plc

Building E Stafford Park 1  
Stafford Park  
Telford TF3 3BD  
[www.lucecoplc.com](http://www.lucecoplc.com)  
[ir@luceco.com](mailto:ir@luceco.com)

### Independent auditor

#### KPMG LLP

Statutory Auditor  
Chartered Accountants  
One Snowhill  
Snow Hill Queensway  
Birmingham B4 6GH

### Financial advisers and brokers

#### Numis Securities

45 Gresham Street  
London EC2V 7BF

#### Liberum

Ropemaker Place  
Level 12  
25 Ropemaker Street  
London EC2Y 9LY

### Registrars

#### Link Group

10th floor  
Central Square  
29 Wellington Street  
Leeds LS1 4DL  
[shareholderenquiries@linkgroup.co.uk](mailto:shareholderenquiries@linkgroup.co.uk)

### Company secretarial services

#### Company Matters

6th floor  
65 Gresham Street  
London EC2V 7NQ  
[luceco@linkgroup.co.uk](mailto:luceco@linkgroup.co.uk)

### Financial PR advisers

#### MHP Communications

6 Agar Street  
London WC2N 4HN  
[luceco@mhpgroup.com](mailto:luceco@mhpgroup.com)

### Cautionary statement

This Annual Report and Financial Statements has been prepared for the shareholders of Luceco plc, as a body, and no other persons. Its purpose is to assist shareholders of the Company to assess the strategies adopted by the Group, the potential for those strategies to succeed and for no other purpose. The Company, its Directors, employees, agents or advisers do not accept or assume responsibility to any other person to whom this document is shown or into whose hands it may come and any such responsibility or liability is expressly disclaimed.

This Annual Report and Financial Statements contains certain forward-looking statements that are subject to risk factors associated with, amongst other things, the economic and business circumstances occurring from time to time in the countries, sectors and markets in which the Group operates. It is believed that the expectations reflected in these statements are reasonable, but they may be affected by a wide range of variables which could cause actual results to differ materially from those currently anticipated.

No assurances can be given that the forward-looking statements in this Strategic Report will be realised.

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

### Strategic and Directors' Reports

The Strategic Report, the Corporate Governance Report and Financial Statements form a Directors' Report. Both the Directors' Report and Strategic Report have been drawn up and presented in accordance with English company law and the liabilities of the Directors in connection with those reports shall be subject to the limitations and restrictions provided by such law. In particular, the Directors would be liable to the Company (but not to any third party) if the Strategic Report and/or Directors' Report contain errors as a result of recklessness or knowing misstatement or dishonest concealment of a material fact, but would not otherwise be liable.

The Strategic Report forms part of the Annual Report and Financial Statements, full copies of which can be obtained free of charge from the Group's website at [www.lucecoplc.com](http://www.lucecoplc.com) or from the Company's registered office.



The paper used in this report is produced using virgin wood fibre from well-managed, FSC®-certified forests and other controlled sources. All pulps used are elemental chlorine free and manufactured at a mill that has been awarded the ISO 14001 and EMAS certificates for environmental management. The use of the FSC® logo identifies products which contain wood from well-managed forests and other controlled sources certified in accordance with the rules of the Forest Stewardship Council®.

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**lyonsbennett**  
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