Bringing Power to Life

Annual Report and Financial Statements **2023**

What's inside

Strategic Report

Governance

Financial Statements

Our competitive advantage

Find out more on pages 6 to 8

Delivering on our strategy

Find out more on pages 20 to 28

Operating responsibly

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

Financial highlights

Revenue

£209.0m

2022: £206.3m

Adjusted[1] Free Cash Flow

£18.0m

2022: £30.7m

Adjusted[1] Operating Profit

£24.0m

2022: £22.0m

Operating profit

£22.2m

2022: £13.7m

Adjusted[1] Earnings Per Share

11.1p

2022: 11.1p

Earnings Per Share

10.8p

2022: 7.1p

ESG highlights

ESG – emissions

Carbon neutral

Operations in 2023

ESG – low carbon sales

38%

revenue from low carbon products in 2023

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 130 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.

Read more about our ESG strategy on pages 36 to 61

Our purpose

To help people **harness power sustainably** in everyday life.

Our strategy

Innovate
Find out more on page 21

Designing and manufacturing market-leading products for our customers

Grow
Find out more on page 23

Maximising sales to an increasing customer base

Sustain
Find out more on page 25

Promoting sustainable choices to enhance our competitive advantage

Our culture
See pages 57 to 61

Customer-driven

Team-focused

Bold and innovative

Principled

Reasons to invest

We operate in attractive markets

That are supported by long-term growth drivers

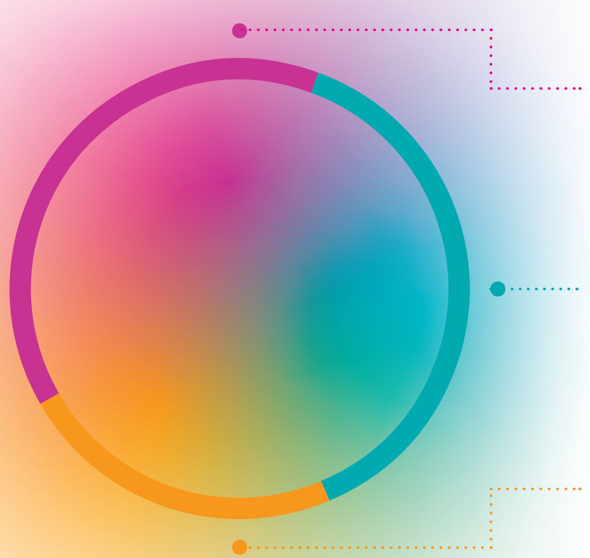
We have an advantaged business model

Which offers unique advantages to our customers and over our competition

We deliver compelling financial outcomes

Which we commit to with clear "through the cycle" financial targets

What we sell:



39%
Wiring Accessories

38%
LED Lighting

23%
Portable Power

Who we sell to:

- **22%** Retail
- **24%** Hybrid
- **25%** Professional Wholesale
- **29%** Professional Projects

- **34%** Collected in China
- **66%** Sold in end market

- **83%** UK
- **6%** Europe
- **4%** Americas
- **4%** Middle East & Africa
- **3%** Asia Pacific

Key business achievements:

Innovate – We launched our second series of EV chargers

Sold under the BG Sync EV brand, our latest range of EV chargers is available in both 7.4kW, for home use, and 22kW for commercial spaces. The 22kW charger is a key strategic development, enabling vehicles to charge three times faster, and allowing us to sell our chargers within commercial and higher-end residential spaces.

Faster charging:

x3

Times

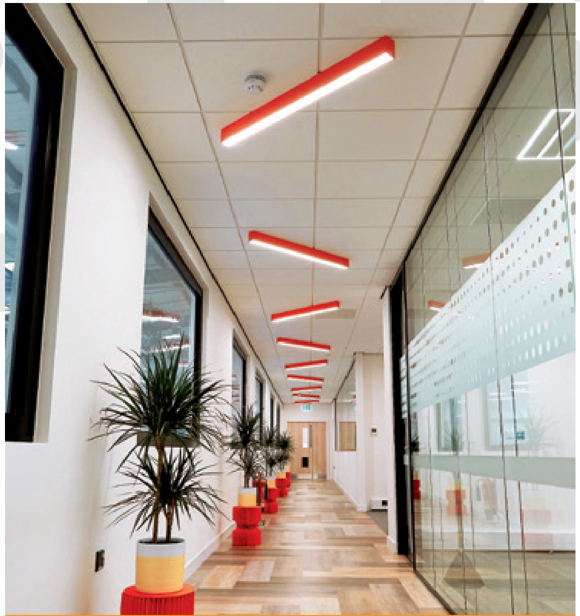
Grow – We outperformed our addressable markets

Our performance in 2023 showed clear progress. Revenue grew by 1.7% on a like-for-like basis, outperforming markets where output reduced by 5.8%. Our performance was supported by our key strategic positions within the Hybrid sales channel, the cessation of post-pandemic destocking and another outstanding year of growth from our Interior LED Lighting Projects team.

Like-for-like revenue growth:

1.7%

Market output: -5.8%



Sustain – We increased sales of low carbon products

We generated £80m of revenue from low carbon products in 2023 and we continue to focus on this key area as society charts its path towards net zero emissions. The actions we are taking today to invest in our EV charging portfolio and high efficiency LED lighting solutions, leave us well positioned to achieve our goal of £100m revenue from low carbon products by 2025.

Revenue from low carbon products:

£80m

2022: £78m

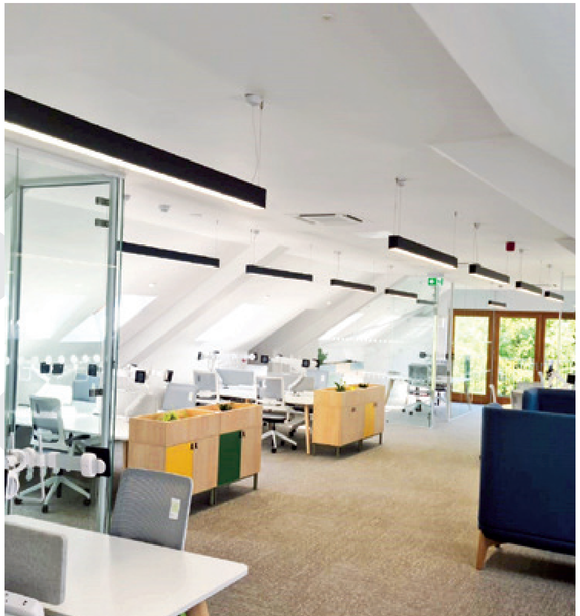
Innovate – We are creating synergies with DW Windsor

DW Windsor is beginning to utilise our expertise and manufacturing capacity, both in the UK and China, which will help us transform the business further. Following a year of transition in 2022, DW Windsor made good progress in 2023 and we anticipate that over time these efforts will deliver similar benefits to those being seen in Kingfisher Lighting.

DW Windsor gross margin:

42.2%

2022: 36.8%



Grow – We made a strategic investment in eEnergy

eEnergy, a significant customer of our Interior LED Lighting Projects business, is a net zero energy services provider that empowers organisations to achieve net zero by tackling energy waste and transitioning to clean energy. These services are becoming increasingly important as the economy decarbonises, and we look forward to supporting the businesses growth.

Investment in eEnergy:

£1.7m

Shareholding: 9%

Sustain – We are investing in Kingfisher Lighting

We have invested £2.5m to move our Kingfisher Lighting business to an enhanced manufacturing facility in Mansfield. Since our acquisition of Kingfisher Lighting six years ago, the business has grown sales by 49%, and this investment in the business's manufacturing capability will enable the team at Kingfisher to sustain their competitive advantage supplying low carbon products.

Investment in Kingfisher Lighting:

£2.5m

Exterior LED Lighting

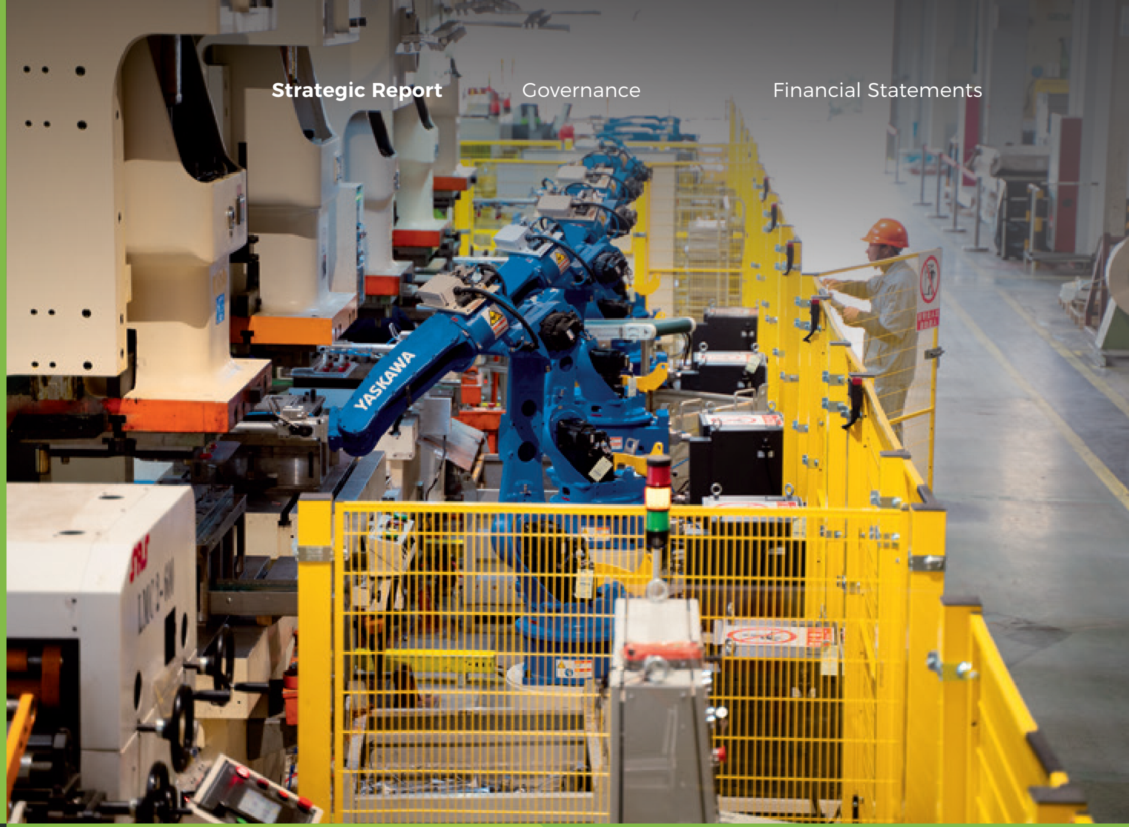
Our Competitive Advantage

High quality, low cost, vertically integrated manufacturing

We leverage our fully owned, strategically invested and vertically integrated manufacturing facility to optimise production processes, ensuring strong cost control and maintaining consistently high quality standards. Our in-house capabilities not only facilitate growth, but also enable us to remain agile to changes in supply dynamics and responsive to evolving customer needs.

Find out more on page 19

Design → **Make** → **Market** → **Fulfil**



Strong product development

Through decades of experience and expertise, our design team based in the UK have built a market-leading portfolio of products that can be applied to meet a broad range of customer requirements. We are constantly innovating to enhance the performance and functionality of our products to position ourselves for future growth and sustainability.

Find out more on page 19

2023 revenue from new products:

£13.7m

2023 R&D expenditure:

£4.1m

Our Competitive Advantage continued

Strong, well invested and expandable brands

Our enviable range of well-established brands enable us to offer a diverse product portfolio, all sharing the same distinct traits of enhanced functionality, quality and value. This strong brand presence provides us with the platform to operate successfully across multiple market segments from Professional Wholesalers and Projects, Retailers and the fast-growing Hybrid sector.

Find out more on page 3

Adjusted Operating Profit growth since 2019:

Wiring Accessories:	LED Lighting:	Portable Power:
18%	292%	5%

Entrepreneurial, can-do culture

The Group's "can-do" culture propels us forward with a proactive, solution-oriented mindset. This fosters innovation, quick problem-solving, and heightened employee engagement. Our culture not only enhances operational efficiency but also positions Luceco as a resilient, customer-focused company, securing a competitive advantage within our markets.

Find out more on pages 57 to 61

- **Customer-driven**
- **Team-focused**
- **Bold & innovative**
- **Principled**

Creating a net zero pathway

As society becomes increasingly focused on its environmental impact, our product portfolio, combined with our business model and experience, puts us in a strong position to help consumers make sustainable choices. We are proud of the progress we have made over the last decade following the launch of our Luceco Lighting brand, producing highly efficient, low carbon lighting solutions, and we are excited by the contribution we can make through further development of our EV charger range. Demand for EV charging solutions for homes and commercial premises is set to increase significantly and we are well placed to capture these opportunities.

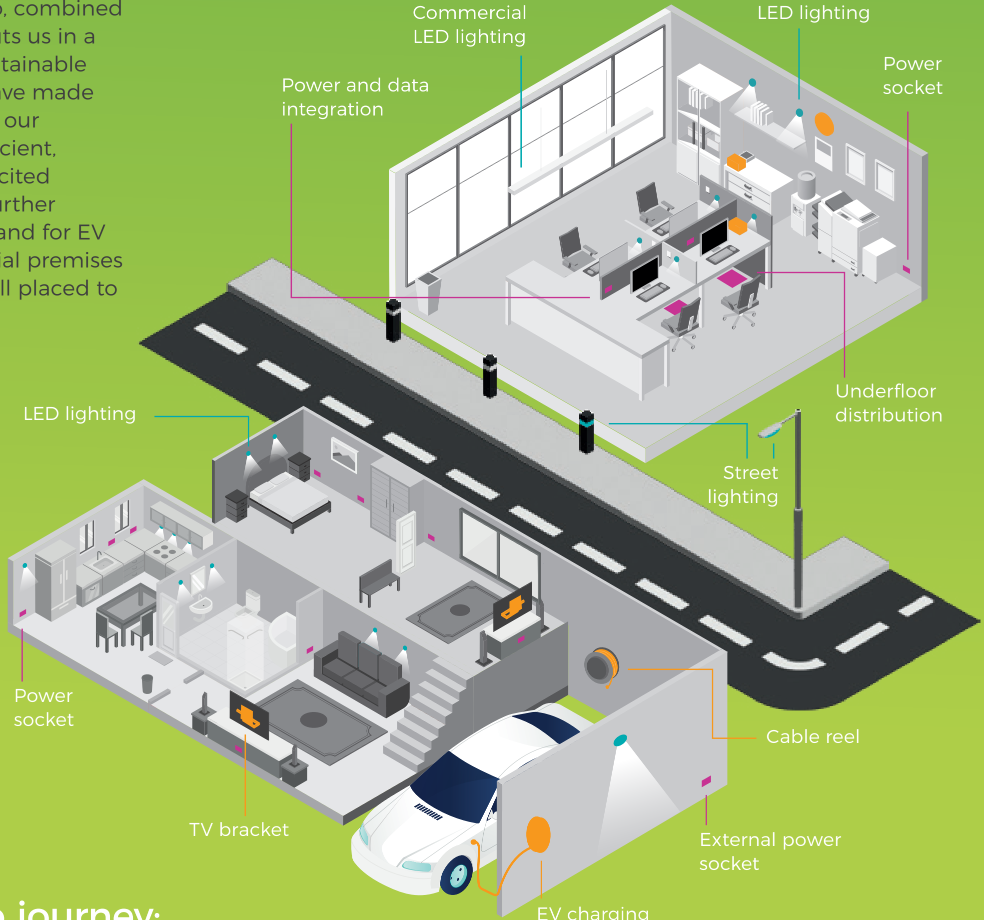
Find out more on pages 37 to 56

Annual investment required for UK to meet net zero

£40bn

Additional EV charging vehicles by 2028

5 million



Milestones in our net zero journey:

2013
Luceco Lighting brand launched, creating highly efficient internal lighting products

2017
Acquisition of Kingfisher Lighting, providing energy-saving exterior lighting solutions

2021
Acquisition of DW Windsor, extending reach of high efficiency exterior lighting products

2021
Achieved carbon neutral operations

2022
Acquisition of Sync EV in EV charger market

2022
Committed to the Science Based Targets initiative

2023
Generated £80m revenue from low carbon products

Sustained progress against our strategic objectives has driven a resilient performance despite adverse market conditions

Giles Brand
Chair

Adjusted Earnings Per Share

11.1p

2022: 11.1p

Dividend payout

43%

2022: 41%

I am pleased to introduce the Company's results for the year ended 31 December 2023, a year in which Luceco's continued progress towards its strategic priorities led to a robust financial performance despite challenging market conditions.

Performance

Over the last five years, Luceco has grown into a strategically focused, profitable, highly cash generative and well capitalised business. This evolution is reflected in the Group's 2023 results, which show clear progress against a broad spectrum of measures.

Throughout 2023 we were challenged by adverse market conditions and macroeconomic uncertainty, but results have been stronger than 2022.

Since the beginning of 2022 our customers had been responding to changes in both demand and easing of supply chain constraints by unwinding extra inventory they had purchased during the pandemic. As expected, this temporary period of post-pandemic destocking appears to have been completed in 2023. I am pleased with how the Company responded to these challenges by working with our key customers to understand their needs and ensure we continue to have strong product availability across their stores.

Although we are confident that the fundamental drivers within our industry will generate growth in our markets over the long term, underlying demand was a headwind in 2023. In the short term, we have found the rising cost of living has reduced discretionary consumer spending and placed a headwind on the markets in which we operate.

The strength of a business's operating model can sometimes be better gauged by how it responds to adversity, so it is particularly pleasing that in these tough market conditions we have been able to grow like-for-like revenue by 1.7% and increase Adjusted Operating Profit by 9.1%. This profitable growth has been supported by the strategic decisions the Group has made to invest in product development, increase its presence within key growth markets, and develop its team of sales and product specialists.

Furthermore, through careful working capital inventory management and strategic capital allocation, the Group's ability to generate strong cash returns was once again demonstrated. The Group's compelling track record of both growth and cash generation leaves the business well positioned to further invest in its strategic priorities, and generate value for its stakeholders.

Strategy

The Group's key strategic priorities to Innovate, Grow and Sustain drive our delivery of the Group's purpose to help people harness power sustainably in everyday life.

The business continues to find new ways to innovate, to enhance its product portfolio and the services it offers to customers. In 2023, further strides have been taken to develop the Group's growing range of EV chargers in addition to development of the Group's core products, for example through the release of our new F-type range of LED downlights. We focus on enhancements that customers need and are pleased that £13.7m of revenue generated in 2023 was from new product development.

Chair's Statement continued

Strategy continued

The Group has been able to display strong, above-market organic growth in 2023. Supported by a broad product portfolio, our sales teams are winning in each of our core markets, and looking forwards we are making strategic investments in key growth areas to further accelerate growth into the future. Our excellent track record of cash generation has created significant capacity to enable us to plan with confidence.

Importantly, alongside our ability to innovate and grow, we are investing in our business model to sustain our performance over the long term. This year our facilities in China have successfully automated production of our new range of EV chargers as well as DW Windsor products. Furthermore, we have invested £2.5m to move our Kingfisher Lighting business to an enhanced manufacturing facility in Mansfield, increasing our capacity to deliver low carbon lighting solutions to the external lighting industry.

Environment, Social and Governance ("ESG")

As a Group, we believe we have a significant opportunity to create a lasting positive impact on the world around us.

During 2023, the Group's sustainability targets received validation from the influential Science Based Targets initiative. This puts Luceco's overall CO_2 emissions on a reduction pathway consistent with the Paris Agreement. Given that the Group's operations have been carbon neutral since 2021, greater focus will continue to be placed on delivering targeted emission reductions elsewhere in the value chain.

Luceco grew low carbon sales to £80m (2022: £78m) and is on track to meet its previously announced target of £100m of such sales by 2025.

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 3.2p per share which, with the interim dividend of 1.6p, is consistent with a 43% payout, payable on 17 May 2024 to shareholders on the register on 12 April 2024.

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. The steps the business has taken in recent years to progress its strategic priorities are enabling the Group to outperform its chosen markets and deliver on its purpose. None of this would be possible without our employees, whom I would like to thank for their expertise and unwavering commitment, which have played a pivotal role in positioning the Group for future success.

Giles Brand
Chair

25 March 2024

In 2023 we once again **outperformed our markets**, whilst taking further steps towards our strategic goals

John Hornby
Chief Executive Officer

Revenue

£209.0m

2022: £206.3m

Adjusted Operating Profit

£24.0m

2022: £22.0m

Performance highlights

Last year I highlighted the strategic steps we are taking and how they leave us well positioned for the future, so I am pleased our performance in 2023 demonstrated clear progress. Despite challenging market conditions we achieved revenue of £209.0m (2022: £206.3m) and Adjusted Operating Profit of £24.0m (2022: £22.0m).

We outperformed a softer market, taking market share and growing revenue by 1.7% on a like-for-like basis. Our performance was driven by our key strategic positions within the Hybrid sales channel, the cessation of post-pandemic destocking and another outstanding year of growth within our interior LED Lighting Projects team.

I have been pleased by the improvement we have seen in our Adjusted Operating Margin, as material and freight costs eased, albeit partially offset by exchange rate headwinds and increasing wage costs. Our lean operating model means we are well positioned to grow our margins further when market conditions allow. I am also delighted that yet again, we have delivered a strong cash flow performance, achieving Adjusted Free Cash Flow of £18.0m. Careful working capital management and strategic capital allocation, has meant that since 2019 the business has generated Adjusted Free Cash of £90.2m from Adjusted Operating Profit of £115.0m.

This sustained cash performance over a four-year period highlights the strength of our business model and underscores the Group's long-term potential.

We end the year with Covenant Net Debt of £18.4m, which gives us good optionality to invest in the business to drive further growth, both organically as well as through our exciting M&A pipeline.

Macroeconomic factors

Like most businesses, since the pandemic we have experienced some rapid changes in macroeconomic and geopolitical influences. I am delighted with the way we have navigated these shifts, to consistently outperform whatever conditions we face.

Macroeconomic factors continued

In 2021, the combination of strong end user demand and exceptionally constrained global supply chains caused our distributor customers to materially increase their stock of our products, adding to our sales, as previously reported. In 2022 and in the first half of 2023, they largely unwound the extra inventory added as both demand and supply chain constraints eased, reducing our sales.

This temporary period of destocking appears to have concluded in 2023, based on the analysis of EPOS data with our customers who have returned to more normalised purchasing patterns.

The other key theme for us was how global supply and demand imbalances in the wake of the pandemic resulted in significant industry-wide input cost inflation. We identified these trends early and reset selling prices accordingly without impacting our competitive position.

Lead times normalised in 2022, following the peaks during the pandemic, and have remained consistent in 2023. This more normalised demand has meant that we have seen cost inflation subside, with material and freight and duty prices easing in 2023.

However, as anticipated and despite protection from hedging arrangements, foreign exchange movements have remained a headwind. Overall, our gross margin is beginning to return to through-the-cycle levels, and demand from key customers now more closely reflects end market conditions with consumers.

Underlying demand

Our like-for-like revenue growth of 1.7% in 2023 is put into context when we compare ourselves to the wider construction market, with data from the Construction Products Association ("CPA") indicating that output of our addressable markets reduced 5.8% in the same timeframe.

Approximately 60% of our business is focused on delivering residential repair, maintenance and improvement ("RMI") solutions to professional installers and general consumers performing DIY. Using CPA data, we estimate that this market's output reduced 8% in 2023, as it normalises following the RMI boom which peaked during the pandemic. The retail sector in particular remains challenging, with the Barclays Consumer Spending Index reporting a 4.7% average reduction in DIY spending over the course of 2023.

Nevertheless, the strategic positions we hold within the Hybrid sales channel in addition to the work we have done to grow our share of the professional contractor market, has enabled us to outperform this slow market to deliver growth of 0.8% within this sector of our business. I am pleased that the non-residential RMI arm of our business, which makes up approximately 20% of the Group revenue, grew by 8.5% in the year.

This is supported by our strategic investment in our Interior LED Lighting Projects team, who continue to take market share by utilising our well-rounded LED Lighting portfolio. This result is even more pleasing when we consider that market output contracted approximately 0.8% in the year, as businesses seek to make temporary cost savings by reducing expenditure on their estates.

Although sales within our Exterior LED Lighting businesses reduced 2.4% in the year, slightly higher than a market output reduction of 1.1%, profitability within these businesses grew. The steps we are taking to drive synergies within the DW Windsor business and our continued focus on higher margin contracts has meant these businesses have taken another step forwards in 2023.

Within the new housing market, rising interest rates have led to challenging market conditions for housebuilders, with the CPA estimating a contraction in output of 17.1% in 2023. However, we estimate this market makes up less than 5.0% of our sales and despite market conditions, we were still able to grow this smaller part of our business by 5.2%, aided by increasing sales of EV chargers.

Whilst it is clear that the rising cost of living has reduced discretionary consumer spending and placed a headwind on the markets in which we operate, the fundamental growth drivers supporting our industry and business remain. The drive towards net zero, consistent regulatory change, new technology and an underlying need to invest in UK housing stock mean we can be confident that our markets will deliver healthy and stable growth over the long term.

Strategic highlights

Throughout 2023, we have continued to deliver on our purpose to help people harness power sustainably in everyday life. In addition to delivering a robust set of financial results, I am pleased with the work we have done to further progress our strategic priorities to Innovate, Grow and Sustain.

Innovate

The key first step in us carrying out our purpose is to innovate. Our ability to see and do things differently creates value for our stakeholders, driving growth of the business, allowing us to sustain our competitive advantage and contribute towards the transition to net zero.

We continually focus on developing new products and enhancing our existing range with increased functionality that fits our customers' needs. Our global team of over 100 product development specialists, drive a development process which is customer-centric, rapid and carries relatively low execution risk. It has been a key driver of the Group's success.

I am delighted by the strides we have made in 2023 to enhance our product portfolio.

We continue to make advances in the development of our EV chargers, with 2023 bringing the launch of our second series of chargers sold under the BG Sync EV brand. Building on the platform from our first series of chargers, this new range is available in both 7.4kW, for home use, and 22kW for commercial spaces. The 22kW charger is a key strategic development, enabling vehicles to charge three times faster, and allowing us to sell our chargers within commercial and higher-end residential markets. Furthermore, both products are produced using the same core components and designs, allowing them to be manufactured at scale, using the same tooling and processes, by our team in China.

Strategic highlights continued

Innovate continued

Within our LED Lighting range, we have refreshed our offering of downlights with the launch of the new F-type range. This new range of low-profile downlights strikes an ideal balance between functionality, design, performance and cost.

With its SpeedFit housing design for ease of installation and its availability with colour changing functionality, the F-type range provides practical innovation that our customers actually need. This innovation with purpose, is key to our strategy, enabling us to both take market share and create value through differentiated products that command higher margins.

Following significant new product launches in 2022, we continue to enhance our portfolio of Wiring Accessories and Masterplug products. Thanks to our vertically integrated manufacturing model, we can swiftly make low investment adjustments within our existing ranges to suit changing market trends. We were able to do this again in 2023, with the release of a new matt black finish within our premium Nexus Metal socket range and the release of screwless designs, for a sleeker finish within our core offering.

I am also pleased to report that DW Windsor is beginning to benefit from our expertise and manufacturing capacity, both in the UK and China, which will help us transform the business further. Following a year of transition in 2022, DW Windsor made good progress in 2023 and we hope that over time these efforts will deliver similar benefits to those being seen in Kingfisher Lighting.

Our bold and innovative culture extends beyond our development specialists, with the whole business playing a part. A fantastic example of this has been the development of our specialised interior projects customer services team in 2023. Using their expert knowledge, this team manage the implementation of our interior lighting projects from start to finish, allowing our sales experts to focus on what they do best.

Grow

Despite challenging market conditions, we continue to grow the business both organically as well as through targeted M&A.

Through years of experience, our excellent sales teams have become adept at using the innovative products we create to extend our market reach. A prime example of this is the success we have had in 2023 through our BG Evolve decorative Wiring Accessories range. Launched in 2022, the modern and stylish switches and sockets of the Evolve range provide consumers with a new premium solution for high-end builds and retrofits. The launch of this new range has enabled us to further extend our product portfolios by entering the adjacent premium Wiring Accessories market.

I am delighted that in 2023 we have sold over 500,000 Wiring Accessories products from the Evolve portfolio, with strong interest across our Retailers, Wholesalers and Hybrid channels, generating £2.6m of revenue.

Our ability to grow organically is not just limited to new product launches. The excellent relationships we have with our customers means we can work together to ensure the right products are being made available to the end consumer. As we have moved through 2023, our sales teams have successfully extended existing product ranges to generate £4m of new business wins. Ultimately, our customers choose our products as they know they can sell them to the end consumer, and this leaves us well placed for future organic growth.

We are also taking further steps to increase the speed of growth within our Interior LED Lighting Projects team. Our experience has taught us that, when given the right level of support, a new sales team member can deliver strong annualised sales within three years. We are increasing the pace at which we recruit within this high growth area and as a result we successfully grew sales within this team by 24% to £12.6m in 2023.

We have complemented the Group's long history of organic growth with acquisitions funded by our consistently strong cash flow.

In 2023 we made a strategic investment of £1.7m in eEnergy Group plc ("eEnergy"). eEnergy is a net zero energy services provider that empowers organisations to achieve net zero by tackling energy waste and transitioning to clean energy. The business is already an important customer for our LED Lighting Projects business.

As the economy decarbonises it is well positioned to become an increasingly relevant channel in the non-residential segment, and we look forward to supporting the growth of eEnergy and exploring the potential for increased co-operation between our businesses.

A further year of cash generation, driven by organic growth in addition to synergy creation from previous acquisitions, means we end the year with Covenant Net Debt of £18.4m. With the right foundations for a successful "buy and build" strategy, we continue to explore M&A opportunities that have a strong strategic fit and the potential to deliver future growth.

Sustain

Our Sustain strategy is focused on taking action to contribute to society's sustainability goals as well as investing in our people and our industry. Taking these actions now will ensure we sustain our competitive advantage into the future.

During 2023 we received validation from the Science Based Targets initiative ("SBTi"), targeting a 42% reduction in operational emissions and a 27.5% reduction in value chain emissions by 2031. Our operations continue to offer one of the lowest operational carbon footprints in our industry and this was reaffirmed with a "B" rating from the Carbon Disclosure Project in the first quarter of 2024 relating to the 2023 year. This is our third year of reporting to the platform, so we are delighted our progress integrating climate-related issues into our business operations has been reflected with a strong grade.

Chief Executive Officer's Review continued

Strategic highlights continued

Sustain continued

We generated £80m of revenue from low carbon products in 2023 and we continue to focus on this key area as society charts its path towards net zero emissions. The actions we are taking today to invest in our EV charging portfolio and high efficiency LED lighting solutions, leave us well positioned to achieve our goal of £100m revenue from low carbon products by 2025.

In the UK, we have held nearly 50 contractor continuous professional development training events in 2023, hosted in conjunction with our major professional wholesale customers. In particular, we have extended the training we provide on the installation of EV chargers, and I am pleased with the positive feedback these have received.

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

We invest in our business model to sustain and accelerate future growth. As travel restrictions to China have eased, it has been hugely beneficial for me and our team of designers to visit our facility in China more regularly. I am pleased with the progress we have made to extend and automate our production of EV chargers and DW Windsor products, which provide us with a great platform from which to scale as we move forwards.

I am also excited by our £2.5m investment to relocate our Kingfisher Lighting business to an enhanced manufacturing facility in Mansfield. Since our acquisition of Kingfisher Lighting six years ago, the business has grown sales by 49%, and this investment in its manufacturing capability will enable the team at Kingfisher to sustain their competitive advantage supplying low carbon products.

In summary, I am once again hugely proud of the progress the entire Luceco team have made in the year. Our bold and innovative culture continues to drive the business forwards with the right actions being taken now to deliver on our long-term strategy.

Outlook

Trading in early 2024 has been in line with our expectations, with improved gross margin and lower input costs balancing less residential RMI activity. Whilst the macroeconomic outlook for 2024 remains difficult to judge, I am encouraged by our healthy underlying trading momentum which leaves us well positioned to progress further during the year ahead.

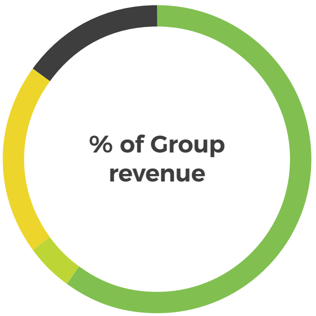
John Hornby
Chief Executive Officer

25 March 2024

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

Our enviable market positions

Over the course of the last decade, we have worked hard to 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 supported by long-term growth drivers.



- **60%** Residential RMI
- **5%** New residential housing
- **20%** Non-residential RMI
- **15%** New infrastructure

Our broad market offering

Our extensive, strategically built product range, combined with our strong sales channel access, and vertically integrated model means we are able to successfully compete within multiple markets.

Moving forward, our growing portfolio of EV chargers, in addition to innovative new ranges within our core offering, will enable us to extend our reach within new and existing markets.

		Wiring Accessories		LED Lighting		Portable Power	
Market	**Channel**	Wiring devices	Circuit protection	Interior	Exterior	Masterplug[1]	EV chargers
Residential RMI	Retail	●	◐	◐	◐	●	◐
	Professional	●	●	◐	◐	●	●
	Hybrid	●	●	◐	◐	●	◐
New residential housing	Professional	●	●	◐	◐		●
Non-residential RMI	Professional	●	●	●	●	●	
	Hybrid	●	●	●	◐	●	
New infrastructure	Professional				●		

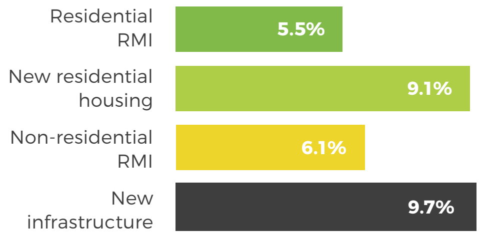
● Full product offer ◐ Part range

1. Cable reels, extension leads and associated accessories sold under the Masterplug brand.

Our markets are growing

Each of our four distinct construction markets has exhibited attractive long-term growth. We are 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.

Annualised average growth since 2013



Although our markets are attractive, the opportunities they create can only be harnessed by those with the correct processes and knowledge. Our advantaged business model allows us to innovate, manufacture new products at our own facilities and bring new ranges to market quickly and efficiently under our trusted brands.

Trends that are **shaping** our markets

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.

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

Plastic socket

+800%
Sales price difference

USB – A/C

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.

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.

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

£40bn
per year investment required for UK to meet net zero

5 million
additional EV charging vehicles by 2028

1 million
homes per year to be converted with low carbon heating solutions

Our response
We are extending our reach within 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 18 and 19

Strong product development

Find out more on pages 21 and 22

Strong, well invested and expandable brands

Find out more on page 3

Entrepreneurial, can-do culture

Find out more on pages 57 to 61

Creating a net zero pathway

Find out more on pages 36 to 56

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

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

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

Outcomes

People:
1,590
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 57 to 61

Customer-driven | **Team-focused** | **Bold & innovative** | **Principled**

Providing clear quality

Our work this year for Battersea Power Station 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 iconic Grade II listed Battersea Power Station, on the banks of the River Thames, was in need of major renovation in order to be brought back to life as one of London's exciting new shopping and leisure destinations.

Luceco was proud to be able to deliver lighting solutions in key areas of the renovation, including management suites, fire control and security centres.

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

The size and scale of Battersea Power Station meant it was key the lighting solutions provided were high performing and reliable, whilst also being sensitive to the original architecture of the building and in line with architect's vision for the renovation. Luceco was able to meet these challenging requirements through our flagship Platinum and Contour LED lighting ranges.

Our recessed Platinum range delivers market-leading performance and efficiency, 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.

For the circulation areas, the suspended arrays of the Contour luminaire were used. This LED lighting system consists of connectable modules that can be surface mounted, suspended or recessed, forming contemporary, decorative and highly effective illumination. With this range offering 100,000 hours of operational life, it is ideal for this high working hours environment.

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 scale and level of control we have over our manufacturing output means we can be relied upon to deliver our products in line with specific customer requirements. In the case of Battersea Power Station not only were we able to deliver within the specific time windows required to support the wider enhancements taking place, but we were also able to adapt our production to provide the lighting in colours specific to the architect's vision.

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.

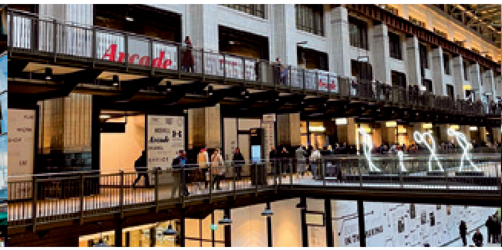
We were able to clearly illustrate to each of the stakeholders involved in the Battersea Power Station project that our solutions met their needs using products within our portfolio that were tried and tested.

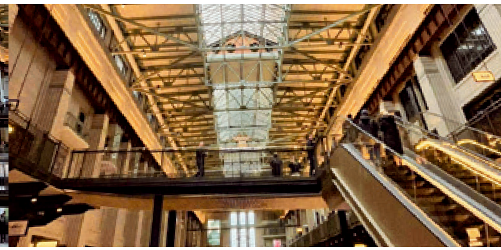
Furthermore, having our own manufacturing experience meant we could deliver to the scale required. This approach helped us develop a strong customer relationship from the outset, helping us not only win the tender but deliver on our commitments.

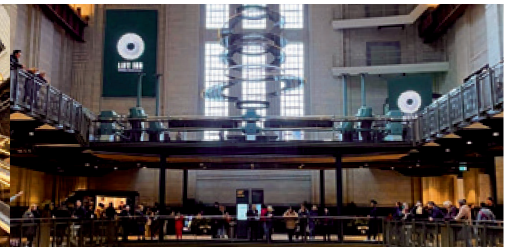
Fulfil

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 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.







Our purpose:

To help people **harness power sustainably** in everyday life.

Across the Group we are focused on providing innovative, energy-efficient electrical and lighting solutions. Committed to sustainability and customer satisfaction, the Company aims to enhance lives by delivering high-quality products that contribute to a brighter, more efficient and environmentally conscious future.

Our strategic priorities:

Innovate

Innovation in action

Find out more on page 21

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.

Grow

Growth in action

Find out more on page 23

Luceco has a proven track record of growth. We have complemented the Group's long history of organic growth with acquisitions funded by our consistently strong cash flow.

Organic

We are focused on utilising our well-developed infrastructure, innovative product portfolio and strong customer relationships to grow organically.

Acquisitions

We have the right foundation for a successful "buy and build" M&A strategy, carefully selecting opportunities that enable the creation of synergies while aiding our expansion into new markets and sectors.

Sustain

Sustainability in action

Find out more on page 25

Our Sustain strategy ensures we maintain our competitive advantage. We are investing in our people and our industry as well as contributing increasingly to society's sustainability goals.

People

Our products are designed, made, distributed and installed by people. We invest in both our people and our industry to ensure they all have the skills they need to help our products shine.

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.

Creating positive impact:

Our innovation is enhancing lives by allowing our customers to harness power with efficient and sustainable solutions.

£13.7m

2023 revenue from new products

We are successfully growing our business to deliver our purpose to a larger customer base, for the benefit of all our stakeholders.

44%

Adjusted Earnings Per Share growth since 2019

The work we are doing today is contributing to society's sustainability goals through the sale of more efficient and lower carbon products.

£80m

2023 revenue from low carbon products

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 further strides we have made in development of our EV charger range.

Key stats

£4.1m	£13.7m
2023 R&D expenditure	2023 revenue from new products

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 and ease of installation.

Our design philosophy is evident through the launch of our second series of EV chargers sold under the BG Sync EV brand. The latest range builds on the platform created from our first series of chargers whilst also providing new functionality, based on valuable customer and installer feedback.

The range is available in both 7.4kW, for home use, and 22kW for commercial spaces such as workplaces, shopping centres and public charging stations. The design of this 22kW charger is a key strategic development, enabling vehicles to charge three times faster and enabling us to bring our products to commercial settings with a high throughput of vehicles.

Furthermore, both products are produced using the same core components and designs, allowing them to be manufactured at scale, using the same tooling and processes, by our team in China.

Designed with safety and ease of installation in mind, the range is amongst the safest on the market, with built-in power and grid fault protections. Furthermore, our chargers offer full smart functionality, allowing our customers to optimise their EV charging for the cheapest, greenest energy possible.

We have further enhanced the aesthetic of the latest range, continuing to use the same high-quality materials, but introducing a new, sleek design which has resonated with our customers. The newest design is also offered in a range of colours to enable the chargers to be installed sympathetically to the architecture of the surrounding area or individual consumer preferences.

The future looks set to offer further opportunities, with our design pipeline having four new EV charger products scheduled for release in 2024. This continual drive for innovation allows us to consistently differentiate ourselves within our markets and underpins our future growth plans.

Grow

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

Following its launch in 2022, the BG Evolve range is a great example of how we manage our product ranges to extend our market reach and drive growth.

Key stats

44%
Adjusted Earnings Per Share growth since 2019

£27.9m
Group M&A investment since 2019

Grow

Through years of experience, our excellent sales teams have become adept at using the innovative products we create to extend our market reach and drive growth.

An excellent example of how we outperform our markets through organic growth is the success we have had in 2023 through our BG Evolve decorative Wiring Accessories range. Launched in 2022, the modern and stylish switches and sockets of the Evolve range provide consumers with a new, premium solution for high-end builds and retrofits.

The launch of this new range has enabled our sales teams to further extend our product portfolios with our customers by entering the adjacent premium Wiring Accessories market. We are delighted that in 2023 we have sold over 500,000 Wiring Accessories products from the Evolve portfolio, generating £2.6m of revenue at a strong gross margin.

A key driver behind why the range has been so successful is our enviable market positions across multiple sales channels and our excellent relationships with customers operating within these markets. Within 18 months of the product launch, we are selling to over 250 customers, with our reach extending from the smallest independent retailers to our largest Hybrid customers.

Not only do our customers appreciate our products because of their popularity with the end consumer, they also know that we can be relied upon to provide excellent product availability, a crucial factor when choosing a decorative product such as Evolve. Our vertically integrated operating model allows us to respond with agility to changes in demand and provide strong availability from the start of a product launch.

Furthermore, because we manufacture these products ourselves, we are able to utilise our existing tooling and infrastructure with minimal additional investment. In all, development of the Evolve range cost in the region of £0.1m capitalised expenditure. At maturation we are confident the range will generate £3m of annualised sales.

Our ability to grow organically is not just limited to new product launches. The excellent relationships we have with our customers means we can work together to ensure the right products are being made available to the end consumer. As we have moved through 2023, our sales teams have successfully extended existing product ranges to generate £4m of new business wins.

As we celebrate the achievements of 2023, we look forward to sustaining this momentum knowing that our vertically integrated model, agile response to market dynamics, enviable positions within our chosen markets and exciting product pipeline leave us well positioned for continued growth in the years ahead.

Sustain

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

DW Windsor's work with the City of London is a fantastic example of our Sustain strategy in action, where we have contributed to a 57% reduction in energy use from switching to LEDs and smart controls.

Key stats

47	Carbon neutral
2023 continuous professional development training events	2023 operations

Sustain

Our investment in DW Windsor illustrates how we look to the future to ensure we sustain our competitive advantage and contribute to society's sustainability goals.

DW Windsor's alignment with our own strategic priorities aided our acquisition of the business and we are pleased with the progress they have made since joining the Group. The work they have done with the City of London is a fantastic example of how our sustainability strategy both maintains our competitive advantage as well as contributing to society's sustainability goals.

Previously, the City of London's lighting network was restrictive and used set lighting schedules that covered all its ageing luminaires. As a result, the City's lighting suffered from high energy consumption, inefficient lighting distribution, high maintenance costs, limited adaptability and increasing environmental impact.

The City of London took the major decision to develop a new lighting strategy aiming to fully replace and upgrade all existing street and amenity lighting to LED luminaires with partner DW Windsor.

Our central management system, UrbanMaster, offered the City of London a cutting-edge street lighting control system that has revolutionised the way it manages lighting assets and infrastructure, offering unprecedented flexibility and control, and empowering the creation of a safer and more efficient urban environment.

UrbanMaster has allowed the City of London to gain full control over its street lighting network through a cloud-based platform, which can be used across a variety of devices and locations. This allows for real-time monitoring and management of individual lights, using granular data to provide accurate information on lighting assets' status, performance and energy consumption.

The project has delivered street lighting infrastructure that can be better controlled, amended and managed, with proactive fault finding and energy reading now and for the future. The project has also provided a significant reduction in energy and carbon usage, with a 57% saving in energy usage and a 78% reduction in CO_2 emissions.

Optimisation continues today, with light levels being dynamically set and adjusted where necessary by stakeholders – with council workers able to walk the City and use the UrbanMaster app to fine-trim brightness levels as and when they see fit. This level of dynamic, granular control has a host of potential applications for other City of London stakeholders to leverage the lighting network to their benefit, including emergency services, events and infrastructure engineering projects – which can be better lit during night-time operations.

The experience of the City of London highlights the transformative potential of LED luminaires and lighting controls in enhancing the energy efficiency, sustainability, adaptability, flexibility and cost-effectiveness of new urban lighting infrastructure. It serves as a valuable resource for city planners, policymakers and stakeholders interested in driving similar initiatives within their own urban landscapes.

We are delighted by the progress we have made in the last decade in developing our low carbon product portfolio, which leaves us well placed to further contribute to society's sustainability goals in addition to maintaining our competitive advantage.

Key Performance Indicators

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 2 3 5 6 7

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 5 6

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 3 5 6 8

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 3 5 6 8

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 8

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_2e)

Net zero

Since 2021

Link to risk 3 7 8

Key to principal risks

1. Operational concentration risk
2. Customers and products concentration risk
3. Macroeconomic, political and environmental
4. Loss of IT/data
5. People and labour shortages
6. Acquisitions
7. Legal and regulatory
8. Finance and treasury

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

Will Hoy
Chief Financial Officer

Revenue

£209.0m

2022: £206.3m

Revenue growth

+1.3%

2022: -9.6%

Adjusted Operating Margin

11.5%

2022: 10.7%

Adjusted Operating Profit

£24.0m

2022: £22.0m

Adjusted Earnings Per Share

11.1p

2022: 11.1p

Covenant Net Debt Ratio

0.6x

2022: 0.8x

Summary of reported results

Summary results (£m)	Reported 2023	Reported 2022
Revenue	**209.0**	206.3
Operating profit	**22.2**	13.7
Profit before tax	**18.9**	11.7
Taxation	**(2.2)**	(0.7)
Profit for the year	**16.7**	11.0

Operating profit of £22.2m was £8.5m higher than 2022 due to improving revenue and gross margin in the year partly offset by operating cost increases. In 2022, we have re-presented the results to show the impact of currency hedging aligned with the associated cost of sales. This has the effect of changing gross profit and operating profit, however, revenue, profit before tax, profit after tax and earnings per share all remain unchanged.

Performance Measures ("APMs") and adjusting items

Certain alternative performance measures ("APMs") have been included within this report. These APMs are used by the Board to monitor and manage the performance of the Group, in order to ensure that decisions taken align with the Group's long-term interests. A table summarising the reconciliation of adjusted measures to statutory measures is included in note 1 of the consolidated financial statements.

The following adjusting items were applied in the year:

- Amortisation of acquired intangibles: £1.9m and acquisition-related costs of £0.4m
- Fair value movements of hedging portfolio which have not completed in the period (£0.5m credit) and interest swaps (£0.5m charge)

Adjusted Operating Profit for the year, excluding the items above, was therefore £24.0m (2022: £22.0m).

Income statement

Revenue

Revenue of £209.0m was £2.7m (1.3%) higher than 2022 as business growth returned:

Revenue bridge:	Bridge from 2022 £m	Change %
2022	**206.3**	
Acquisition/closures	**(1.4)**	**-0.7%**
Like-for-like (decrease)/increase[1]	**3.6**	**1.7%**
Constant Currency[2]	**208.5**	**1.1%**
Currency movements	**0.5**	**0.2%**
2023	**209.0**	**1.3%**

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. 2023 revenue retranslated at 2022 exchange rates.

Like-for-like revenue, excluding the impact of currency, increased by £3.6m in the period, up 1.7%. On a reported basis, revenue grew by £2.7m, or 1.3%. Against the backdrop of a year when Luceco's overall addressable market experienced a 5.8% decline, the Group's performance in 2023 compares highly favourably.

Digging deeper into the results, the Group performed strongly in non-residential markets, up around 8%, and within Residential RMI, up circa 1.1%. This again represents an increase in market share, noting that these two markets fell by 0.8% and 8.0% respectively. Whilst the New Residential market was down significantly, this represents less than 5% of Group revenue so we have been relatively insulated from this market decline. A contributing factor to the Group's strong relative performance has been the softer comparative in 2022 due to significant customer destocking following the exceptional pandemic year of 2021.

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:	2023 £m	2023 % of total	2022 % of total	Change vs 2022 %
Retail	**46.4**	22.4%	27.7%	(10.4%)
Hybrid	**49.3**	23.9%	20.2%	29.2%
Professional Wholesale	**52.2**	25.2%	28.9%	(6.3%)
Professional Projects	**59.0**	28.5%	23.2%	2.4%
Like-for-like revenue	**207.1**	100.0%	100.0%	1.7%
Currency impact	**0.5**			
Acquisitions/closures	**1.4**			
Total revenue	**209.0**			1.3%

Our key growth channel was Hybrid, growing revenue by 29.2% during the year, largely resulting from more significant destocking in the 2022 comparative due to pandemic-boosted activity across residential repair and maintenance in DIY and professional markets. Nearly all of the destocking impact experienced in 2022 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 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. In 2023, the normalisation of stock levels has resulted in more favourable comparatives to 2022.

Income statement continued

Revenue continued

The slowdown in the Professional Wholesale channel has been reflective of the more challenging market conditions, as 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 Projects channel grew modestly in the year with 2.4% growth, but the standout performance was from our UK projects business which goes from strength to strength, where the UK has seen growing demand for LED retrofits as a result of rising electricity prices and the growing green agenda.

Revenue by geographical location of customer:	2023 £m	2022 £m	Change vs 2022 %
UK	**173.6**	165.3	5.0%
Europe	**12.9**	19.7	(34.5%)
Americas	**8.6**	8.0	7.5%
Middle East and Africa	**8.3**	8.7	(4.6%)
Asia Pacific	**5.6**	4.6	21.7%
Total revenue	**209.0**	206.3	1.3%

Understanding our revenue by geography and location of the customer, we have seen strong growth in the UK, up 5.0%, partly helped by the 2022 destocking creating a lower comparative. European sales reduced in the year following the closure of our operations in Germany and in Spain revenue reduced following a change in market strategy, which should bear fruit in future years.

Sales improved in the Americas largely as a result of stronger sales in the North American market as key customers in the US DIY channel normalised their buying patterns. Sales in the Middle East and Africa fell by 4.6% but increased in Asia Pacific by 21.7% helped by new customers wins.

Profitability

Adjusted Operating Profit of £24.0m for 2023 was £2.0m ahead of 2022. The key drivers were as follows:

Adjusted Operating Profit bridge:	Bridge from 2022 £m	Bridge from 2021 £m
Adjusted Operating Profit		
2022/2021	**22.0**	39.0
Acquisitions/closures	**0.6**	1.2
Like-for-like increase/(decrease)[1]	**3.5**	(17.1)
Currency movements	**(2.1)**	(1.1)
2023/2022	**24.0**	22.0

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 is a result of the Germany closure in 2022, giving a £0.6m improvement year-on-year in 2023. Overall Adjusted Operating profitability, excluding acquisitions/closures and at Constant Currency, was an improvement of £3.5m, driven largely by the stronger performance across the UK business channels.

The currency headwind had a £2.1m impact on Adjusted Operating Profit in the year. Excluding the impact of currency, the Adjusted Operating Profit of the Group would have been £26.1m, most of which is due to the impact of the exchange rates of RMB on Chinese products and the USD on the sales of products. Cost inflation for the Group was 11.0%, excluding the impact of currency, which was largely wage related due to the cost of living increases that have occurred in the UK.

Overall Adjusted Operating Margin of 11.5% is a gradual improvement on 2022 which was 10.7%, however we believe the Group's strong operating leverage can further improve the margin to low to mid double-digits once the macroeconomic conditions improve.

Income statement continued

Profitability continued

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

	Adjusted 2023 actual[1] £m	Currency impact £m	Currency impact %	Adjusted 2023 at Constant Currency[2] £m	Constant Currency variance to 2022 £m	Constant Currency variance to 2022 %	Adjusted 2022 actual £m
Revenue	**209.0**	0.5	0.2%	**208.5**	2.2	1.1%	206.3
Cost of sales	**(126.7)**	(2.3)	1.7%	**(124.4)**	7.6	(5.8%)	(132.0)
Gross profit	**82.3**	(1.8)	(2.4%)	**84.1**	9.8	13.2%	74.3
Gross margin %	**39.4%**		(0.9ppts)	**40.3%**		4.3ppts	36.0%
Operating costs	**(58.3)**	(0.3)	0.5%	**(58.0)**	(5.7)	11.0%	(52.3)
Operating profit	**24.0**	(2.1)	(9.5%)	**26.1**	4.1	18.6%	22.0
Operating margin %	**11.5%**		(1.0ppts)	**12.5%**		1.8ppts	10.7%

1. Year ended 31 December 2023 translated at 2023 average exchange rates.
2. Year ended 31 December 2023 translated at 2022 average exchange rates.

Operating costs

Adjusted Operating Costs increased by £6.0m to £58.3m. The majority of the increase came from wage increases and associated costs (approximately £4.0m) plus the further impact of increased travel costs as post-pandemic conditions normalised.

Net finance expense

Adjusted Net Finance Expense increased by just £0.2m reflecting an increase in borrowing and interest rates.

In the prior year we entered into swaps to fix the interest rate applicable to approximately 70% of our borrowings on a rolling three-year basis (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 increased by 7.1ppts to 18.4% in 2023 following some advantageous tax rates in 2022. Work done over recent years to maximise available tax incentives, particularly those relating to research and development, had lowered this to c.15%, but the increase in the underlying tax rate in the UK to 25% has pushed the overall Group tax charge higher. The rate is expected to increase further in 2024 with the UK corporation tax rate at 25% for the full year.

Adjusted Free Cash Flow

Adjusted[1] Free Cash Flow (£m)	Adjusted[1] 2023	Adjusted[1] 2022
Operating profit	**24.0**	22.0
Depreciation and amortisation	**7.4**	7.1
EBITDA	**31.4**	29.1
Changes in working capital	**0.2**	13.4
Other items	**1.0**	1.2
Operating cash flow	**32.6**	43.7
Operating Cash Conversion[2]	**135.8%**	198.6%
Net capital expenditure	**(8.2)**	(5.6)
Interest paid	**(2.8)**	(2.7)
Tax paid	**(3.6)**	(4.7)
Free cash flow	**18.0**	30.7
Free cash flow as % revenue	**8.6%**	14.9%

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

The Group continues to generate strong free cash flow which has been a key feature of the business. Despite the record free cash flow generation in 2022, the Group achieved Adjusted Free Cash Flow of £18.0m which is an outstanding result in 2023, with second half cash generation being particularly strong. This Adjusted Free Cash Flow was an impressive 8.6% of revenue and extremely strong Operating Cash Conversion of 135.8%. We are not expecting this exceptional level of cash conversion to occur going forward.

Capital expenditure

The Group's net capital expenditure consists of capitalised product development costs and the purchase of physical assets. Capex was £8.2m (2022: £5.6m) and represented 3.9% of revenue (2022: 2.7%) which is in 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 higher than the prior year at 20.6% (2022: 18.2%) which is within our target range of 20% or higher. As previously flagged, our returns will naturally reduce as Luceco transitions from a Group created organically to one growing via M&A as well (with its required investment in goodwill).

Capital structure

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

Capital structure and returns continued

Capital structure continued

	2023	2022	Change %
Reported net debt	**£22.8m**	£29.4m	(22.4%)
Less: IFRS 16 finance leases	**(£5.1m)**	(£6.3m)	(18.8%)
Finance leases – pre-IFRS 16	**£0.7m**	£0.7m	–
Covenant Net Debt	**£18.4m**	£23.8m	(22.7%)
Covenant Net Debt : Covenant EBITDA	**0.6**	0.8	(25.0%)

Very strong cash generation again ensured that overall net debt fell and also resulted in the Covenant Net Debt leverage falling to 0.6x. The Group's non-utilised facilities totalled £58.6m, with an option (subject to lender consent) to add a further £40.0m under the terms of its syndicated bank facility signed in October 2021. The facility matures in September 2026. The Group's balance sheet remains strong and provides the opportunity for selective M&A activity.

The Company's covenant position and headroom at 31 December 2023 was as follows:

2023 full-year covenant	Covenant	Actual	Headroom
Covenant Net Debt : Covenant EBITDA	3.0 : 1	0.6 : 1	Covenant Net Debt headroom: £78.2m[1] Covenant EBITDA headroom: £26.1m
Covenant EBITDA : Adjusted Net Finance Expense	4.0 : 1	11.5 : 1	Covenant EBITDA headroom: £21.0m Net finance expense headroom: £5.2m

1. Headroom with increased facility. Current facility headroom is £57.7m.

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

	2023	2022
Adjusted[1] Earnings Per Share (pence)	**11.1**	11.1
Covenant Net Debt : Covenant EBITDA (times)	**0.6**	0.8
Adjusted[1] Free Cash Flow (£m)	**18.0**	30.7

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

The Group complied with its covenant requirements throughout the year with significant headroom on all metrics. The Group has conducted a full going concern review and this is outlined on page 130. The Group has a strong balance sheet and significant facility headroom under even a 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.

Capital structure and returns continued

Dividends

The Board is proposing to pay a final dividend of 3.2p, taking the full-year dividend to 4.8p, representing a payout of 43% of earnings. The final dividend will be paid on 17 May 2024 to shareholders on the registrar on 12 April 2024.

Operating segment review

The revenue and profit generated by the Group's operating segments are shown below. Operating profits are stated after the proportional allocation of fixed central overheads.

Wiring Accessories

	Adjusted[1]			Reported		
	2023	2022	Change	**2023**	2022	Change
Revenue	**£82.6m**	£73.7m	12.1%	**£82.6m**	£73.7m	12.1%
Operating profit	**£15.0m**	£13.9m	7.9%	**£15.3m**	£11.7m	30.8%
Operating margin %	**18.2%**	18.9%	(0.7ppts)	**18.5%**	15.9%	2.6ppts

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

Wiring Accessories is the Group's most profitable segment, generating 62% of the Group's operating profit and 39% of its revenue, under a brand established over 80 years ago.

Sales into the Wiring Accessories segment were £82.6m, which was over 12% better than 2022, largely driven by the Hybrid channel which had normalised following the destocking in 2022. In particular, UK core electrical switches and sockets have been a stronger driver during the period. The Professional channel was challenging and was behind the prior year by around 5%.

The Adjusted Operating Margin was 18.2% (2022: 18.9%) which remains a key driver for the Group's overall profitability.

LED Lighting

	Adjusted[1]			Reported		
	2023	2022	Change	**2023**	2022	Change
Revenue	**£79.0m**	£81.4m	(2.9%)	**£79.0m**	£81.4m	(2.9%)
Operating profit	**£4.7m**	£3.4m	38.2%	**£3.2m**	£0.3m	966.7%
Operating margin %	**5.9%**	4.2%	1.7ppts	**4.1%**	0.4%	3.7ppts

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 38% of Group revenue.

Operating segment review continued

LED Lighting continued

Revenue declined marginally in the year by 2.9%, but overall Adjusted Operating Profit increased by £1.3m as Adjusted Operating Margin improved in the period by 1.7 percentage points. The decline versus the prior year is largely due to the impact of the closure of lower margin operations in France and Germany in the prior year, which were LED focused. On a like-for-like basis and at constant exchange rates, LED sales were broadly flat year-on-year. Demand has been particularly strong in the Professional Projects space in the period, as demand for energy-saving retrofits within the non-residential and infrastructure sectors continues to grow.

Portable Power

	Adjusted[1]			Reported		
	2023	2022	Change	**2023**	2022	Change
Revenue	**£47.4m**	£51.2m	(7.4%)	**£47.4m**	£51.2m	(7.4%)
Operating profit	**£4.3m**	£4.7m	(8.5%)	**£3.7m**	£1.7m	117.6%
Operating margin %	**9.1%**	9.2%	(0.1ppts)	**7.8%**	3.3%	4.5ppts

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 23% of Group revenue and 18% of Group Adjusted Operating Profit. Revenue in the period was 7.4% lower than the prior year due to some final destocking in the first half of 2023 largely relating to cable reel product categories.

EV charger sales totalled just less than £8m, a growth rate of 44.4% in the period, which was highly encouraging despite a slight slowdown in the EV vehicle market in the second half of the year. We remain excited about the opportunities that this new sector will provide as the vehicle market moves towards electrification by 2035 within the UK – our current key marketplace. During the year we launched our 22kW EV charger which will be utilised in many commercial operations in the future and high-end residential premises.

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 and 73 and the Group's Going Concern Statement can be found on page 130.

Will Hoy

Chief Financial Officer

25 March 2024

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

Find out more on page 38

Empowering people

Find out more on page 57

Working with integrity and transparency

Find out more on page 60

Three key areas of focus:

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.

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.

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.

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.

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.

Creating a **sustainable future**

Climate change

We recognise that climate change poses both risks and opportunities for our business. We have seen a growing mandate from our stakeholders for meaningful action on climate change and to tackle our greenhouse gas emissions. Recognising this, climate change is included within our "Macroeconomic, political and environmental" principal risk. As society transitions towards a net zero future, we are well positioned to make an increasing contribution to society's climate objectives through our products and services.

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

Luceco plc has complied with the requirements of the FCA's Listing Rule 9.8.6.R(8) by including climate-related financial disclosures consistent with the TCFD recommendations and recommended disclosures. Our report is set out under the four TCFD pillars of 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
- Overseeing the Company's process for identifying, assessing and managing climate-related risks
- Monitoring the Company's climate-related risks and opportunities over the short, medium and long term, and the actions being taken in response
- 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

The Chief Financial Officer ("CFO") has delegated responsibility from the Board for climate-related matters and is responsible for the implementation of our climate change management strategy.

The CFO 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, assessment and management of climate-related risks and opportunities, we have established three working groups. Each working group is chaired by the CFO and meets twice a year. Our external climate advisers also attend these meetings to support the development of our strategy and the identification of emerging climate-related risks.

Sustainability Working Group – comprises senior management from key business areas including, 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.

Markets & Trends Group – comprises senior management from customer-facing roles representing individual business units (Kingfisher Lighting and DW Windsor) and key sales channels (Retail, Trade and Projects). The 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.

Manufacturing Working Group – includes senior representatives from our manufacturing facility in Jiaxing, with responsibility for the development of initiatives to reduce energy consumption and emissions.

Creating a sustainable future continued

Task Force on Climate-related Financial Disclosures continued

Governance continued

Luceco plc Board

- Oversees all aspects of ESG policy, ensuring it remains aligned with the Company's strategic objectives
- Oversees the Company's processes for identifying, assessing and managing climate-related risks
- Monitors performance against the metrics and targets used to manage climate-related risks and opportunities

Informing ↓ ↑ **Reporting**

Chief Financial Officer

- Delegated responsibility from the Board for climate-related matters and responsible for the implementation of our climate change management strategy
- Updates the Board on ESG-related matters monthly, with progress against targets reported annually
- Owner of our climate-related risks and opportunities and chair of the three working groups

Informing ↓ ↑ **Reporting**

Manufacturing Working Group

- Includes senior representatives from our manufacturing facility in Jiaxing
- Responsible for the identification, assessment and management of climate-related risks and opportunities
- Development of initiatives to reduce energy consumption and emissions within our manufacturing operations

Sustainability Working Group

- Includes senior management from key business areas including product development, operations, finance and supply chain
- Responsible for the identification, assessment and management of climate-related risks and opportunities
- Development of initiatives across product development, operations and supply chain to reduce emissions across our value chain

Markets & Trends Working Group

- Includes senior management in customer-facing roles across individual business units and key sales channels
- Responsible for monitoring feedback on changes in customer requirement around climate and wider ESG matters
- Provides regular feedback to customers on the actions the Group is taking to tackle GHG emissions

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 66 to 71.

Two sessions are held annually with each of the working groups to appraise our climate-related risks and opportunities and provide an update of how these risks are changing. 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)

The following categories are also considered for climate-related opportunities:

- 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.

Creating a sustainable future continued

Task Force on Climate-related Financial Disclosures continued

Risk Management continued

Climate-related risks

CR1 Changing customer behaviour

Risk owner: CFO

Risk and impact:

- A significant proportion of our Retail and Hybrid customers have made a commitment to achieve net-zero emissions and/or established a science-based emission reduction target
- We experienced an increased demand for information on the embodied carbon and circular design characteristics of lighting products as part of the tendering process for professional projects
- Emerging interest shown from our large trade customers in our carbon management strategy and emission reduction targets
- 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 an approved near-term science-based target validated by the SBTi
- Responding to external data requests such as the Carbon Disclosure Project ("CDP") 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
- Working with our largest retail customer on the Manufacture 2030 programme to reduce emissions and improve the sustainability of our products
- Development of product information for TM65 and TM66 assessments and looking to develop Environmental Product Declarations ("EPDs") for lighting products

Link to strategy:
Products & Services, Supply Chain, Research & Development, and Operations

Change in year:
↑

Time horizon:
Short, medium and long term

Risk appetite:
Risk accepting

Net risk level:

Low	Medium	High

Metric:
Total GHG emissions
% revenue under GHG target

Creating a sustainable future continued

Task Force on Climate-related Financial Disclosures 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 a large concern for our key stakeholders, including customers, consumers, investors and employees
- Shifting focus from investors towards how we seize the opportunities presented by the transition to net zero and how we are addressing our customers' agenda in this area
- 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 climate change strategy with an approved near-term science-based target validated by the SBTi
- Responding to external data requests such as the CDP increases 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
- Working with our largest retail customer on the Manufacture 2030 programme to reduce emissions and improve the sustainability of our products

Link to strategy: Products & Services, Supply Chain, Research & Development, and Operations

Change in year: ↑

Time horizon: Short to medium term

Risk appetite: Risk averse

Net risk level: Low | Medium | High (Medium)

Metric:
Total GHG emissions
% revenue under GHG target

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:

- We have expanded the scope of our physical risk assessment to include our top original equipment manufacturer ("OEM") suppliers located in China to increase visibility of our suppliers' risk exposure
- A buffer stock is held in our UK and China warehouses in the event of supply chain disruption
- 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: ↑

Time horizon: Short, medium and long term

Risk appetite: Risk accepting

Net risk level: Low | Medium | High (Medium)

Metric:
Physical risk exposure rating (EarthScan rating)

Creating a sustainable future continued

Task Force on Climate-related Financial Disclosures continued

Risk Management continued

Climate-related opportunities

CO1 Access to new markets

Opportunity owner: CFO

Description:

- The electrification of energy presents a significant opportunity for the Group as new markets emerge through the transition to net zero
- We expect demand for electric vehicle charging solutions for homes and commercial premises to increase – our current 4% market share is estimated to be worth £12m in revenue by 2025
- Increased electrification could create opportunities for new product categories that complement our existing offering, such as battery storage, inverters, solar PV etc.

Realising the opportunity:

- Acquisition of Sync EV to accelerate growth within the EV charger segment. We have launched single and three-phase chargers under the joint BG Sync EV brand
- 61% growth in revenue from EV charging products
- Continued investment in R&D enables us to bring new and more efficient products to market, helping to maintain competitive advantage and grow market share
- Dedicated R&D functions in China and the UK employing 112 specialists with an expenditure of £4.1m in 2023
- Looking forward, we are exploring opportunities within the three-phase supply and commercial EV and other emerging green product categories
- We will continue to evaluate opportunities to acquire businesses poised to benefit from the electrification of residential and commercial energy use to accelerate our growth strategy

Link to strategy:
Products & Services, Supply Chain, and Research & Development

Change in year:
↑

Time horizon:
Medium to long term

Net opportunity level
Low | Medium | High

Metric:
Revenue from low carbon products

CO2 Expansion of existing products and services

Opportunity 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 anticipate 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
- Regulatory and technology changes are another important sales driver. For example, there was a 60% increase in Luceco consumer unit sales during the EICR regulation change

Realising the opportunity:

- Expanded our range of LED lighting products and services through the acquisition of two external lighting businesses, DW Windsor (2021) and Kingfisher Lighting (2017)
- Continued investment in R&D enables us to bring new and more efficient products to market, helping to maintain competitive advantage and grow market share
- Dedicated R&D functions in China and the UK employing 112 specialists with an expenditure of £4.1m in 2023
- 317 new product SKUs in 2023 (249 in 2022) including the development of solar-powered off-grid lighting products and more efficient lighting products
- Completion of a strategic investment with our longstanding partner, eEnergy Group plc. We are a key supply partner to the company's eLight business who operate within the non-residential segment

Link to strategy:
Products & Services, Supply Chain, and Research & Development

Change in year:
↑

Time horizon:
Short to medium term

Net opportunity level
Low | Medium | High

Metric:
Revenue from low carbon products

Creating a sustainable future continued

Task Force on Climate-related Financial Disclosures 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 Intergovernmental Panel on Climate Change ("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.

- Short term: present
- Medium term: 2030
- Long term: 2050

	Direct operations			
Risk driver	Short term	Medium term	Long term	Exposure and potential impact
Flooding	1	1	1	One of our sites in the UK is exposed to a low-medium risk of riverine flooding. A flood event could cause damage to our facilities or cause disruption indirectly if the local area was impacted. All other sites are considered to be low risk for both riverine and coastal flooding.
Wind risk	2	2	2	Extreme wind events can occur during weather events such as storms, typhoons and tornadoes. These events could cause damage to our facilities or lead to disruption if there are power outages or disruption in the local area. The overall risk is low, however our site located in China is at a medium-high risk.
Heat stress	4	4	4	Most locations are exposed to a medium-high level of heat stress which will increase under the BAU scenario. Increased temperatures over a prolonged period could lead to a loss of productivity and increased costs due to high energy demand for cooling.
Precipitation risk	3	3	3	Precipitation risk refers to the risk caused by exposure to extreme precipitation events or exceptionally high volumes of precipitation. Three sites are exposed to a high risk which could increase the likelihood of flooding, causing damage and disruption to our sites and the surrounding area.
Drought	2	2	3	Droughts are expected to increase under the BAU scenario. Our warehouses located in Spain and the UAE have the highest exposure, whilst the manufacturing sites in China and the UK have a low-risk exposure. Droughts would have an immaterial impact on the Group.
Wildfire	1	1	1	All sites are at a low risk from wildfire events.

Risk exposure 1 Very low 2 Low 3 Medium 4 Medium high 5 High 6 Very high

Creating a sustainable future continued

Task Force on Climate-related Financial Disclosures continued

Risk Management continued

Physical risk: Scenario analysis continued

Risk driver	Top 15 OEM suppliers Short term	Medium term	Long term	Exposure and potential impact
Flooding	1	1	1	Supplier sites have a low risk exposure to riverine and coastal flooding events.
Wind risk	5	5	5	Our suppliers are exposed to a high level of wind risk in the form of typhoons and storms. These events could damage supplier factories, affecting their ability to manufacture. Indirect damage: There is also a risk that if the local area is affected, it could lead to other disruptions, such as their ability to bring in raw materials or transport finished goods. This could impact the amount of product we have available for customers.
Heat stress	3	3	4	There is a medium risk of heat-stress events for suppliers. Whilst there could be implications such as productivity loss or high operating costs, the impact for the Group is thought to be immaterial.
Precipitation risk	5	5	5	Our suppliers are exposed to a high level of precipitation risk with heavy precipitation events becoming more frequent and intense across Asia. These events could cause damage and disruption to supplier facilities through surface water flooding. This risk could also impact the ability of suppliers to bring in raw materials or transport finished goods, which could impact the amount of product we have available.
Drought	1	2	2	Droughts are expected to increase under the BAU scenario but still remain at a low risk level. Droughts could cause short-term disruption for manufacturers that are reliant on water within their manufacturing processes. However, given the risk level, the impact on the Group is thought to be immaterial at this stage.
Wildfire	1	1	1	Supplier sites have a low risk exposure to wildfire events.

Risk exposure 1 Very low 2 Low 3 Medium 4 Medium high 5 High 6 Very high

Creating a sustainable future continued

Task Force on Climate-related Financial Disclosures continued

Risk Management continued

Adaptation and mitigation measures

Our physical scenario analysis shows the extent to which our operations and those of our principal OEM suppliers, situated within China, are exposed to the acute and chronic impacts of climate change. Extreme weather events such as extreme precipitation and storm events represent the most significant threat to our facilities and suppliers.

In recognition of the potential disruptions posed by extreme weather events, we hold additional stock in our warehouses in both the UK and China. This buffer helps to bolster our resilience to any temporary disruptions within the supply chain. The Group has ownership of product designs and production tooling, allowing manufacturing activities to be moved between suppliers more easily, should any disruptions arise. We have established comprehensive business continuity plans and secured business interruption insurance for our manufacturing facilities and critical OEM suppliers. This ensures our preparedness and financial protection against unforeseen events. 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.

Over the medium to long term, we are looking at greater diversification of our supplier base to further mitigate our risk exposure and are exploring options in the Americas and Asia, outside of China.

Strategy

We recognise that climate-related risks and opportunities can manifest themselves over longer time horizons that extend beyond traditional business planning horizons. To develop a resilient business capable of navigating the uncertainties introduced by climate change, it is imperative we embed the management of these climate-related considerations within our business strategy, encompassing our short, medium and long-term time horizons.

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

Our strategic priorities of Innovate, Grow and Sustain help to ensure our work contributes increasingly to society's sustainability goals:

Innovate

Through research and development, we will continue to develop innovative products which are more efficient and designed with circularity in mind. As we progressively add greater technology, such as controls, smart functions and connectivity, we can help our customers reduce their energy usage.

Grow

Our growth strategy focuses on continued organic growth and targeted acquisitions to gain access to emerging product markets and expand our existing product offering. We aim to leverage the opportunities presented by the electrification of energy which helps drive decarbonisation.

Sustain

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

Transitioning to a low carbon economy

We recognise the UK Government's net zero target for 2050 and the net zero commitments and emission reduction targets that our customers have made. In setting our strategy, we have established near-term science-based emission reduction targets which have been validated by the Science Based Targets initiative ("SBTi"). Delivering progress against our near-term targets is an important step in our transition towards a low carbon economy.

To achieve our Scope 1 and 2 target we will continue to source 100% renewable electricity. We are investigating an additional solar PV array at our manufacturing facility in Jiaxing, to complement the existing array. Ensuring we use energy efficiently across heating, manufacturing processes and transportation will play an important role in reducing our use of fossil fuels. Over the medium term, we will need to consider the transition of company vehicles to electric and low carbon alternatives as well as assessing the use of low carbon heating solutions across our estate.

Our Scope 3 target focuses on the emissions arising from the use of the products we sell. We will continue to use our research and development efforts to enhance our products by improving energy efficiency and the integration of controls and smart functionality to reduce energy consumption. The development of new product ranges such as off-grid solar-powered outdoor lighting solutions demonstrate how we can offer innovative solutions that help drive decarbonisation. However, the key to achieving our Scope 3 target is the decarbonisation of the electricity grid where our products are sold.

Creating a sustainable future continued

Task Force on Climate-related Financial Disclosures continued

Strategy continued

Products & Services	Supply Chain	Research & Development	Operations
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.	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.	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.	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 strategic priorities			
Innovate, Grow, Sustain	Sustain	Innovate, Sustain	Sustain
Link to climate-related risks and opportunities			
CR1 CR2 CO1	CR1 CR2 CR3 CO1 CO2	CR1 CR2 CO1	CR1 CR2 CR3 CO1 CO2
Achievements during 2023			
• £80m revenue generated from low carbon product categories, delivering significant progress against our low carbon product revenue target for 2025 • Launch of three-phase high power EV charger in July for larger homes and commercial premises • DW Windsor awarded the "Sustainability Project of the Year" by the Highway Electrical Association ("HEA") for the Wandsworth Bridge Project (page 26) • LED Lighting Projects revenue growth of 24% compared to last year	• Working with one of our key customers and their Manufacture 2030 programme to reduce our GHG emissions • Transformation and integration of DW Windsor into Luceco Group model utilising China in-house manufacturing and 100% renewable electricity • Began working with suppliers in China to develop Environmental Product Declarations ("EPDs") for two LED products	• Specialist R&D functions in China and the UK employing 112 specialists with an expenditure of £4.1m in 2023 (£3.6m in 2022) • Development focus on residential and commercial EV charging solutions • DW Windsor launched a range of innovative solar- powered lighting solutions designed to support a variety of off-grid lighting applications ready for sale in 2024 • Continued development of enhanced product information for lighting products across TM65, TM66 and EPDs in line with industry best practice	• Sourced 100% renewable electricity for all Group operations in 2023, for the second consecutive year • Offsetting residual Scope 1 emissions for 2023 • Investment into energy efficiency and automation projects within the China manufacturing facility • Investment in a new Euro 6 truck to improve the fuel efficiency of our Kingfisher delivery fleet • Continued focus on packaging and transitioning from plastic to cardboard

Targets and commitments

Luceco plc commits to reduce absolute Scope 3 GHG emissions from the use of sold products by 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.

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

Creating a sustainable future continued

Task Force on Climate-related Financial Disclosures continued

Strategy continued

Financial planning

Climate-related matters influence various elements of our financial planning process. The potential financial impact of each risk and opportunity is calculated to better understand its materiality for the Group.

Acquisitions have played, and will continue to play, a key role in our sustainable growth strategy. We have acquired three businesses since 2017 to gain access to emerging product markets, such as EV chargers through our acquisition of Sync EV in 2022, and to expand our existing LED lighting product offering through the acquisitions of Kingfisher and DW Windsor.

In November 2023, we completed a strategic investment in eEnergy, an important customer within our LED Lighting Projects business. eEnergy is a net zero energy services provider, empowering organisations to achieve net zero by tackling energy waste and transitioning to clean energy, without the need for upfront investment. They are well positioned to become an increasingly relevant sales channel within the non-residential segment, and we look forward to working in collaboration to explore growth opportunities for our LED lighting and other products.

Whilst we have seen the majority of material and freight costs subside over the course of this year, copper prices have remained high. We anticipate that demand for copper will continue 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 energy as society charts its path towards net zero. We generated £80m of revenue from low carbon products in 2023, leaving us well positioned to achieve our goal of £100m revenue from low carbon products[1] by 2025.

Scenario analysis: Transition risks and opportunities

In 2022, we carried out a detailed assessment of how our main climate-related transition risks and opportunities could evolve under three different scenarios based upon the Network for Greening the Financial System ("NGFS") climate scenarios. Potential impacts and their materiality were considered across short (present), medium (2030) and long-term (2050) horizons. Our medium-term horizon is aligned with our near-term science-based emission reduction target and our long-term horizon aligns with the UK Government's net zero commitment.

In 2023, we revisited the risks and opportunities evaluated within our scenario analysis process and are satisfied that there were no new emerging risks or opportunities at this stage which need to be factored into our assessment.

In the Net Zero ("NZ") scenario, we are likely to be confronted by escalating risks associated with the evolution of customer preferences and increasing stakeholder concern regarding climate change. Should we fail to align with these escalating demands for climate action, our revenue could be impacted by falling customer demand and our share price could be adversely affected. The advent of carbon pricing mechanisms and the surge in raw material costs driven by the global shift towards sustainable energy, may result in higher costs. This scenario also unveils the most substantial opportunities for the Group, especially in the medium to long term. The development of new markets such as EV charging equipment and other emerging technologies, could represent substantial growth opportunities for the Group. Additionally, there is potential within existing product categories for growth, through the electrification of energy and a growing appetite for environmentally conscious products.

In the Delayed Transition ("DT") scenario, the perceived risks appear more subdued in the short to medium term but escalate towards the long-term horizon. This suggests a delayed transition might lead to sudden and more significant changes over a shortened timescale later on. The potential financial impacts from changing customer behaviour and stakeholder concern on revenue and share price could become more significant if we failed to act over the long term.

The Current Policies ("CP") scenario, which assumes there is no expansion in climate policies and lowered expectations from customers and other stakeholders, results in a lower level of transitional risk. We still anticipate growth prospects within this scenario, as advances in energy efficiency and the progression towards the electrification of energy present viable opportunities. However, the magnitude of these opportunities is less pronounced than in the NZ or DT scenarios.

Our strategic approach to sustainable growth continues to focus on organic growth complemented by strategic acquisitions aimed at gaining access to emerging markets and enhancing our existing portfolio. Sustainability is a key pillar of our business strategy, and we are well positioned to seize the opportunities presented by the transition to net zero. We recognise and support the significant commitments our customers are making to reduce their carbon footprint and will work closely with them to help them achieve their climate aspirations.

Climate scenarios

Net Zero 2050 – an ambitious scenario that limits global warming to 1.5˚C through stringent climate policies and innovation, reaching net zero CO_2 emissions no later than 2050.

Delayed Transition – 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 – 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.

1. Low carbon product revenue is defined as EV charger revenue and LED revenue less sales from lighting columns and downlight accessories.

Creating a sustainable future continued

Sustainability Project of the Year

DW Windsor won the "Sustainability Project of the Year" award presented by the Highway Electrical Association ("HEA"). The award was presented in recognition of our role in the refurbishment of Wandsworth Bridge in London, conducted in partnership with VolkerLaser and Richmond and Wandsworth Councils.

Our role in the project was the challenging restoration of the heritage lanterns and columns to their original condition. Our aim was to retain as many of the original lanterns and columns as possible, while replacing or repairing elements that are no longer fit for purpose. We were able to restore around 95% of the original elements with only minor repairs required.

The lighting element was upgraded to energy-efficient LEDs to achieve energy savings of approximately 65%. The quality of the illumination was a consideration to ensure pedestrian and road safety with a minimum road lighting standard of ME3. The lighting also needed to minimise light spill onto the river and surrounding areas to avoid disrupting both people and nocturnal animals.

This project demonstrates our commitment to sustainability and how we can embrace the principles of the circular economy. Through refurbishment, we can keep existing lighting equipment in use for longer, reducing raw material use and landfill waste, as well as helping to lower carbon emissions.

Creating a sustainable future continued

Task Force on Climate-related Financial Disclosures continued

Strategy continued

Scenario analysis: Transition risks and opportunities continued

Transition risk /opportunity	Description	Potential financial impact	Scenarios	Short term	Medium term	Long term
Risk						
Changing customer demands	Trend within our retail customer base of ambitious carbon reduction targets that requires suppliers to set similarly ambitious targets.	Failure to respond to increasing customer demand for climate action could lead to a loss of revenue through reduced demand for products and services.	NZ	3	4	6
			DT	2	3	5
			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).	Damage to our reputation in relation to climate change could lead to a loss of revenue or negative impact on share prices.	NZ	3	4	6
			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.	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.	NZ	4	4	4
			DT	2	2	5
			CP	1	1	1
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.	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.	NZ	4	4	4
			DT	2	2	5
			CP	2	2	2
Opportunities						
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.).	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.	NZ	4	6	6
			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.	The transition to net zero presents a range of exciting opportunities for the Group to also grow revenues within existing product categories.	NZ	4	6	6
			DT	2	4	6
			CP	2	4	4

Materiality	Low		Medium		High	
Risk	1	2	3	4	5	6
Opportunities	1	2	3	4	5	6

Scenarios

NZ: Net Zero 2050

DT: Delayed Transition

CP: Current Policies

Creating a sustainable future continued

Task Force on Climate-related Financial Disclosures continued

Metrics and Targets

Greenhouse gas emissions

We are committed to measuring and reducing our greenhouse gas emissions ("GHG"), having established 2021 as the baseline for our GHG inventory and emission reduction targets. The Group's emissions have been independently calculated in accordance with the GHG protocol[1] and PCAF[2], utilising emission factors published by the UK Government, the International Energy Agency ("IEA") and Exiobase.

The table below details our GHG emissions from all Group operations and our value chain across Scopes 1, 2 and 3 for the year ended 31 December 2023, compared to the previous year and our 2021 base year.

GHG emissions (tCO_2e)	2023	2022	2021	Change vs 2022	Change vs 2021
Scope 1					
Natural gas	**467.0**	380.1	432.7	23%	8%
LPG	**8.4**	5.8	5.9	45%	42%
HFCs	**137.0**	57.3	46.8	139%	193%
Company vehicles	**522.1**	459.6	483.9	14%	8%
Scope 2					
Market-based method ("MBM")	**—**	—	195.3	—	-100%
Location-based method ("LBM")[3]	**4,999.1**	4,139.8	5,240.9	21%	-5%
Scope 3					
Purchased goods and services	**69,248.7**	60,900.4	83,623.0	14%	-17%
Capital goods	**1,777.8**	1,596.1	2,418.8	11%	-27%
Fuel and energy-related activities	**1,850.1**	1,534.6	1,944.9	21%	-5%
Upstream transportation and distribution	**8,035.6**	20,961.5	18,571.8	-62%	-57%
Waste generated in operations	**187.3**	253.8	208.0	-26%	-10%
Business travel	**921.8**	628.5	402.0	47%	129%
Employee commuting and homeworking	**1,149.0**	1,053.2	1,386.8	9%	-17%
Use of sold products	**405,258.0**	430,472.0	526,774.6	-6%	-23%
End-of-life treatment of sold products	**715.5**	763.3	1,077.6	-6%	-34%
Downstream transportation and distribution	**7,007.6**	13,611.5	20,206.4	-49%	-65%
Investments	**207.6**	—	—	—	—
Total Scope 1 + 2 (MBM only)	**1,134.5**	902.7	1,164.6	26%	-3%
Total Scope 3	**496,359.0**	531,775.0	656,613.9	-7%	-24%
Total GHG emissions	**497,493.5**	532,677.7	657,778.5	-7%	-24%
Outside-of-scope direct biogenic emissions	**20.0**	19.7	27.2	2%	-26%
Emissions intensity ratio					
£m revenue	**209.0**	206.3	228.2	1%	-8%
Scope 1 + 2 (MBM) tCO_2e/£m turnover	**5.4**	4.4	5.1	24%	6%
Scope 3 tCO_2e/£m turnover	**2,374.9**	2,577.7	2,877.4	-8%	-17%

1. The GHG Protocol Corporate Accounting and Reporting Standard and Corporate Value Chain (Scope 3) Standard have been used.
2. The Partnership for Carbon Accounting Financials ("PCAF") methodology has been used for Scope 3 category 15: Investments only.
3. Location-based electricity emissions have been reported for comparison only.

Creating a sustainable future continued

Task Force on Climate-related Financial Disclosures continued

Metrics and Targets continued

Greenhouse gas emissions continued

During 2023, we have continued efforts to improve our emission quantification methodology and have restated our 2022 and 2021 emissions profile to bring them in line with our new methodology.

A significant change has arisen for emissions calculated from financial spend data. The previous financial spend factors have been retired and replaced by Exiobase's environmentally extended multi-region input output model, which provides spend-based factors for specific countries and regions across a broader range of industry sectors. There have also been methodology changes for employee commuting and end-of-life treatment, with a more detailed explanation provided within the methodology section.

The table below details our FY21 and FY22 GHG emissions reported in the 2022 Annual Report. These values have now been retired following the methodology improvements and restated emissions provided in 2023. Our Scope 1 and 2 emissions and "Use of sold products" emissions for 2021 have remained the same under our SBTi target commitment.

	2022	2021
Scope 1	886	969
Scope 2	–	195
Scope 3	582,858	684,867
Total	583,745	686,032
Out-of-scope biogenic emissions	20	27

Our GHG inventory has seen a year-on-year reduction, which is driven primarily by a reduction in our largest emission source, the use of sold products. There are numerous factors driving this reduction, including a reduction in the number of products sold compared to 2021, which was an exceptional year for the Group. Changes in our product mix (i.e. higher value and more powerful commercial lighting vs residential lighting), improving efficiency and decarbonisation of the grid are also helping to reduce GHG emissions.

Upstream and downstream transportation emissions have fallen significantly compared to last year. Emissions in these categories have been calculated primarily using spend-based factors, where deflators are used to normalise the financial spend to align with the emission factors. The deflators use a region-specific average which does not capture the significantly higher inflationary pressure that was experienced for shipping costs since the Covid pandemic. As a result, the 2021 and 2022 emissions are likely to be overstated due to higher freight costs over this period. We are going to review our methodology for transportation and distribution and look to move away from spend-based factors as part of the 2024 GHG calculations.

Creating a sustainable future continued

Task Force on Climate-related Financial Disclosures continued

Metrics and Targets continued

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") sources for global Scope 1 and 2 emissions. Our emissions intensity per unit of turnover is reported in the GHG inventory table on page 50 and the narrative on energy and emission reduction measures is included in the strategy section on pages 45 to 47.

	2023			2022			2021			Total change (%)	
Energy use (kWh)	**UK**	**Non-UK**	**Total**	UK	Non-UK	Total	UK	Non-UK	Total	vs 2022	vs 2021
Natural gas	**1,491,648**	**1,061,136**	**2,552,784**	1,284,292	797,745	2,082,037	1,132,880	1,229,604	2,362,484	23%	8%
LPG	**39,302**	**–**	**39,302**	27,051	–	27,051	27,636	–	27,636	45%	42%
Company vehicles	**1,914,329**	**158,186**	**2,072,515**	1,652,062	159,545	1,811,607	1,618,308	319,571	1,937,879	14%	7%
Electricity	**1,261,145**	**7,743,067**	**9,004,212**	1,245,572	6,379,885	7,625,458	1,361,995	8,313,507	9,675,502	18%	-7%
Total	**4,706,424**	**8,962,389**	**13,668,813**	4,208,977	7,337,175	11,546,152	4,140,820	9,862,681	14,003,501	18%	-2%

	2023			2022			2021			Total change (%)	
Scope 1 and 2 emissions	**UK**	**Non-UK**	**Total**	UK	Non-UK	Total	UK	Non-UK	Total	vs 2022	vs 2021
Natural gas	**272.9**	**194.1**	**467.0**	234.4	145.6	380.1	207.5	225.2	432.7	23%	8%
LPG	**8.4**	**–**	**8.4**	5.8	–	5.8	5.9	–	5.9	45%	42%
HFCs	**9.2**	**127.8**	**137.0**	–	57.3	57.3	8.0	38.8	46.8	139%	193%
Company vehicles	**485.3**	**36.9**	**522.1**	421.3	38.3	459.6	407.4	76.5	483.9	14%	8%
Electricity (MBM)	**–**	**–**	**–**	–	–	–	124.2	71.0	195.3	–	-100%
Total	**775.8**	**358.8**	**1,134.5**	661.5	241.2	902.7	753.1	411.6	1,164.6	26%	-3%

Creating a sustainable future continued

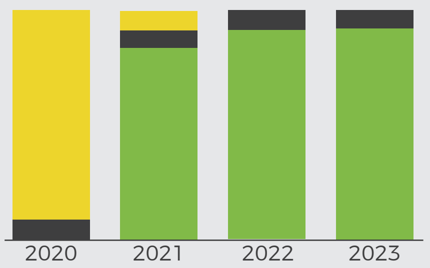
Task Force on Climate-related Financial Disclosures continued

Metrics & Targets continued

Renewable electricity

We have continued our efforts to mitigate our Scope 2 emissions and sourced 100% renewable electricity across all operations in 2022 and 2023. Renewable Energy Attribute Certificates have been sourced to cover the electricity consumption for all operational locations, accounting for 92% of our total electricity consumption. The solar PV array at our manufacturing facility in China generated 8% of total electricity consumption. As we look forward to 2024, we are investing in a second solar PV array in China to increase our use of self-generated energy at our main manufacturing site.

Electricity sourcing mix (%)



1. 17 credits for the restatement of Scope 1 emissions for 2022 and 1,135 for the 2023 reporting period.

Carbon neutrality

For the third year running, we have offset our residual Scope 1 and 2 emissions to achieve operational carbon neutrality. We have retired 1,152[1] credits this year, 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

Scope 1 and 2

Natural gas – Calculated using metered consumption from supplier invoices. 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.

Company-owned vehicles – Emissions have been calculated using fuel consumption data where available. Vehicle type and mileage have 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.

Exclusions – Emissions from rented sales offices with shared air conditioning services, including our sales offices in the UAE and Spain, have been excluded due to a lack of data, however emissions are immaterial. Kingfisher Lighting also took on a lease for a new site in December 2023 which they will move into during 2024. Given the short length of time the site has been under the control of Kingfisher and that there is no activity taking place on site yet, we have excluded this from our inventory for 2023.

Scope 3

Financial screening – Purchased goods and services, capital goods, business travel and waste generated in operations, transport 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. We have restated these emissions for 2021 and 2022 as the Quantis Scope 3 Evaluator which had been used in previous inventories has now been retired. We have used the Exiobase EEIO factors which are more representative (as they are based on a 2020 dataset) than the previous factors as we are able to use country or region-specific emission factors rather than a global average. Financial values have also been deflated using regional-specific index deflators to account for inflationary pressures in each country of spend.

Use of sold products – Emissions have been modelled based on sales data and product information and assumptions on the use of our products over their expected lifespan. For LED lighting products, we have taken the quantity of lights sold and their individual wattages and multiplied by 75% of their overall lifetime run hours to estimate their lifetime energy usage. This is then multiplied by the country of sale electricity emission factor, provided by the UK Government for the UK and IEA factors for the rest of the word.

For EV chargers we have included the standby power rating and charging losses within their energy use calculation. Our EV charger management system provides the annual average energy consumption per sold charger, which we use to approximate the charging losses. We estimate that our chargers have an average lifespan of eight years. We multiply the estimated lifetime energy use per charger by the country of sale electricity emission factor.

For standby power products such as Wi-Fi or USB-enabled wall sockets, we assume a standby power consumption of 0.1w and an estimated lifespan of ten years. We multiply the estimated lifetime energy use per product by the country of sale electricity emission factor.

Use of sold product emissions for 2022 have been restated due to the introduction of a new EV charger product and discrepancies in total units sold.

Creating a sustainable future continued

Task Force on Climate-related Financial Disclosures continued

Metrics & Targets continued

Calculation methodology continued

Scope 3 continued

End-of-life treatment – We have calculated the total weight of sold product and packaging for the reporting period. Where there is weight data missing, we have used an average for the product category to estimate the missing product and packaging weight. Around 80% of our products are sold within the UK, therefore we have used UK Government waste treatment statistics for packaging and the Waste Electrical and Electronic Equipment ("WEEE") regulations to estimate the treatment method for each waste stream. Based on available data, an assumption on packaging types was assumed to be 70% paper and cardboard and 30% plastic and UK Government emission factors were used to estimate emissions. We have restated our 2021 and 2022 emissions so they are comparable with our 2023 methodology.

Fuel and energy-related activities – The underlying energy figures used in the Scope 1 and 2 calculations have been multiplied by the UK Government well-to-tank and transmission and distribution emission factors.

Downstream transportation and distribution – Where our customers have arranged the transportation of our products, we have estimated their shipping costs on the basis of what we have paid in terms of shipping costs. We have then used the Exiobase EEIO factors to estimate the associated emissions.

To account for the retailing and distribution emissions associated with our customers' operations, we have taken a sample of our customers' Scope 1 and 2 emissions per revenue by sales channel. This is multiplied by the revenue from each sales channel, with a multiplier to account for customer margin, to estimate the associated emissions.

Employee commuting – For China-based employees, we have created a model based on average commuting distances within major Chinese cities and a survey on modes of transport for commuting within China. Within this model, UK Government emission factors have been utilised as a proxy, and we have applied a 15% uplift to these factors to be conservative. The majority of all other employees are based in the UK and therefore the average commuting emissions per full-time equivalent for a UK worker has been used. We have restated our 2021 and 2022 emissions so they are comparable with our 2023 methodology.

Investments – As a result of our investment in eEnergy plc, we need to include this within our GHG inventory. To estimate the associated emissions for eEnergy, we have used the Partnership for Carbon Accounting Financials ("PCAF") Part A guidance for financed emissions and the section on listed equity and corporate bonds. We have calculated our share in eEnergy plc to work out the attribution factor. For their emissions, we have used the associated Exiobase emission factor based on their SIC code and their 2023 annual turnover and multiplied this by the attribution factor to calculate our emissions.

Carbon Disclosure Project ("CDP")

We received a management-level score (B) for our response to the CDP Climate Change questionnaire in 2023. This is our third year of reporting to the platform, so we are delighted to have achieved a strong grade, reflecting our progress integrating climate-related issues into our business operations. Our CDP response contains further information on our climate governance, risk management processes, climate-related risks and opportunities, GHG emissions and business strategy.

Science Based Targets initiative

Our near-term emission reduction targets were successfully validated by the SBTi in April 2023. 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 targets are to:

- Reduce absolute Scope 1[1] and Scope 2 GHG emissions by 46.2% by 2031 from a 2021 base year.
- Reduce absolute Scope 3 GHG emissions from the use of sold products by 27.5% by 2031 from a 2021 base year.

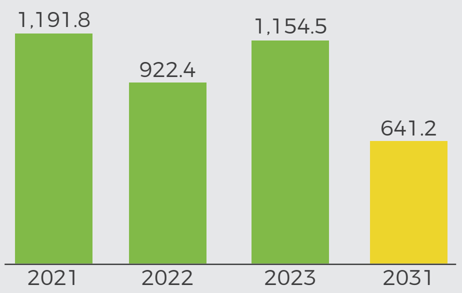
Scope 1 and 2 target

In 2023, our Scope 1 and 2 emissions increased by 26% compared to last year but have reduced by 3% against our base year. Our gas consumption has increased by 23% on last year, driven by higher manufacturing activity at our site in China and high gas consumption at our Telford distribution centre. The use of company vehicles has risen, primarily driven by the increased activity of the Kingfisher delivery fleet as Kingfisher continues its expansion.

We have continued to source 100% renewable electricity using a combination of solar PV and Energy Attribute Certificates, maintaining zero Scope 2 emissions. Finally, we have seen a significant increase in emissions from refrigerant gases compared to 2021. There were several air conditioning units that required refrigerant gas top-ups during the year, resulting in a significant increase in our HFC emissions.

To reach our target, we need to focus on controlling our natural gas consumption over the short term whilst we consider economically viable alternatives to fossil fuels. We need to enhance the maintenance of our air conditioning systems to reduce refrigerant gas leaks. For company vehicles, we will look to transition our company car and van fleet towards electric and hybrid over the medium term. It will be more challenging to transition the Kingfisher delivery fleet of large goods vehicles, where alternative technologies are still emerging. We purchased a fuel-efficient EURO VI LGV in 2023 to meet the growing demand for Kingfisher products and to improve the overall fuel efficiency of the delivery fleet.

Scope 1+2 target (tCO_2e)



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

Creating a sustainable future continued

Task Force on Climate-related Financial Disclosures continued

Metrics & Targets continued

Science Based Targets initiative continued

Scope 3 target

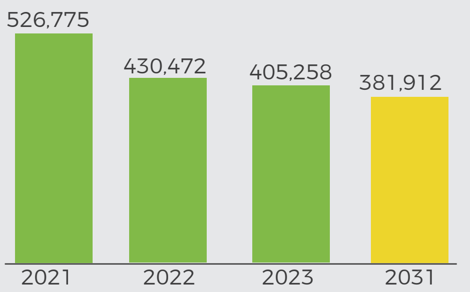
For our Scope 3 target, we have delivered a 23% reduction against our 2021 base year. There are a number of interacting drivers that impact our target, such as the quantity of products sold, changes in the product mix, improved energy efficiency and changes to the carbon intensity of the electricity grid. LED lighting products are responsible for the majority of emissions and there has been a reduction in the total number of lighting products sold year-on-year which has reduced the total energy use of sold products, reducing emissions. Whilst the quantity of sold products is lower, we have been able to maintain comparable revenue from LED products as there has been a shift towards higher value commercial and project-based lighting products.

We continue to use our research and development efforts to drive improvements in the energy efficiency of our products. Our latest generation of 7kW and 22kW chargers have lower standby power usage and charging losses compared to the previous generation, helping to reduce energy consumption. EV charging products represent a very small part of our use of sold product emissions at present, but we expect sales to increase over the coming years.

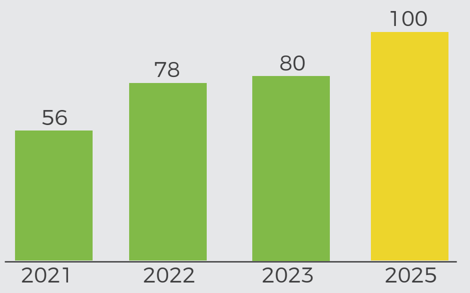
Low carbon product revenue

We generated £80m of revenue from low carbon products in 2023 and we continue to focus on this key area as society transitions towards net zero emissions. We are well positioned to achieve our goal of £100m revenue from low carbon products by 2025 as we anticipate an increase in demand for low carbon products and "green home tech" solutions.

Scope 3 target (tCO_2e)



Low carbon product revenue (£m)



Sustainability objectives:

Our progress against our sustainability objectives for 2023 are outlined below, along with our next steps for 2024.

Engage with key customers to better understand their climate ambitions and to communicate our strategy.

We are continuing to proactively engage with our customers who are committed to reducing their climate impact, most notably among our Retail and Hybrid customers with science-based targets or net zero commitments. In collaboration with a key Retail customer, efforts are underway through the Manufacture 2030 programme to reduce our greenhouse gas emissions and enhance product sustainability. Furthermore, the demand for insights into our carbon management strategies has started to gather momentum with some of our professional wholesalers.

In the Professional Projects sector, sustainability criteria are increasingly integral to the lighting project specifications and the tendering process, with rising requests for detailed data on product carbon footprint and circularity via TM65 and TM66 calculations. In response, we have completed TM65 and TM66 assessments for specific product lines and the more detailed Environmental Product Declarations ("EPDs") are being developed as we anticipate demand for these more detailed assessments could increase.

Undertake detailed energy audits of UK operations as part of the Energy Savings Opportunity Scheme ("ESOS").

We are on track to deliver ESOS compliance and undertake detailed energy audits in line with the extended deadline of 5 June 2024 (previously 5 December 2023). The scheme administrators, the Environment Agency, have moved to strengthen the requirements of ESOS, including the development of an implementation plan following the completion of the current phase. We will use the energy-saving recommendations from the audits to help deliver progress against our Scope 1 and 2 target.

Develop a research and development roadmap over the short, medium and long term that will help us deliver our Scope 3 science-based target.

We will continue to drive innovation to meet customer needs, designing more efficient and functional products. These efforts will play an important role in delivering our Scope 3 science-based target. Over the short and medium term, we will continue to focus on improving the efficiency of our LED lighting products and reducing the standby power and losses of EV chargers, wiring accessories and cable reels. The integration or pairing of our products with greater controls and smart functionality can reduce the amount of time our products are in use, helping to cut both costs and emissions. Over the long term, our attention will turn towards integrating a higher degree of circularity into our products, to ultimately lower the embodied emissions.

Creating a sustainable future continued

Sustainability objectives: continued

Begin work to develop a set of product design criteria that help to improve the sustainability of our products.

As part of our drive to enhancing the sustainability of our products we are initially focusing on LED lighting, as this is where we are seeing the most interest from our customers. The first step towards improving the sustainability of our products is to understand the embodied carbon within. We are increasing our use of TM65 calculations to provide customers, particularly from the Professional Projects segment, with an understanding of the embodied carbon within our internal LED lighting product ranges. This helps our customers make more informed choices as they have a better understanding of the whole-life carbon impact of our products, and we can use this information to make more informed choices within product development. We are also working to develop EPDs, which are a more detailed form of TM65 calculation, for two internal LED lighting products to develop our capabilities in this area.

Across external lighting products, the focus from customers has been on the circularity of products and the use of the TM66 Circular Economy Assessment Method which assesses circularity across product design, manufacturing, materials and service delivery. This assessment provides the depth of detail required to create products that are aligned with a circular economy and the TM66 methodology forms part of our design brief.

Next steps

The actions that we have taken to embed the TCFD recommendations within our business have helped build climate resilience into our business strategy. We will continue our efforts to develop our approach as regulatory requirements evolve and the challenges of climate change become more pronounced. As we look towards 2024, we have set the following sustainability objectives:

- Begin the process of aligning our annual reporting with the new IFRS S2 Climate-related Disclosures Standard and the development of a detailed transition plan to meet our targets
- Start the development of a detailed transition plan to meet our science-based targets
- Seek third-party independent verification of our Scope 1 and 2 emissions and work towards more accurate calculations for Scope 3 categories such as purchased goods and services, and transportation and distribution
- Development of TM65 lifecycle carbon footprint assessments for all new Luceco project luminaries by the end of 2024

Product innovations to reduce GHG emissions

Launched second generation 7kW and new higher-powered 22kW EV charger.

High-specification LED luminaire designed for “Super Shed” distribution centres. Optimised for high level and racking applications, reducing the overall number of luminaires required to deliver a comparable lighting level.

High-performance, energy efficient and lightweight floodlight delivering 120lm/w with integrated motion sensor.

Solar-powered lighting solutions designed to support a variety of off-grid external lighting applications.

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, cognitive and personal strengths, and there is no relevance to their social and professional background, 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
- 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.

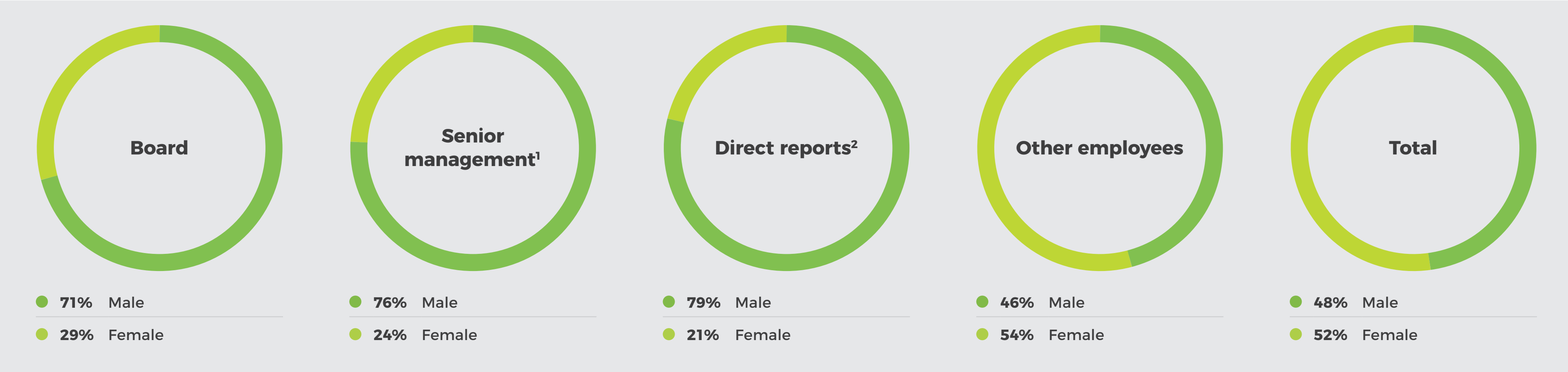
The policy is reviewed on an ongoing basis and a full review takes place at least annually.

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.

Empowering people continued

Gender diversity

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. The table below shows the gender diversity of our workforce at the year end, with there being a 24% increase in females holding Board, senior management or direct report positions in 2023.



	2023				2022			
	Male		**Female**		Male		Female	
Board	**5**	**71%**	**2**	**29%**	6	75%	2	25%
Senior management[1]	**13**	**76%**	**4**	**24%**	12	86%	2	14%
Direct reports[2]	**75**	**79%**	**20**	**21%**	72	81%	17	19%
Other employees	**691**	**46%**	**813**	**54%**	1,015	62%	629	38%
Total	**784**	**48%**	**839**	**52%**	1,105	63%	650	37%

1. Individuals reporting directly to the CEO or CFO.
2. Individuals reporting directly to senior management.

Empowering people continued

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.

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

An employee engagement survey was undertaken in 2023. Employee satisfaction increased in 2023 compared with 2022, with 88.7% of UK employees in 2023 reporting they were either "fairly satisfied" or "very satisfied" with Luceco as an employer, up from 78.7% in 2022. The survey indicated that employees welcomed continued 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.

The 2022 survey highlighted understandable concerns regarding the impact of inflation on the cost of living. We 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. These actions were recognised in the 2023 survey, where feedback regarding actions taken to address cost of living concerns was positive.

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. These areas will continue to be focused upon in 2024.

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 ("SIP"). In 2023, we made further improvements to this scheme, increasing the employer matching contribution of the scheme from one to two shares, enabling our employees to further benefit from 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 2023, with 3,071 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 signposted 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.

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 15 non-reportable and two reportable accidents in our Telford facility (2022: 19 non-reportable and nil reportable) and, in China, three minor accidents were reported (2022: two minor accidents).

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.

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 and senior leadership regularly visited China and routinely invited customers to the facility, so they could witness the working and living conditions of our employees. We are pleased to say this resumed in 2023. 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**.

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 Directors and senior leadership visit suppliers periodically, 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 committed to contributing 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 important for us to achieve long-term success and fulfil our purpose – to help people harness power sustainably in everyday life.

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 62 to 65, together with information about their material issues and methods of engagement.

Whilst Directors engage directly with some stakeholders on certain topics, stakeholder considerations on the whole are included in the 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) of the Companies Act 2006. Set out below are the Company's key stakeholders which the Board has concluded are the key stakeholders. Ultimately, understanding the needs of all stakeholders is key to the long-term success of the Company and the Board listens and works through such perspectives during the course of the year.

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
- Installers
- 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
- Guidance and solutions
- Payment terms
- Sustainability considerations in the supply chain

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

2023 outcomes

- Sales growth of 21.4% since 2019
- 317 new products launched
- Increasing the proportion of deliveries made on time and in full
- Investment in new software to promote the success of turnkey solutions for customers

Further information

- Strategy and KPIs section on page 27

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 1,590 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, including by way of internal Share Incentive Plans ("SIP") for eligible employees

How we engage

- Completion of annual Group-wide employee engagement 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

2023 outcomes

- Continuing to endorse hybrid working, together with frequent communication with our employees
- Our Learning & Development platform delivered 3,071 learning modules to our employees in the year
- Increasing participation in the SIP
- Presentations by CEO and CFO including Q&A session

Further information

- Empowering people section of Environment, Social and Governance on pages 57 to 59
- Workforce engagement section in Corporate Governance Report on page 83

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

2023 outcomes

- Adjusted Gross Margin of 39.4%
- Creditor days of 68
- New quality and production manager in China

Further information

- Strategy and KPIs section on page 27

Shareholders

We favour a transparent and open conversation with our shareholders.

The Group's largest shareholders are listed on page 64.

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**
- 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

2023 outcomes

- Strong shareholder engagement
- 49 investor meetings
- Dividend payments twice a year

Further information

- **www.lucecoplc.com**
- Shareholder engagement section in Corporate Governance Report on page 85

Funding providers

Borrowings allow the Group to invest in future growth and offset 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

2023 outcomes

- Covenant Net Debt to Covenant EBITDA ratio of 0.6 times in the period
- Bank facilities in place to September 2026

Further information

- Financial instruments disclosures on pages 158 to 164
- Capital management notes on pages 164 and 165

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.1,600 jobs globally
- Compliant with various recognised environmental standards: ISO 14001, WWF LCMP, ESOS II
- Continued commitment to local university in Jiaxing, China

2023 outcomes

- Achieved "B" rating from the Carbon Disclosure Project

Further information

- Environment, Social and Governance on pages 36 to 61

For the coming year, the Board will continue to ensure effective stakeholder engagement, ensuring the frequency of interaction is maintained and reviewed (where appropriate) over matters that are considered material to the Group. In particular, 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.

Section 172(1) Statement

Section 172(1) of the Companies Act 2006 ("Act") imposes a duty on Directors to promote the success of the Company for the benefit of the wider Group, shareholders and having regard to its stakeholders.

Decisions by the Board take into account the following matters (collectively referred to as "s172 Matters"):

- The likely consequences and risks of any decision in the long term and the risks to the Group and its stakeholders;
- The interests of all stakeholders including shareholders, employees and local communities;
- The Company's ongoing relationships with its suppliers and customers;
- The impact that the Company's products and business have on the community and the environment; and
- Maintaining the Company's reputation for high standards of conduct.

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 s172 Matters.

The s172 Matters are included in all meeting packs and frame Board discussions throughout the course of the year, which includes rigorous evaluation, risk management and challenge to promote the long-term success of the Company and by extension the s172 Matters.

This statement, together with the examples on pages 62 to 64 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 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 89 to 93. 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 67 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 and 73 considers the prospects of the Group should a number of these risks crystallise together.

Risk management process

The senior leadership 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

Senior management

Reviews and updates the risk register for new risks, identifies mitigations in place and recommends actions to reduce risk.

↓

Executive Directors

Review and challenge the risks identified and the actions proposed to mitigate them; approve and monitor agreed actions.

↓

Audit Committee

Monitors and reviews the risks in conjunction with the internal control framework, audit process and financial reporting.

↓

The Board

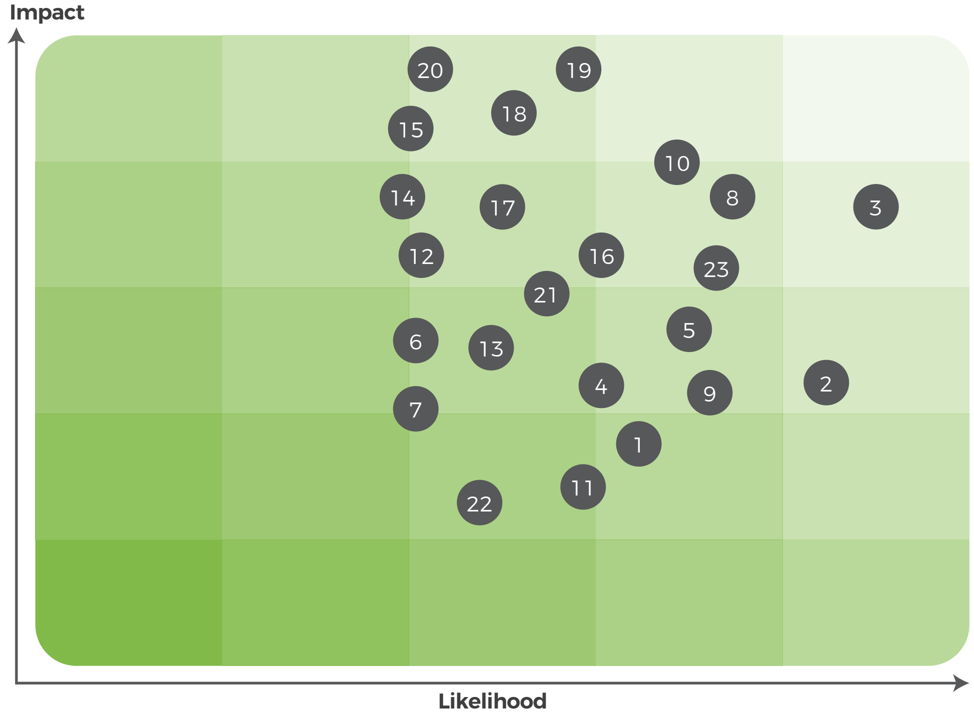
Holds overall responsibility for effective internal control, risk management and the risk appetite of the Group.

↓

Independent assurance

Periodic internal control reviews and monitoring of adherence to policies and procedures by an external audit and assurance provider. Statutory audit by a registered auditor.

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. Investor or customer pressure on ESG

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. There has been some disruption in the Red Sea in the first quarter of 2024
- 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:

Low	Medium	High

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. This has been prevalent with copper-based products due to increasing global demand as electrification escalates in many sectors
- 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 some copper exposures according to a Board-approved policy. The hedging is conducted conscious of 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:

Low	Medium	High

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 and higher interest rates 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 sustainability objectives tied to management compensation plans. Our progress is visible via independent bodies such as CDP 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 can be less susceptible to macroeconomic forces
- 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: Low | Medium | High (Medium)

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: Low | Medium | High (Medium)

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' workplace 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: Low | Medium | High (Low)

Principal risks continued

Acquisitions:

Risk owner: CEO

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:
Low Medium High

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:
Low Medium High

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 is conducted conscious of 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:

Low	Medium	High

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:

- Innovate: we are led by our customers to innovate brilliant products in an agile and entrepreneurial manner
- Grow: to maximise sales of both existing and new products to an increasing customer base
- 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 interest rates and 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

LUCECO PLC – VIABILITY STATEMENT APPROACH

Viability – assessing long-term prospects

Current position
Strategy and business model
Principal risks

↓

Viability – assessing analysis

Scenario testing
Mitigation
Likely output

↓

Underlying assumptions and assessment

↓

Viability Statement

Viability Statement – assessment analysis

Principal risk	Scenario test	Likely output
Macroeconomic, political and environmental	• Management have modelled the following two scenarios in UK macroeconomic downturn: 1. Reduction in UK revenue and gross profit for 18 months from April 2024 of 10%. Phased return by 2025, with 2025 10% down reflecting the impact of the year one recession 2. Total loss of the Group's largest customer range from 2024 onwards	• Management have completed this scenario test and concluded this would not impact compliance with its financial covenants or viability
Concentration risks associated with operations	• 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 • Management have also modelled the impact of disruption to shipping and transport. This was modelled as a revenue reduction for three months relating to 35% of revenue (FOB revenue) with shipping costs up 50% for six months starting from Q2 2024	• Management have completed this scenario test and concluded this would not impact compliance with its financial covenants or viability
Concentration risks associated with customers and products	• Management have modelled the following scenario: • Total loss of the Group's largest customer from 2024 onwards	• Management have completed this scenario test and concluded this would not impact compliance with its financial covenants or viability

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 2024 to 2025 approved by the Board in December 2023 with input from the Group's senior leadership 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 2026

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 2026

Non-financial and Sustainability 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 47
Employees	Environment, Social and Governance Statement – Empowering people, health and safety	57 to 59
	Chief Executive Officer's Review	11 to 14
	Principal Risks and Uncertainties – People and labour shortages	69
Human rights	Environment, Social and Governance Statement – Supply chain, human rights	61
Social matters	Environment, Social and Governance Statement – Communities	61
Anti-bribery and corruption	Environment, Social and Governance Statement – Anti-bribery and Corruption Policy	60
Business model	Advantaged Business Model	17
Principal risks	Principal Risks and Uncertainties	66 to 71
Non-financial KPIs	Strategy and KPIs	20 to 27

The Strategic Report on pages 1 to 74 was approved by the Board of Directors on 25 March 2024.

John Hornby
Chief Executive Officer

Will Hoy
Chief Financial Officer

Governance

What's in this section

The Group's corporate governance structure is fundamental in ensuring we fulfil our purpose and deliver on our strategy to Innovate, Grow and Sustain

Giles Brand
Chair

Dear Shareholder,

I am pleased to present the Corporate Governance Report for the year ended 31 December 2023 ("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 other stakeholders and ensuring that a culture of good governance is promoted globally throughout the business. Our 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 the Non-Executive Directors can provide support and constructive challenge to the senior leadership team. More about my role, and the roles of the Directors and Committees, can be found on pages 78 to 115.

Board changes and induction

On 19 January 2023, it was announced that Matt Webb, Luceco's Chief Financial Officer, was 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, was appointed as 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. Will was appointed as a member of the Disclosure Committee on 1 April 2023, replacing Matt Webb.

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 2023 Evaluation was undertaken internally by way of a questionnaire, a method appropriate and proportionate to the Company, and which yields useful results. The 2023 Evaluation considered the composition, balance of skills, experience, knowledge, and collaboration on the Board, as well as other factors including diversity, ethnicity and environmental, social and governance ("ESG") factors. We also received and considered a number of suggestions regarding growth of Luceco's business in 2024. Results of the Evaluation were prepared 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 of each evaluation and concluded 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 2024, including growth of Luceco's business by:

- Continuing with mergers and acquisition ("M&A") activity
- Growing Luceco's core business into adjacent categories and new markets
- Focusing on an enhanced value creation strategy for shareholders

We also agreed our strategic priorities for 2024. These are set out in the Strategic Report on pages 1 to 74.

The year ahead

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 and ethnicity reporting and the governance framework around climate-related risks and opportunities. We will also ensure that we are in a position to implement those parts of the 2024 UK Corporate Governance Code that become effective from January 2025.

Giles Brand
Chair

25 March 2024

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**. For the year ended 31 December 2023, 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 9 and 19.

Provision 9 of the Code requires that the Chair should be independent on appointment when assessed against the criteria set out in Provision 10. 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 Brand 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. Although Giles would not be considered to be independent for the purposes of Provisions 9 and 10 of the Code, the Board is satisfied that the Company's ongoing relationship with Giles and ESO Investments 2 Limited (who together own 28.01% of the Company's voting rights) is governed by a relationship agreement that serves to regulate the relationship and deliver effective independence.

Further information

Board leadership and Company purpose
See pages 82

Division of Directors' responsibilities
See page 81

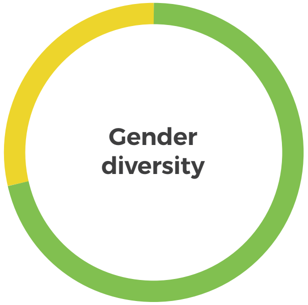
Composition, succession and evaluation
See pages 88

Audit, risk and internal control
See pages 84

Remuneration
See pages 96 and 97

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.

Board balance

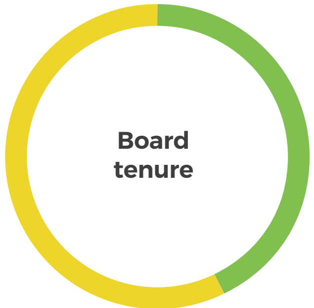


- **5** Male
- **2** Female

- **4** Independent Non-Executive Directors
- **2** Executive Directors

Sector experience

	Finance/ Capital Markets	Governance	Operational	Strategy	Manufacturing/ Industry	Consumer/ Retail	Digital
Giles Brand	●	●	●	●	●	●	●
John Hornby	●	●	●	●	●	●	●
Will Hoy	●	●	●	●	●		
Pim Vervaat	●	●	●	●	●	●	●
Caroline Brown	●	●	●	●	●		
Tim Surridge	●	●	●	●	●		
Julia Hendrickson	●	●	●	●	●	●	●



- **3** < 5 years
- **4** >5 years

1. Excluding the Chair.

D N

Giles Brand
Non-Executive Chair

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.

D

John Hornby
Chief Executive Officer

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.

D

Will Hoy
Chief Financial Officer (from 1 April 2023)

Skills and experience
Will assumed the position of Chief Financial Officer on 1 April 2023. Will joined the Group as a Non-Executive Director in 2019 and was Chair of the Audit Committee from October 2021 to January 2023. Will previously 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 and worked in its Corporate Finance department.

Other roles
Will holds no other listed or non-listed directorships.

A N R

Pim Vervaat
Senior Independent Non-Executive Director

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.

Key to committees
- A Audit Committee
- D Disclosure Committee
- N Nomination Committee
- R Remuneration Committee
- ● Chair

N R

Caroline Brown
Independent
Non-Executive Director

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 three other listed companies: IP Group plc, CAB Payments Holdings plc and Ceres Power Holdings plc.

A R

Tim Surridge
Independent
Non-Executive Director

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 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.

A R

Julia Hendrickson
Independent
Non-Executive Director

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 President of Linnaeus Veterinary Limited, 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 President of Linnaeus Veterinary Limited.

Key to committees
- A Audit Committee
- D Disclosure Committee
- N Nomination Committee
- R Remuneration Committee
- ● Chair

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.

Executive Director and CFO from 1 April 2023[1]

Will Hoy

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.

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 leadership 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.

1. Matt Webb was the former CFO of the Company to 31 March 2023.

Board composition

As at the date of this report, the Board comprised 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 ("Articles") 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 of Directors

In accordance with the Code and the Articles, all Directors are subject to annual re-election by shareholders at the AGM.

The Directors' biographical details are set out on pages 79 and 80 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 2024 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 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 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 leadership 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 89 to 93
- Nomination Committee pages 86 to 88
- Remuneration Committee pages 94 to 110

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 six times during the year. The Disclosure Committee is chaired by Giles Brand and its other members are John Hornby, Matt Webb[1] and Will Hoy.

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 leadership team to deliver the strategic objectives and enact their policies and decisions.

The Board has agreed the Company's purpose, as stated on page 2, 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. The Company remains committed to investing in its people in 2024.

More about the Company's approach to its people and culture can be found in the ESG section on pages 36 to 61.

1. Will Hoy replaced Matt Webb as a member of the Disclosure Committee on 1 April 2023.

People and culture continued

Workforce engagement

In accordance with the Code, Julia Hendrickson fulfils the role of designated NED for workforce engagement. In 2023, 20 interviews were conducted by Julia and the recently appointed Director of Talent & People, with employees from across the business, representing a variety of functions and geographical locations.

The feedback that arose from the interviews was broadly positive regarding the culture and opportunities across the Group, with most employees demonstrating a passion for the business. Overall, the sentiment was that employees feel respected and listened to and there is an appetite for further understanding of the Company's strategy in order to contribute to the success of the Group.

Feedback from those surveyed identified further opportunities for management to focus on in 2024, including a desire for closer collaboration and information sharing across the Group.

The results of the annual employee engagement survey (discussed in the ESG section on page 59) were discussed by the Board, the findings of which were largely consistent with the feedback from Julia's sessions. In 2024, 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 the ESG Report on pages 57 to 59.

Whistleblowing and compliance

The Board is responsible for monitoring and periodically reviewing the Group's whistleblowing, anti-bribery and anti-fraud policies. The Board considered the policies during 2023 and into early 2024 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 62 to 65. Further information is included in the Section 172(1) Statement in the Strategic Report on page 65.

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 the ESG Report on pages 38 to 56.

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 112.

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	Ad hoc Board	Audit Committee	Nomination Committee	Remuneration Committee	Disclosure Committee
Giles Brand	6/6	3/3	n/a	2/2	n/a	6/6
John Hornby	6/6	3/3	n/a	n/a	n/a	6/6
Matt Webb[1]	2/2	n/a	n/a	n/a	n/a	2/2
Caroline Brown	6/6	3/3	n/a	2/2	3/3	n/a
Will Hoy[2]	6/6	3/3	3/3	n/a	n/a	4/4
Tim Surridge	6/6	2/3	3/3	n/a	3/3	n/a
Pim Vervaat	6/6	3/3	3/3	2/2	3/3	n/a
Julia Hendrickson[3]	6/6	2/3	2/3	n/a	3/3	n/a

1. Matt Webb stepped down from the role of Chief Financial Officer on 31 March 2023.
2. Will Hoy assumed the position of Chief Financial Officer on 1 April 2023.
3. Due to unforeseen circumstances, Julia regrettably was unable to attend one of the scheduled meetings for the Audit Committee; however, Julia attended two additional ad hoc Board meetings throughout the course of the year.

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:

Strategy

- 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
- Considered and approved strategic M&A proposals put forward to the Board including, but not limited to, the investment in eEnergy Group plc (announced on 8 November 2023)
- Received and discussed updates on performance and strategy regarding the Group's operations in Spain and the Middle East
- Continued to develop the Company's ESG strategy and ESG targets and considered the implementation of a Sustainability Committee
- Reviewed the Group's climate strategy and TCFD Compliance Report and discussed the status of the 2023 sustainability objectives and future objectives
- Approved the acquisition of new premises for various parts of the business including Kingfisher Lighting in Mansfield

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
- Received updates on the Company's hedging arrangements
- Considered the findings of an internal controls review undertaken in relation to the operations at Kingfisher Lighting and the review undertaken by PwC in relation to rebates and the average costing system implemented by the Company
- Discussed the review of an internal controls report prepared by PwC in relation to the Company's operations in Jiaxing, China

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, trading statement updates and half-year and final dividends
- Approved the Group's financing arrangements
- Approved the 2024 budget and five-year plan
- Reviewed and challenged management's going concern assessment

Culture, people and stakeholders

- Discussed the results of the 2023 annual employee engagement survey and progress made as a result of actions taken in response to the 2022 survey
- Received an update on employee engagement meetings from the designated Non-Executive Director for workforce engagement; discussed findings in conjunction with survey results
- Received updates on the participation by employees in the Company's Share Incentive Plan

Board activity continued

Corporate governance

- Discussed the outcome of the Evaluation of Board Effectiveness and agreed actions for 2024, including a number of suggestions with regard to skills and experience that would enhance the Board as a whole, including M&A experience, diversity, ethnic minority, 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, among other things, UK Market Abuse Regulation, reporting against the diversity targets prescribed in the Listing Rules, amendments to the UK Corporate Governance Code 2018 and the impact of the UK financial sanctions regime as prescribed in the Economic Crime (Transparency and Enforcement) Act 2022
- Reviewed the established science-based targets in line with requirements set out by the Science Based Targets initiative, relating to reduction of carbon emissions
- Reviewed and approved the slavery and human trafficking statement (as defined in Section 54(4) of the Modern Slavery Act 2015
- Received training on ESG-related matters and considered the merit of establishing a Sustainability Committee. The Board will continue to review this Committee into 2024
- Reviewed and approved the Company's amended Diversity & Inclusion Policy

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 2023, 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.

Shareholder engagement following the 2023 AGM

At the Company's 2023 AGM, Resolution 20 ("Resolution") to approve the Rule 9 Waiver approved by the Takeover Panel[1], passed with 79.95% of participating independent shareholders voting in favour: however, 20.05% of participating independent shareholders did not vote in favour Resolution 20.

As such, and in accordance with Provision 4 of the Code, on 20 October 2023 the Company provided an update to shareholders on the actions taken following the outcome of Resolution 20 at the 2023 AGM.

Following the AGM, major shareholders who did not support the Resolution were contacted to understand the reasons for their vote against the Resolution and to continue a transparent and constructive dialogue on this topic. The Board will continue to engage as appropriate with those shareholders regarding their views in this area.

The Board continues to consider that the ability for the Company to buy back shares is in the best interests of all shareholders, particularly in light of the current share price levels, which presents an opportunity to generate attractive returns for all shareholders through allocating capital to buying back ordinary shares.

Annual General Meeting

The 2024 AGM will take place at Numis Securities, 45 Gresham Street, London EC2V 7BF on Tuesday, 14 May 2024.
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. 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 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

25 March 2024

1. Please see the explanatory statement for the Resolution as set out at page 13 of the Notice of AGM dated 17 April 2023 for further information in relation to the Resolution.

Nomination Committee Report

In 2023, the Committee focused on succession planning and how best to meet the Company's diversity and ethnicity targets in the future

Giles Brand
Nomination Committee Chair

Committee members

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 leadership team
- Overseeing the development of a diverse pipeline for succession including accounting for diversity targets set by the Company's Diversity Policy and in consideration of the Listing Rule diversity disclosure requirements

The Committee's terms of reference are available on the Company's website. Committee meeting attendance is set out on page 83.

Key activities during the year

Mar

- Approved the Nomination Committee Report and appointments (election/re-election of Directors) to the Board

Dec

- Reviewed Listing Rule diversity disclosure considerations for 2023
- Reviewed Board Diversity Policy and succession planning for 2024

Dear Shareholder,

I am pleased to present the report of the Nomination Committee ("Committee"), which details the role of the Committee, the work it has undertaken and the matters considered during the year ended 31 December 2023. The role of the Committee is vital to ensuring that the Company has a strong Board with a broad range of skills, experience and diversity. The Committee has been engaged in a recruitment process to ensure succession planning is well underway for a new Chair of the Audit Committee to take over the role assumed by Tim Surridge in March 2023, following Will Hoy's appointment as an Executive Director and CFO in 2023.

Board Diversity & Inclusion Policy

The Board Diversity & Inclusion Policy ("Policy") was reviewed by the Committee in December 2023, with recommended updates approved by the Board. Building on the amendments to the Policy adopted in 2022, which gave recognition to the importance and benefits of greater diversity, this year the Committee sought to embed those principles and targets by setting guidelines and objectives that an external recruitment process would follow, including, but not limited to (collectively referred to as "External Guidelines"):

- All Board appointments to be made on merit, in the context of the skills, knowledge and experience that are needed for the Board to be effective;
- Any advertising of positions at the Company to state that applications from suitably qualified candidates who would add to the Board's diversity would be especially welcome;
- Any recruitment agency used would be instructed to include diverse candidates of appropriate merit, identified through a search of a wide pool of potential appointees. Candidates could be from different backgrounds, and not necessarily with expertise in supplying and/or manufacturing LED lighting and other Company products, provided they have appropriate transferable skills;
- Any shortlist should include candidates who, if appointed, would add to the diversity of the Board; and
- Any lists of potential Non-Executive Directors should include diverse candidates of appropriate merit.

The Committee reviews the effectiveness of its Policy annually and recommends any required amendments to the Board for approval.

The Board has fully complied with the diversity reporting disclosures required by the Listing Rules, which 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

Board Diversity & Inclusion Policy continued

You will find this information in relation to 2023 below.

During its review of the Policy in December 2022, the Committee recommended changes to the Policy to bring it in line with Listing Rule diversity targets ("Original Targets"), which the Board approved at its meeting on 13 December 2022. Specifically, the Original Targets were adopted by the Board to bring its composition 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 described above by 2030.

The Committee undertook several steps throughout the course of 2023 to work towards meeting the Original Targets, including instituting a working group made up of three Board members that was focused on recruiting a new Chair of the Audit Committee, researching, seeking out talent and conducting several interviews as part of that process. The Committee is committed to finalising that process as soon as possible in 2024.

To realistically reflect its ability to meet the Original Targets, the Committee amended the Policy in December 2023 by making changes to the dates set to meet two of the Original Targets as follows:

- At least 40% of women on the Board is to be achieved by 2025;
- At least one Director from an ethnic minority background to be achieved by 2026

The target to have at least one woman in the position of the Chair, Senior Independent Director, Chief Executive or Chief Financial Officer by 2030 was unchanged as part of the changes adopted by the Nomination Committee in December 2023.

Whilst it is recognised that periods of change in Board composition may result in temporary periods when balance is not achieved, given upcoming tenure considerations for Non-Executive Directors and the need to replace the Chair of the Audit Committee, the Nomination Committee has confirmed it is focused on recruiting a Non-Executive Director on or around the half year ended 30 June 2024.

Resignations and appointments

On 19 January 2023, it was announced that Matt Webb, who at the time was the Chief Financial Officer of Luceco, was 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 became 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 Tim Surridge.

Gender balance of senior management and direct reports

Table for reporting on gender identity or sex[1]

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management
Male	5	71.4%	4	13	76.5%
Female	2	28.6%	–	4	23.5%
Not specified/ prefer not to say	–	–	–	–	–

Table for reporting on ethnic background[2]

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management
White British or other White (including minority-white groups)	7	100%	100%	16	94.1%
Mixed/Multiple Ethnic Groups	–	–	–	–	–
Asian/Asian British	–	–	–	1	5.9%
Black/African/ Caribbean/Black British	–	–	–	–	–
Other ethnic group, including Arab	–	–	–	–	–
Not specified/ prefer not to say	–	–	–	–	–

1. The reference date for the Annual Report diversity disclosures is 31 December 2023. The method for collating the data was self-reporting and facilitated by the Company Secretary. The Company has not met the targets prescribed by LR 9.8.6R(9)(a)(i) & (ii) ("Targets"). The Company commenced a recruitment process for a new Chair of the Audit Committee in the reporting period and that process has progressed substantially up to the date of this report. The Targets will be considered as part of that recruitment process. The Board's Diversity & Inclusion Policy prescribes that the Company will aim to achieve the target set out at LR 9.8.6R(9)(a)(i) by 2025 and the target set out at LR 9.8.6R(9)(a)(ii) by 2030.
2. The reference date for the Annual Report ethnic minority disclosures is 31 December 2023. The method for collating the data was self-reporting and facilitated by the Company Secretary. The Company has not met the target prescribed by LR 9.8.6R(9)(a)(iii) ("Target"). The Company commenced a recruitment process for a new Chair of the Audit Committee in the reporting period and that process has progressed substantially up to the date of this report. The Target will be considered as part of that recruitment process. The Board's Diversity Policy prescribes that the Company will aim to achieve the Target by 2026.

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 2023 Evaluation that the Board had the appropriate mix of skills and experience to provide strong and effective leadership, noting that this was being strengthened through ongoing succession planning for the replacement of the Chair of the Audit Committee and, in due course, the Chair of the Remuneration Committee. 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 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 in line with the targets adopted by the Board in the recently amended Policy.

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. As mentioned, an external recruitment process will also now adopt and implement the External Guidelines prescribed by the Policy.

The Committee identified the following succession planning objectives and considerations for 2024:

- Succession planning for Non-Executive Directors due to exceed nine-year tenure in 2025, namely Tim Surridge and Caroline Brown who were each appointed to the Board on 27 September 2016 and consequently may remain on the Board until the 2026 AGM
- Succession planning for the Chair of the Audit Committee and the Remuneration Committee, roles currently held by Tim Surridge

It was agreed that in catering for the above-mentioned objectives, the following would be taken into account:

- Board membership to be aligned with the current and the future five-year strategy of the Company
- Current tenures of the Board compared to average tenures and balancing the advantages of continuity and freshness of approach
- Directors' plans
- Diversity, including and beyond gender or ethnicity, but also in terms of outlook and approach and cognitive skills

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 57, 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 94 to 110 of this document in the Directors' Remuneration Report.

Annual evaluation of the Nomination Committee

As part of the Evaluation of Board Effectiveness conducted during 2023, 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, the following key changes were adopted:

- Amendments were made to the disclosures required to be made by the Committee in line with the Listing Rules, namely to report against gender balance and ethnic minority representation on the Board and in senior management positions in the Annual Report
- To consistently reflect within the terms of reference the External Guidelines adopted by the Committee in the Policy when engaging in an external recruitment process to recruit at Board or senior management level

Ultimately, the Committee concluded that it was operating effectively; however, it noted that the Committee would need to focus on long-term succession planning for the CEO to deal with contingency plans if ever needed in the future and to continue to promote diversity on the Board. 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 76.

Directors' performance

The Directors' biographies are set out on pages 79 and 80. 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 2024

During the forthcoming year, the Committee will continue with the recruitment process to replace Tim Surridge as the Chair of the Audit Committee (which has progressed significantly as at the date of this Report), as well as consider the potential recruitment of a further Non-Executive Director to address tenure requirements at Board level. The Committee will be pursuing these objectives in line with the Company's five-year strategy and is focused on continuing to strengthen the mix of skills, diversity and experience on the Board. 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
25 March 2024

In 2023, the Committee worked to further strengthen the Company's internal controls and risk management framework by providing independent challenge and oversight

Tim Surridge

Audit Committee Chair

Committee members

Chair: Tim Surridge
Other members: Pim Vervaat and Julia Hendrickson

Will Hoy was a member and Chair of the Audit Committee until 19 January 2023. Tim Surridge succeeded Will Hoy as Chair of the Audit Committee[1].

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 83.

Key activities during the year

Mar

- Commenced the audit tender process by undertaking initial discussions with prospective firms

Aug

- Approved and monitored the rollout of a number of internal training programmes focused on building knowledge across the Group

Nov

- Engaged PwC to undertake a detailed verification of controls effectiveness at the Group's Chinese operations. PwC reported an improvement in compliance resulting from new management at the operation in Jiaxing.

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.

Dear Shareholder,

I am pleased to present the report of the Audit Committee ("Committee") for the year ended 31 December 2023. During the year, the Committee was focused on further strengthening the Company's internal controls environment and engaged PwC to assist with reviews in relation to the Company's operations at Kingfisher Lighting, the Company's rebates and average costing methodology, as well as a review of the Company's operations in China.

During the course of the year the Committee ensured that the appropriate steps were taken to ensure that a robust audit tender process could occur in 2024 and that there were no restrictions on the quality of the firms that are anticipated to participate in that process.

The Committee also oversaw the rollout of a number of training programmes focused on building knowledge across the Group on:

- Anti-bribery
- Modern slavery
- Money laundering
- Whistleblowing

Significant issues

The significant issues that were considered by the Committee in 2023 and early 2024 are set out below. These were addressed through reporting from, and discussion with, the Chief Executive Officer, Chief Financial Officer and KPMG LLP ("KPMG"), all of whom are regular Committee meeting attendees. KPMG 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 117 to 123.

Summary of principal activities and focus in 2023

Matters discussed by the Committee during the year included:

- Consideration of budget forecasts as part of the viability and going concern reviews
- Consideration of the integration of businesses to be acquired in the future
- Inventory valuation and the implementation of the average costing model
- Destocking on Retail and Hybrid product channels
- Receivables valuation and customer creditworthiness following collapse of Wilko
- The application of the Company's dividend policy
- Adjustments including intangibles and acquisition-related costs
- Finalisation of the fair value of Sync EV
- Transfer pricing
- Updates to the Whistleblowing "Speak Up" Policy to reflect new notification process requirements
- Rollout of a Cyber Security Policy via online training across the Group to ensure employees are aware of what they can do to minimise the risk of fraud conducted online. Other modules included anti-money laundering and anti-bribery training
- 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 and also disclosure of one-off items on profit
- Annual review of the Company's requirement for an internal audit function

Summary of principal activities and focus in 2023 continued

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, provisions and average costing methodology
- Accounting updates including the application of accounting standard IFRS 17
- Research and development capitalisation
- Tax rate changes in the UK and China
- Acquisition accounting
- Impairment of goodwill
- Recoverability of intra-group debt
- Going concern disclosure quality
- Transfer pricing relating to overseas subsidiaries
- Revenue recognition
- Management override of controls

Summary of key Committee activities during 2023

Topic	Activity	March 2023	August 2023	November 2023
Financial reporting	Reviewed year-end matters including the draft 2022 Annual Report and Financial Statements, key accounting judgements and the going concern statement	●		
	Reviewed the draft half-year statement, including accounting judgements, materiality and the external auditor's report		●	
	Reviewed accounting judgements and changes to accounting standards in preparation for year-end reporting	●		●
External audit	Recommended to the Board the re-appointment of KPMG as external auditor	●		
	Reviewed KPMG's plan for the scope of the audit of the 2023 Annual Report and Financial Statements, including key audit risks and progress of the audit			●
	Disclosed relevant audit information to the external auditor with supporting evidence	●		●
	Conducted a review of the effectiveness of the year-end external audit process and reporting outcome for 2022	●		
	Reviewed and approved the external auditor's Non-Audit Services Policy			●
Internal control and risk management	Reviewed risk management and internal control systems, including risk management framework	●		●
	Reviewed overall process of assessing business risks and managing their impact on the Group	●		
	Reviewed overall approach to setting risk appetite, tolerance levels, risk exposure and any changes to the risk management framework	●		
	Reviewed and challenged going concern assumptions, the Viability Statement and the period of assessment	●	●	

The Committee confirms that it is satisfied that the presentation of the financial statements for the year ended 31 December 2023 is appropriate and in accordance with the Group's accounting policies.

Summary of principal activities and focus in 2023 continued

Going concern

In preparation for publication of the 2023 Annual Report, the Committee and Board conducted a comprehensive review of the Company's 12-month going concern position in March 2024. Management considered the 12-month assessment of going concern, together with sensitivity analysis results covering the period December 2024 to December 2026 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 Kingfisher Lighting by PwC which commenced towards the end of 2023. PwC were also engaged to complete a controls review of rebates and the new average costing system implemented by Luceco and no issues were identified.

The Committee also assessed the findings of a review, undertaken internally, of internal controls across the Group, and agreed further reviews would be undertaken in 2024 that would focus on internal audits of the Group's operations in Spain and Mexico. There will be no external reviews due to the audit tender process being conducted in 2024.

PwC undertook a detailed third-party verification of controls effectiveness at the Group's Chinese operations in 2023, following a similar review conducted in 2022. PwC's review determined that approximately 85% of the controls in China were considered compliant and that repeated issues from the review in 2022 remained partially compliant, including matters relating to open commitments with suppliers. Management have advised the Committee that a new purchasing manager and quality manager had and would be recruited to address the issues identified by PwC. Overall, PwC observed that there had been significant progress on controls compliance in China.

Governance

In November 2023, the Committee received updates from the Company Secretary and the auditor regarding the withdrawal of draft audit reform legislation.

In March 2024, the Committee received advice regarding the application of:

- The New UK Corporate Governance Code 2024 ("New Code") released in January 2024 and the implications that this will have on the Company, including specifically in relation to the new internal controls declaration (due to come into effect in 2026) requiring the Audit Committee to include a statement about the effectiveness of material controls including financial, operational, reporting and the Company's compliance framework
- The Economic Crime and Corporate Transparency Act ("the ECCTA") and the changes implemented by the ECCTA including, among other things, criminal liability being attributed to corporate entities via the actions of associates of the entity, which will now include "senior managers". Management is now seeking advice from the Company's legal advisers on the application of the ECCTA legislation for future contemplation within the Company's risk profile

Internal financial controls and risk management systems

The Board is responsible for the Group's risk management framework and the Committee has been delegated the responsibility to review the overall process of assessing business risks and managing the impact on the Group. The Board retains overall responsibility for the level of risk that 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 39 to 45.

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 2022.

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.

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

In March 2023, the Committee concluded that the principal risks identified by the Company in the previous year were unchanged heading into 2023. The Committee considered the impact of risk associated with concentration risks relating to operations and associated with customers and products (including product, shipping cost inflation and energy costs), macroeconomic and political and environmental risk, loss of IT/data, loss of key employees, acquisitions, legal and regulatory and finance and treasury risk. In November 2023, the Committee considered and held further discussion with the auditor with regard to the risk of changes in foreign exchange rates.

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 and 73 and going concern assessment on page 91.

External auditor

We are required by law to tender the statutory audit before the end of the 2026 financial year, being ten years from when Luceco plc was first listed. KPMG has been the Group's auditor since 2014. In 2023, the Board agreed 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, due to the appointment of the former Committee Chair, Will Hoy, as CFO and the rotation to a new Senior Statutory Auditor within KPMG. In or around November 2023, management commenced initial discussions with the firms that had indicated that they would participate in the tender process in 2024. The Committee has carefully considered its engagement with other firms on ad hoc internal controls work to ensure that any firm wishing to participate in the tender is able to do so without restriction.

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 2024. Audit fees payable by the Group to KPMG in 2023 totalled £0.6m (2022: £0.6m). There were no contingent fee arrangements. The Committee reviewed the level of non-audit services and fees provided by KPMG in respect of the year ended 31 December 2023; these were £0.1m (2022: £0.1m) and related to the 2023 review of interim financial information and providing verification of interim profits. The Committee determined that KPMG were best placed to undertake this work in view of their historical knowledge of the Group's global operations. The ratio of non-audit fees to audit fees for the year was 1.7 (2022: 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 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, 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 was agreed in 2022 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 financial controls and risk management systems".

In November 2023, the Committee considered, as it does annually, whether the Group had a need for an internal audit function for the financial year ended 31 December 2024. The Committee unanimously determined that given the external outsourcing of internal controls was necessary for operations in China, it was beneficial for a third party to carry out this process for the entire Group rather than forming an internal audit function for the period. The Committee concluded that given the size and complexity of the Group, a permanent internal audit function was therefore not required at this point in time; however, the matter would continue to be reviewed annually.

Annual evaluation of the Audit Committee

As part of the Evaluation of Board Effectiveness conducted during 2023, 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. It was agreed that Tim Surridge would be replaced as the Chair of the Audit Committee in 2024.

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 76.

Climate-related financial disclosures

In reviewing and approving the Annual Report, the Committee reviewed and approved the TCFD disclosures set out on pages 38 to 55.

Priorities for 2024

During the forthcoming year the Committee will be focused on embedding the regulatory changes that have arisen due to the New Code and the ECCTA. It is the intention of the Audit Committee to review the current Non-Audit Services Policy to ensure the implementation of a robust policy for the future. The Committee expects to receive further updates from the internal controls review programme, specifically in relation to Spain and Mexico and in relation to the validation of the Company's finance manual from the UK finance team.

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 evolving environmental, social and governance reporting requirements including the implementation of UK-specific Sustainability Disclosure Standards anticipated to be rolled out in 2024.

The Committee will also be seeking to gain further assurance from management ensuring that they action and procure investment in cyber security to strengthen the Company's overall control environment.

Tim Surridge

Audit Committee Chair

25 March 2024

Our approach to remuneration supports our strategy to innovate, grow and deliver long-term sustainable performance for the benefit of all our stakeholders

Tim Surridge
Remuneration Committee Chair

Committee members
Chair: Tim Surridge
Other members: Caroline Brown, Pim Vervaat and Julia Hendrickson

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

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

- 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's terms of reference are available on the Company's website. Committee meeting attendance is set out on page 83.

Key activities during the year

Mar
- Evaluated performance against 2022 targets and objectives and approved the 2022 bonus
- Reviewed performance of PSP awards due to vest in 2023
- Confirmed Executive Remuneration Policy for 2023, and agreed targets for the 2023 bonus and LTIP awards

Jun
- Discussed paper on latest market practice and shareholder guidance
- Reviewed wider workforce pay and policies

Dec
- Held initial discussion regarding performance against the 2023 annual bonus targets and PSP awards due to vest in 2024
- Performed the annual review of the Committee's terms of reference

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 2023.

Despite challenging market conditions, the Group has delivered a robust financial performance in 2023. Operating in markets where output has reduced year-on-year, the Group has successfully grown revenue by 1.7% on a like-for-like basis. The strategic decisions management have made, combined with their incredible hard work, has meant the Group has been able to outperform markets which have been impacted by the rising cost of living and reduced consumer spending. Management have also been successful in meeting their cash flow targets, as diligent working capital management and strategic capital allocation have enabled the Group to deliver another strong cash performance.

Further progress has been made against Luceco's strategic priorities. The Group continues to innovate, releasing its second series of EV chargers featuring enhanced functionality and faster charging for commercial customers. Alongside this, DW Windsor is seeing the benefit of increased synergies with the wider Group and automated production from Luceco's facilities in China. To sustain the Group's progress, further investments are being made into key growth areas, including the purchase of an enhanced manufacturing facility for the Kingfisher Lighting business, which will increase our capacity to deliver low carbon lighting solutions to the external lighting industry.

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 continues to enhance its range of low carbon products.

Approach to remuneration for 2024
Executive Directors' remuneration arrangements for 2024 will be largely unchanged from prior years. Salaries have been increased by 4% from 1 January 2024 in line with the increases received by the wider workforce. The CEO's salary is therefore £426,550 and the CFO's salary is £364,000.

The maximum annual bonus opportunity will continue to be 100% of salary. The performance measures will be rebalanced for 2024 to provide an equal split between Adjusted Profit After Tax and Adjusted Free Cash Flow. Bonuses will therefore be based 40% on Adjusted Profit After Tax, 40% on Adjusted Free Cash Flow and 20% on individual strategic objectives, including measures linked to business strategy, development and operational efficiency.

PSP awards will continue to be 150% of salary. Vesting will be determined based 50% on TSR performance compared to the FTSE SmallCap index over three years from the date of grant, and 50% based on Adjusted EPS performance for the financial year ending 31 December 2026. Further detail on the targets set for each component is available on pages 104 to 105.

Remuneration paid for 2023

The approach to remuneration for 2023 has been reviewed in the context of a resilient financial performance and strong progress against the Group's strategic priorities in the year.

The annual bonus targets for 2023 were based on Adjusted Profit After Tax, Adjusted Free Cash Flow and individual strategic objectives, including measures linked to our ESG strategy.

Strategic performance

- **Adjusted Profit After Tax £17.3m** (2022: £17.2m)
- **Adjusted Free Cash Flow £18.0m** (2022: £30.7m)
- **Adjusted EPS 3-year CAGR -10.5%** (2022: 13.0%)
- **TSR 3-year performance[1] -46%** (2022: -16%)

1. TSR performance for 2023 has been calculated over the three-year period between 1 January 2021 and 31 December 2023.

Adjusted Profit After Tax performance was £17.3m and Adjusted Free Cash Flow was £18.0m. Adjusted Profit After Tax was between target and the maximum, as a result of above-market growth and successful leveraging of the Group's lean operating model. Adjusted Free Cash Flow exceeded the maximum target set through strategic and sustainable working capital management.

The CEO and CFO both performed strongly during the year and delivered good progress against their strategic objectives (further details are set out on page 103). For 2023, the Committee assessed the CEO and CFO against the same objectives and determined a payment of 10% out of a maximum of 20% for this element.

The overall bonus payable to the CEO is therefore 87% of maximum and the overall bonus payable to the CFO is 87% of maximum. The Committee believes that this level of bonus is appropriate, recognising the strong financial performance in the year in challenging market conditions and the strategic progress of the business.

The Executive Directors were granted PSP awards in March 2021. These awards were based 50% on CAGR Adjusted EPS performance in the three-year period ended 31 December 2023 and 50% on TSR performance over a three-year period from the date of grant. CAGR Adjusted EPS was -10.5% in the period, resulting in none 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.

TSR performance for the 2020 PSP award was assessed over three years to the date of vesting. In the 2022 report, we estimated that total vesting for the 2020 PSP award would be 26.25% of maximum, based on Adjusted EPS performance to 31 December 2022 of 11.1p and TSR performance of -1% (below median) to 31 October 2022. Following the year end, there was an improvement in TSR performance from -1% to 24% (between median and upper quartile), based on performance to the date of vesting (13 July 2023). This resulted in 47.2% of the TSR element of this award vesting. The overall vesting of the award therefore increased from the estimate provided in the 2022 report to 49.84% of maximum. As such, the value of the 2020 PSP awards has been restated in the single figure table in this report.

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. Full details of Matt's leaving arrangements, including treatment of outstanding bonus and PSP awards, can be found on page 106.

Matt was succeeded as CFO by Will Hoy, who became an Executive Director on 1 March 2023 and CFO on 1 April 2023. Will's remuneration arrangements were determined in line with the Remuneration Policy and there were no buy-out awards made in respect of his appointment.

Wider workforce engagement

A Group-wide employee engagement survey was conducted in the year, the findings of which are summarised on page 59.

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 83.

I look forward to receiving your support for our Annual Remuneration Report at the AGM.

Tim Surridge
Remuneration Committee Chair

25 March 2024

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 2023

Key component	Summary	How we implemented in 2023	
		John Hornby – CEO	Will Hoy – CFO
Base salary	2.5% increase to CEO's salary, determined using the same principles used to determine salary increases for the wider workforce. CFO's salary set on appointment.	£410,140 per annum	£350,000 per annum
Pension	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 rate.	n/a	£17,500 per annum
Benefits	Benefits included car allowance/company car, mobile phone, life insurance and private medical insurance.	£3,938	£9,757
Annual bonus	Maximum opportunity of 100% of salary in 2023. Performance measures for the 2023 annual bonus were as follows: • 30% Adjusted Profit After Tax • 50% Adjusted Free Cash Flow • 20% individual strategic objectives	Outturn as a percentage of maximum: 87% £356,822	Outturn as a percentage of maximum: 87% £253,750
PSP	An award of 100% of salary was made to the CEO in 2021. The CFO was not in role at the time, and therefore did not receive a 2021 PSP award. Performance measures for the 2021 award were as follows: • 50% TSR relative to the FTSE SmallCap, excluding investment trusts, over three years from the date of grant • 50% CAGR Adjusted EPS in the three-year period ended 31 December 2023	Percentage of award vesting: the Adjusted EPS target was not met, resulting in 0% vesting against this element. The TSR performance will be assessed to the third anniversary of the date of the award and we will confirm performance in next year's report. TSR performance is currently tracking such that this element of the award would lapse in full.	N/A
Shareholding requirements	200% of salary	8,814%	71%

Summary of Remuneration Policy and implementation for 2024

The Remuneration Policy for Directors ("Policy") was put to shareholders for approval at the AGM on 10 May 2023 and applies to payments made from this date. The following provides a summary of the Policy along with details of how the Policy will be implemented during 2024. For full details of the Policy approved by shareholders, please refer to the 2022 Annual Report and Accounts, which can be found at **www.lucecoplc.com**.

Element	Operation	Implementation in 2024
Base salary	Normally reviewed annually. Any increases are normally effective from 1 January. No maximum but increases will normally be in line with the increases awarded to other employees in the Group other than in certain circumstances.	From 1 January 2024, salaries will be as follows: • John Hornby – £426,550 • Will Hoy – £364,000 This represents a 4% increase, which is in line with the increases received by the wider workforce.
Pension	Executive Directors generally receive a contribution to a defined contribution pension scheme or a cash allowance in lieu of pension. Maximum contribution/allowance is 5% of salary.	John Hornby does not participate in any pension arrangement. Will Hoy will receive a pension contribution of 5% of salary, in line with the pension opportunity for the UK workforce.
Benefits	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.	No change to operation.
Annual bonus	Maximum opportunity of 100% of salary. Normally paid in cash. Where an Executive Director has not met the shareholding guideline, they will normally be expected to invest 50% of their post-tax annual bonus into Company shares. Bonus starts accruing for threshold levels of performance. 50% pays out for target performance, with full payout for achieving stretching performance targets.	No change to operation or maximum opportunity level. The performance measures will be rebalanced for 2024 to provide an equal split between Adjusted Profit After Tax and Adjusted Free Cash Flow. The performance measures are therefore as follows: • 40% on Adjusted Profit After Tax • 40% on Adjusted Free Cash Flow • 20% on individual strategic objectives The Committee believes the balance of these measures incentivises Executive Directors 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. Bonus targets are commercially sensitive and therefore have not been disclosed. It is intended that targets will be disclosed in full in the 2024 Directors' Remuneration Report.

Summary of Remuneration Policy and implementation for 2024 continued

Element	Operation	Implementation in 2024
PSP	Maximum opportunity of 150% of salary. 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.	No change to operation, maximum opportunity level or performance measures. The performance measures are as follows: • 50% based on total shareholder return ("TSR") relative to the FTSE SmallCap index excluding investment trusts, measured over three years from the date of grant. 25% of this portion vests for median TSR, with 100% vesting for upper quartile TSR. There will be straight-line vesting between each point • 50% based on the compound annual growth rate ("CAGR") of Adjusted Earnings Per Share ("EPS") performance for the financial year ending 31 December 2026. 25% of this portion vests if the CAGR in the period is 5%, with 100% vesting if the CAGR is 15%. There will be straight-line vesting between each point The Committee believes these measures incentivise executives to achieve excellent profit growth while generating above-market returns for shareholders compared to our peers.
Share ownership guidelines	Executive Directors are expected to build and maintain a holding of Luceco shares equal to at least 200% of base salary. 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.	No change to operation.

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.

Executive Directors' service contracts

John Hornby's service contract is dated 14 October 2016. Will Hoy's service contract is dated 20 February 2024. 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.

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 2023, neither Executive Director held any external directorship during the year.

Non-Executive Directors

Element	Operation	Implementation in 2024
Fees	Paid in cash. Our policy is to pay a basic fee for membership of the Board, and additional fees for the SID and Chair of a Committee to take into account the additional responsibilities and time commitment of these roles.	From 1 January 2024, fees will be as follows: • Chair – £130,000 • Non-Executive Director base fee – £49,000 • SID, Audit and Remuneration Committee Chair fee – £11,200 This represents an increase of 20% to the Chair's fee and an increase of c.10% to the Non-Executive Director base fee. It is recognised that these increases are greater than the average increase for the wider workforce. However, a review of Chair and NED fees was undertaken during the year and it was concluded that in order to more accurately reflect the time commitment, skills and experience of our Chair and Non-Executive Directors that an increase was appropriate. These revised fees remain within the lower quartile compared to other FTSE SmallCap companies.
Benefits and expenses	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.	No change to operation.

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.

Alignment of our Policy with the UK Corporate Governance Code

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

Principle	How the Committee has addressed this
Clarity	The Committee is committed to providing open and transparent disclosures with regard to executive remuneration arrangements. 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.
Simplicity	In determining the remuneration framework, the Committee was mindful of avoiding complexity and ensuring that arrangements are easy to understand. 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.
Risk	The Committee believes that the structure of remuneration arrangements does not encourage excessive risk-taking. 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. In addition, malus and clawback provisions apply to both the annual bonus and PSP awards.
Predictability	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.
Proportionality	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. 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. 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.
Alignment to culture	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 sustainability objectives.

Implementation of Remuneration Policy during 2023

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 2023 and 2022.

Director (£'000)	Year	Basic salary/fees	Benefits	Pension	Total fixed	Annual bonus	Long-term incentives	Total variable	Total
John Hornby	**2023**	**410**	**4**	**–**	**414**	**357**	**–**[1]	**357**	**771**
	2022	400	24	–	424	220	216[2]	436	860
Will Hoy[3]	**2023**	**300**	**10**	**14**	**324**	**254**	**–**	**254**	**578**
	2022	54	–	–	54	–	–	–	54
Giles Brand	**2023**	**108**	**–**	**–**	**108**	**–**	**–**	**–**	**108**
	2022	106	–	–	106	–	–	–	106
Caroline Brown	**2023**	**45**	**–**	**–**	**45**	**–**	**–**	**–**	**45**
	2022	44	–	–	44	–	–	–	44
Tim Surridge	**2023**	**66**	**–**	**–**	**66**	**–**	**–**	**–**	**66**
	2022	54	–	–	54	–	–	–	54
Pim Vervaat	**2023**	**56**	**–**	**–**	**56**	**–**	**–**	**–**	**56**
	2022	54	–	–	54	–	–	–	54
Julia Hendrickson[4]	**2023**	**45**	**–**	**–**	**45**	**–**	**–**	**–**	**45**
	2022	25	–	–	25	–	–	–	25
Former Director									
Matt Webb[5]	**2023**	**96**	**3**	**5**	**104**	**57**	**–**	**57**	**161**
	2022	375	11	19	405	225	185[2]	410	815

1. John Hornby was granted a PSP award in March 2021. The award was based 50% on CAGR Adjusted EPS performance in the three-year period ended 31 December 2023 and 50% on TSR performance over a three-year period from the date of grant. The Adjusted EPS targets have not been met, resulting in 0% 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 disclosed in the single figure therefore assumes 0% of the award vests.
2. TSR performance for the 2020 PSP award was assessed to the date of vesting. In the 2022 report, we estimated that total vesting for the 2020 PSP award would be 26.25% of maximum, based on Adjusted EPS performance to 31 December 2022 of 11.1p and TSR performance of -1% (below median) to 31 October 2022. Following the year end, there was an improvement in TSR performance from -1% to 24% (between median and upper quartile), based on performance to the date of vesting (13 July 2023). This resulted in 47.2% of the TSR element of this award vesting. The overall vesting of the award therefore increased from the estimate provided in the 2022 report to 49.84% of maximum. The value of the 2020 PSP awards has been restated to reflect this, as well as the share price at vesting of 117p. The share price had decreased from 128p to 117p between grant and vesting. Therefore, none of the value disclosed in the single figure is attributable to share price growth.
3. Will Hoy assumed an Executive Director position from 1 March 2023 and was appointed as Chief Financial Officer on 1 April 2023. Prior to this, he served as a Non-Executive Director following his appointment to the Board on 1 September 2019. The figure shown in the basic fee/salary column for 2023 relates to his basic fee in respect of being a Non-Executive Director to 28 February 2023 of £8,034, and his salary in respect of being an Executive Director from 1 March 2023 of £291,667. The figures shown in the annual bonus column relate to his service as an Executive Director only. The figure shown in the basic fee/salary column for 2022 relates to his basic fee in respect of being a Non-Executive Director for that year.
4. Julia Hendrickson joined the Board on 1 June 2022 and fees are shown from this date.
5. Matt Webb stepped down from the Board and as Chief Financial Officer on 31 March 2023, see page 106 for further information. The remuneration shown in the table above is pro-rated to that date.

Explaining the single figure

Salary

For 2023, our approach was to focus salary increases on lower-paid workers to provide additional support in the context of the macroeconomic environment. John Hornby's salary was increased from £400,000 to £410,140 (c.2.5% increase) and Matt Webb's salary was increased from £375,000 to £384,375 (2.5% increase). These increases were determined using the same principles used to determine salary increases for the wider workforce. Will Hoy's salary was set at £350,000 on appointment as an Executive Director on 1 March 2023 and remained unchanged when he assumed the role of CFO.

Benefits

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

Pension

Will Hoy and Matt Webb received pension contributions of 5% of base salary during the year, pro-rated for their time in role. This is in line with the contribution levels available to other employees in the UK. John Hornby did not receive a pension contribution from the Group.

Annual bonus

For the year ended 31 December 2023, 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%
Strategic objectives, including ESG metrics	To incentivise executives to achieve specific operational and strategic business objectives	20%
Total		**100%**

Performance during 2023 against financial targets set was as follows:

Measure	Threshold 0% payout	Target 50% payout	Maximum 100% payout	Achievement for 2023	Percentage of bonus payable
Adjusted Profit After Tax (30% weighting)	£14.4m	£16.0m	£17.6m	£17.3m	91%
Adjusted Free Cash Flow (50% weighting)	£14.7m	£16.3m	£17.9m	£18.0m	100%

Strategic objectives

For 2023, the Committee assessed the CEO and CFO against the same objectives. These objectives were set at the start of 2023 and are set out in the table below.

Overview of objectives and performance	Committee's assessment of performance
• Good progress in positioning our electric vehicle charger offering for high growth, with new EV chargers launched during 2023 • Acquisition of D-Line in February 2024, continuing strategy to secure attractive bolt-on opportunities for the Group. Minority shareholding in eEnergy plc secured, enhancing this existing partnership • Strong progress in relation to the management and development of our China operations, including improvements in productivity and product quality • Progress in developing female leadership within the business, with the number of women at senior management level increasing from 14% in 2022 to 24% in 2023, with women now representing around half of our workforce (compared to 37% in 2022) • Solid progress in developing our climate change strategy, including a "B" score for our response to the CDP Climate Change questionnaire, sourcing of 100% renewable energy for all Group operations in 2023, reduction in Scope 1 and Scope 2 emissions compared to the base year of 2021, increased sales of low carbon products, and achievement by DW Windsor of "Sustainability Project of the Year" from the Highway Electrical Association for the Wandsworth Bridge project	The Committee judged that overall, performance against agreed objectives had been good and that 10% out of a maximum of 20% should be paid for this element.

This performance against targets set therefore resulted in an overall bonus of 87% of maximum for both John Hornby and Will Hoy. Will Hoy's 2023 bonus has been pro-rated for the period he served as an Executive Director. Bonus payments are therefore as follows:

John Hornby	**£356,822**
Will Hoy	**£253,750**

The Committee also considered the underlying financial performance of the Company during 2023, 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 outcomes were appropriate.

Long-term incentives

John Hornby was granted a PSP award in March 2021. This award was based 50% on CAGR Adjusted EPS performance in the three-year period ended 31 December 2023 and 50% on TSR performance over a three-year period from the date of grant. CAGR Adjusted EPS for the three-year period year ended 31 December 2023 is -10.5% and therefore this portion of the award will vest at 0% of maximum. The TSR performance period is not yet completed and we will provide details of final vesting in the 2024 Annual Report. TSR is currently tracking such that there would be 0% vesting against this element.

Measure	Weighting	Threshold	Maximum	Achievement	Element vesting
CAGR Adjusted EPS in the three-year period ended 31 December 2023	50%	5%	15%	-10.5%	0%
TSR relative to the FTSE SmallCap excluding investment trusts	50%	Median	Upper quartile	TSR measured over three years to 25 March 2024	0%

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[1]
John Hornby	26 March 2021	135,347	—	—	—	—

1. The value of the award vesting is based on the average share price over the last three months of the financial year ended 31 December 2023 being 117p. The estimated value of the vesting awards has been included within the "single figure of total remuneration" table on page 101.

Overall, the Committee considers that the Remuneration Policy has operated as it intended during 2023 and that the pay outcomes are aligned with the experience of shareholders and other stakeholders.

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[1]	Percentage vesting for achieving minimum performance	Performance period
John Hornby	Chief Executive Officer	Nil-cost option over ordinary shares of 0.05p	6 April 2023	492,956	£615,000	25%	See below
Will Hoy	Chief Financial Officer	Nil-cost option over ordinary shares of 0.05p	6 April 2023	350,561	£437,500	25%	See below

1. Calculated based on a share price of 125p, 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 2025	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.

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

	Ordinary shares held at 22 March 2024	**Ordinary shares held at 31 December 2023**	Ordinary shares held at 31 December 2022	Nil cost options subject to performance measures	Nil cost options not subject to performance measures	Market value options subject to performance measures	Shareholding requirement (% of salary)	Shareholding held at 31 December 2023[2]	Requirement met?
John Hornby	**29,157,312**	**29,153,412**	28,412,532	824,416	—	—	200%	8,814%	Yes
Will Hoy	**201,263**	**201,263**	45,000	363,852	—	—	200%	71%	No
Former Director									
Matt Webb	**715,078**	**715,078**	215,078	—	1,247,118	—	200%	444%	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 2023 of 124p.

Directors’ shareholdings and share interests (audited) continued

Non-Executive Directors

	Ordinary shares held at 22 March 2024	Ordinary shares held at 31 December 2023	Ordinary shares held at 31 December 2022
Giles Brand[1]	9,466,919	9,466,919	9,466,919
Caroline Brown	–	–	–
Tim Surridge	63,041	63,041	44,331
Pim Vervaat	100,000	50,000	–
Julia Hendrickson	–	–	–

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.

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 stepped down from the Board and as Chief Financial Officer on 31 March 2023. He remained in the business until the end of his notice period to support the transition of the CFO role to Will Hoy. He was paid his salary, pension and benefits for the period 1 April to 19 July 2023, equating to a total of £136,054, and received no payments in relation to his loss of office.

Matt was eligible to receive an annual bonus for 2023 for the period in employment from 1 January to 19 July 2023. He received a bonus of £127,431, which equated to 60% of his maximum opportunity for this period. This was determined taking into account progress towards financial performance targets and his personal strategic objectives during his period of employment. The amount shown in respect of the annual bonus in the single figure table on page 101 relates to his service as an Executive Director only.

Matt retained his 2020 PSP award as he was in employment at the date of vesting. The award vested as described earlier in this report, and is subject to the usual two-year post-vesting holding period. He also retained his 2018 and 2019 PSP awards, which vested in 2021 and 2022 respectively and are subject to a two-year post-vesting holding period. His 2021 and 2022 PSP awards lapsed, and he was not granted a 2023 PSP award.

Payments to former Directors (audited)

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

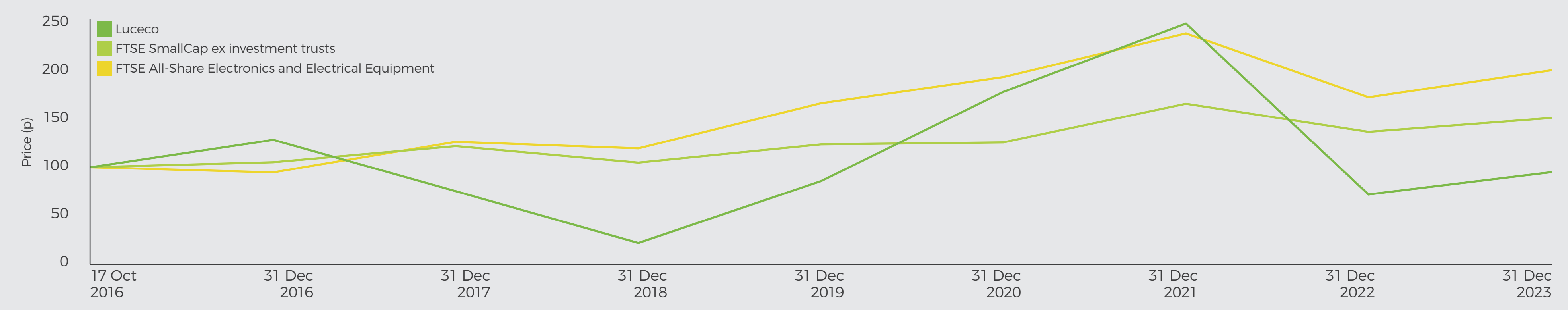
Payments for loss of office (audited)

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

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 2023. The Group has chosen these indices to reflect its size and the key sector in which it operates.



The table below shows the CEO's "single figure" remuneration for the ten years ended 31 December 2023.

£'000	2014	2015	2016	2017	2018	2019	2020	2021	2022	**2023**
Total remuneration	251	314	337	365	504	726	699	1,553	860	**771**
Annual bonus (% of max)			nil	nil	50%	100%	90%	50%	55%	**87%**
LTIP vesting[1] (% of max)	n/a	n/a	n/a	n/a	n/a	0%	n/a[2]	100%	49.84%	**0%[3]**

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 2021 are expected to lapse in full. The TSR performance period for these awards runs to 25 March 2024 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 business. 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. From 1 January 2023, the CEO's salary was increased 2.5% to £410,000, applying the same principles used to determine salary increases for the wider workforce.

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 2023 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					
	John Hornby	Will Hoy[1]	Matt Webb	Giles Brand	Caroline Brown[2]	Tim Surridge[2]	Pim Vervaat[3]	Julia Hendrickson[4]	UK employees
2023 vs. 2022									
Base salary/fees	**2.5%**	**451.6%**	**(74.4)%**	**2.5%**	**2.5%**	**22.1%**	**2.5%**	**75.4%**	**7.5%**
Benefits	**(83.8)%**	**n/a**	**(75.0)%**	**—**	**—**	**—**	**—**	**—**	**—**
Bonus	**62.2%**	**n/a**	**(74.5)%**	**—**	**—**	**—**	**—**	**—**	**30.5%**
2022 vs. 2021									
Base salary/fees	8.3%	21.1%	18.4%	3.0%	(13.2)%	3.0%	3.0%	n/a	3.0%
Benefits	22.7%	—	0.7%	—	—	—	—	—	—
Bonus	19.1%	—	42.1%	—	—	—	—	—	(5.8)%
2021 vs. 2020									
Base salary/fees	2.5%	8.9%	2.5%	2.5%	(7.4)%	2.5%	207.3%	n/a	2.5%
Benefits	41.7%	—	(0.9)%	—	—	—	—	—	—
Bonus	(43.1)%	—	(43.1)%	—	—	—	—	—	(4.5)%
2020 vs. 2019									
Base salary/fees	3.0%	21.7%	3.0%	100%	3.0%	3.0%	n/a	n/a	3.0%
Benefits	(44.3)%	—	—	—	—	—	—	—	—
Bonus	(7.3)%	—	(7.3)%	—	—	—	—		(1.5)%

1. Will Hoy assumed an Executive Director position from 1 March 2023 and was appointed as Chief Financial Officer on 1 April 2023. Prior to this, he served as a Non-Executive Director following his appointment to the Board on 1 September 2019.
2. Will Hoy succeeded Caroline Brown as Chair of the Audit Committee in October 2021. Tim Surridge subsequently succeeded Will Hoy as Chair of the Audit Committee on 19 January 2023.
3. Pim Vervaat was appointed to the Board on 1 September 2020.
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.

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 2023 and 2022.

£m	**31 December 2023**	31 December 2022	% change
Overall spend on pay for employees including Executive Directors[1]	**44.1**	40.3	9.4%
Distributions to shareholders	**7.2**	10.9	(33.9%)

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

CEO pay ratio

For the year ended 31 December 2023, 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
2023	**Option A**	**25 : 1**	**16 : 1**	**11 : 1**
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
2023	**Salary**	**£26,675**	**£36,126**	**£54,835**
	Total pay	**£30,528**	**£47,265**	**£72,992**

For 2023, the approach to calculating the ratios has been updated to Option A, as defined under the relevant regulations, rather than taking Option B as in previous years. Option A has been applied in 2023 in order to provide the most up-to-date representation of the CEO's pay relative to that of the UK workforce. The calculation utilises data analysed within our Gender Pay Gap report, with employees at the three quartiles identified from this analysis based on the 2023-24 snap-shot date. Their respective single figure values for 2023 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 small decrease on the 2022 ratio. This change is reflective of salary increases provided to the wider UK workforce, where the largest increases have been given to the lowest paid. Had Option B been applied to the 2023 ratio, this change would not yet be visible as employee salary increases given in 2023 would not have been included in the calculation. 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.

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 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 implementation of the Remuneration Policy for 2024 and to agree performance targets for 2024.

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 2024, 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 2024 as outlined in this report
- Determining reward outcomes for 2024
- Review of remuneration trends and governance developments

Remuneration Committee advisers

During the year to 31 December 2023, 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 £29,880 for advice provided to the Committee. Deloitte did not provide any additional services to the Group during the year.

Shareholder voting

Shareholder voting in relation to the resolution to approve the Directors' Remuneration Report (May 2023 AGM) and to approve the Remuneration Policy (May 2023 AGM) are as follows:

	Votes for	% for	Votes against	% against	Votes withheld
To approve the Directors' Remuneration Report (2023)	117,472,357	95.17%	5,959,262	4.83%	27,949
To approve the Remuneration Policy (2023)	117,475,240	95.43%	5,629,767	4.57%	354,561

Tim Surridge

Remuneration Committee Chair

25 March 2024

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 104
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 113
Dividend waivers	Page 114
Agreements with controlling shareholders	Page 114

Results and dividends

The Group's profit for the year ended 31 December 2023 was £16.7m (2022: £11.0m); details are shown in the Consolidated Income Statement on page 124. The Directors recommend the payment of a final dividend of 3.2p per ordinary share which, subject to the approval of shareholders at the AGM on 14 May 2024, will be paid on 17 May 2024 to ordinary shareholders registered as members of the Company at the close of business on 12 April 2024. The final date for elections under the Company's dividend reinvestment plan will be 25 April 2024. 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.

Directors

The Directors who held office during the year were:

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

Biographical details of the Directors appear on pages 79 and 80. Information on the Directors' remuneration, employee share schemes and service contracts is given in the Remuneration Committee Report on pages 94 to 110.

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 14 May 2024.

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 74.

Corporate governance

A report on corporate governance and the Company's compliance with the UK Corporate Governance Code is set out on page 77 and forms part of this report by reference.

Post balance sheet events

On 29 February 2024, the Group acquired the entire issued share capital of D-Line (Europe) Limited ("D-Line") for £8.6m initial cash consideration and up to £3.8m of contingent consideration. Further details can be found in note 26 of the consolidated financial statements.

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 £4.1m (2022: £3.6m), of which £1.8m (2022: £1.7m) was capitalised and amortised.

Asset values

Property, plant and equipment is disclosed in note 9 of the consolidated financial statements on pages 145 to 147. 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 66 to 71, and the Chief Financial Officer's Review on pages 28 to 35.

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.

Political donations

No political donations were made and no political expenditure was incurred during the year (2022: nil).

Employees

Information on how we promote employee involvement can be found on page 59. Details of the Group's employment policies and its approach to diversity and disability can be found in the ESG Report on pages 57 and 58.

An explanation of the activities of the appointed Non-Executive Director for workforce engagement can be found on page 83.

UK employees are encouraged to participate in the Company's performance through our Share Incentive Plan, discussed on pages 166.

Section 172 and engagement with suppliers, customers and others

In its decision-making, the Board has regard to each Director's duty to promote the success of the Company on behalf of the Company's stakeholders, to foster the Company's relationships with employees, suppliers, members and others, and considers the effect of the principal decisions taken by the Company during the financial year on the Company's stakeholders. This is set out in our s172 statement and the information in relation to stakeholders on pages 62 to 65.

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 56.

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

Details of the Group's TCFD reporting, which is in line with the TCFD's recommendations and recommended disclosures, is outlined in the Environment, Social and Governance section on pages 38 to 45.

Directors' interests

During the year ended 31 December 2023, 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 105. 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 Companies Act 2006) for its Directors and officers were in force during the year ended 31 December 2023 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 10 May 2023, 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 2024 AGM. No shares have been allotted under these authorities as at the date of this report.

At 31 December 2023, 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 2023 are disclosed in note 23 on page 167.

Authority for the Group to purchase its own shares

A resolution will be proposed at the 2024 AGM that the Company be authorised to purchase up to approximately 6.5% of its ordinary shares at the Directors' discretion. If the resolution is passed, the new authority will lapse at the conclusion of the 2025 AGM or, if earlier, on 30 June 2025.

At the AGM held on 10 May 2023, 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 10,150,000, 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 2024 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 2023 and at 22 March 2024 (being the latest practicable date prior to the date of this report).

	At 22 March 2024		At 31 December 2023	
Shareholder	Number of shares held	% voting rights	Number of shares held	% voting rights
Apex Financial Services (Trust Company) Limited	6,612,029	4.11	6,570,939	4.09
Montanaro Asset Management Limited[1]	—	—	5,050,000	3.14
BlackRock Inc	16,358,658	10.17	9,623,704	5.98
John Hornby[2]	29,157,312	18.13	29,153,412	18.13
Giles Brand[2,3]	45,031,179	28.00	45,031,179	28.00

1. From 31 December 2023 to 22 March 2024, the Company has not been notified by Montanaro Asset Management Limited of any further disclosures in accordance with DTR 5.
2. Includes persons closely associated.
3. 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.

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 £9,017 (£108,200 per annum) in respect of his services as Chair during 2023.

John Hornby has a service contract with the Group, as detailed on page 98, 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 94 to 110.

Significant agreements

The Group has a written and legally binding relationship agreement (in accordance with LR 9.2.2ADR(1)) 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 UK 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 2024 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 14 May 2024. 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 25 March 2024.

By Order of the Board

Will Hoy
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 accounting 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 ("DTR") 4.1.16R, the financial statements will form part of the annual financial report prepared under Disclosure Guidance and Transparency Rule ("DTR") 4.1.17R and 4.1.18R. The auditor's report on these financial statements provides no assurance over whether the annual financial report has been prepared in accordance with those requirements.

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

Each of the Directors whose names are listed on pages 79 and 80 confirm that to the best of our knowledge:

- the Group and Parent Company 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.

By Order of the Board

John Hornby
Chief Executive Officer

25 March 2024

Will Hoy
Chief Financial Officer

25 March 2024

Financial Statements

What's in this section

1 Our opinion is unmodified

We have audited the financial statements of Luceco plc ("the Company") for the year ended 31 December 2023 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.

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 2023 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 prior to the Company's becoming a public interest entity. The period of total uninterrupted engagement is for the eight financial years ended 31 December 2023 as a public-interest entity and ten years in total. 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

Materiality: Group financial statements as a whole	£1.05m (2022: £1.1m) 4.6% (2022: 4.8%) of normalised profit before tax
Coverage	97% (2022: 100%) of the total profits and losses that made up Group profit before tax
Key audit matters	vs 2022
Recurring risks	Recoverability of finished goods ◀▶
	Parent Company: Recoverability of parent's debt due from Group entities ◀▶

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 2022), 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.

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

	The risk	Our response
Recoverability of finished goods (excluding Luceco Electrical (Jiaxing) Limited, DW Windsor Group Limited, Kingfisher Lighting Limited and other overseas components) included within total finished goods of £32.4m (2022: £36.5m) Refer to page 89 (Audit Committee Report), page 153 (accounting policy) and page 13 (financial disclosures).	**Subjective estimate:** 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. Finished goods excluded from the key audit matter are not considered to be materially sensitive to reasonable changes in assumptions. 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. The level of estimation uncertainty is not such that there is a significant risk of material adjustment to the carrying amounts in the next financial year, however given the nature of the operations of the Group this is the area to which we directed our audit effort.	Our procedures included: • **Benchmarking assumptions:** We assessed the Directors' assumptions behind the provision against finished goods against available data on selling price(s) of these goods; and • **Tests of detail:** 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. 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. **Our results** • As a result of our work, we consider the recoverable amount of finished goods excluding Luceco Electrical (Jiaxing) Limited, DW Windsor Group Limited, Kingfisher Lighting Limited and other overseas components to be acceptable (2022: Recoverability of finished goods (excluding Luceco Electrical (Jiaxing) Limited, DW Windsor Group Limited and Kingfisher Lighting Limited: acceptable).

	The risk	Our response
Parent Company risk: Recoverability of parent's debt due from Group entity (£75.7m; 2022: £84.5m) Refer to page 90 (Audit Committee Report) and page 30 (financial disclosures).	**Low risk, high value:** The carrying amount of the intra-Group debtor balance represents 93.5% (2022: 95.2%) of the Parent Company's total assets. Their recoverability is not at a high risk of significant misstatement or subject to significant judgement. 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.	Our procedures included: • **Test of details:** For the intra-group debtor counterparty representing 100% (2022: 100%), evaluating the likely risk of default with reference to the Company's definition of default and those subsidiaries' performance against forecasts and forecasts of future profitability. We performed the tests above rather than seeking to rely on any of the Company's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. **Our results** • We found the Group's conclusion that there is no impairment of the parent's debt due from Group entity to be acceptable (2022: acceptable).

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 £1.05m (2022: £1.1m), determined with reference to a benchmark of Group profit before tax (PBT). We normalised PBT by adding back adjustments that do not represent the normal, continuing operations of the Group and additionally in 2022 by averaging over four years. The items we adjusted for were loss on remeasurement of derivative instruments of £3.9m (2022: determined with reference to a benchmark of Group profit before tax, normalised to exclude the 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) of which it represents 4.6% (2022: 4.8%).

Materiality for the Parent Company financial statements as a whole was set at £0.2m (2022: £0.34m), determined with reference to a benchmark of the Parent Company's total assets, of which it represents 0.26% (2022: 0.38%).

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.

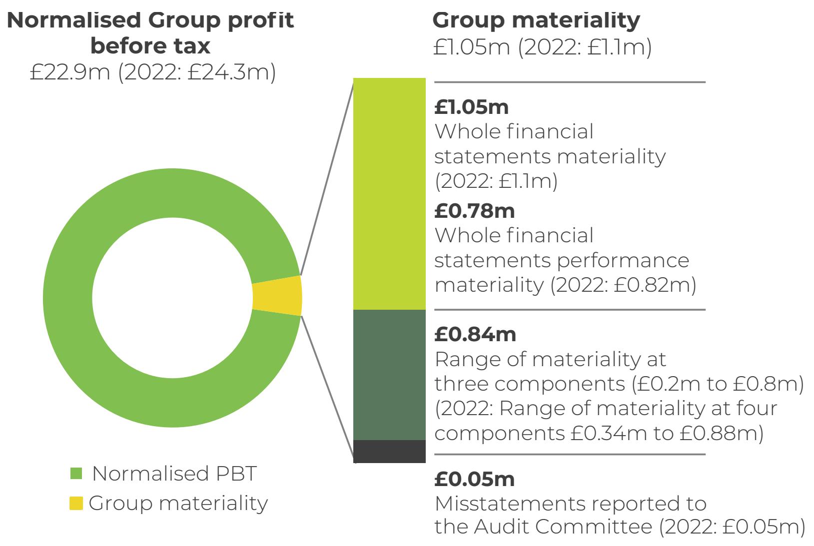
Performance materiality was set at 75% (2022: 75%) of materiality for the financial statements as a whole, which equates to £0.78m (2022: £0.82m) for the Group and £0.16m (2022: £0.25m) for the Parent Company. We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £52,500 (2022: £55,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 20 (2022: 22) reporting components, we subjected three (2022: four) to full-scope audits for Group purposes and nine (2022: eight) 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 nine (2022: eight) components to specified risk-focused audit procedures over cash, six components (2022: eight) over inventory, two components (2022: one) over revenue and two components (2022: one) over cost of sales.

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



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 £0.2m to £0.84m (2022: £0.34m to £0.88m), having regard to the mix of size and risk profile of the Group across the components. The work on one of the three components (2022: one of the four 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 predominantly substantive as we placed limited reliance upon the Group's internal control over financial reporting.

The Group team visited one (2022: one) component in China (2022: 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 Company or to cease their operations, and as they have concluded that the Group's and the 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 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 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 related statement under the Listing Rules set out on page 111 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 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

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.

5 Fraud and breaches of laws and regulations – ability to detect continued

Identifying and responding to risks of material misstatement due to fraud continued

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 even though there is perceived pressure to inflate revenue to meet the incentive thresholds, the opportunity to inflate revenue does not exist as the 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.

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.

6 We have nothing to report on the other information in the Annual Report continued

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 on page 84 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 risks and uncertainties 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 and 73 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 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.

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 115, 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**.

The Company is required to include these financial statements in an annual financial report prepared under Disclosure Guidance and Transparency Rule 4.1.17R and 4.1.18R. This auditor's report provides no assurance over whether the annual financial report has been prepared in accordance with those requirements.

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.

Gordon Docherty
(Senior Statutory Auditor)

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

25 March 2024

Consolidated Income Statement

for the year ended 31 December 2023

£m	Note	2023	2022[1]
Revenue	2	**209.0**	206.3
Cost of sales		**(126.2)**	(138.3)
Gross profit		**82.8**	68.0
Distribution expenses		**(8.6)**	(9.2)
Administrative expenses		**(52.0)**	(45.1)
Operating profit	3	**22.2**	13.7
Finance expense	5	**(3.3)**	(2.0)
Net finance expense		**(3.3)**	(2.0)
Profit before tax		**18.9**	11.7
Taxation	6	**(2.2)**	(0.7)
Profit for the year		**16.7**	11.0
Earnings Per Share (pence)			
Basic	7	**10.8p**	7.1p
Diluted	7	**10.7p**	7.0p

1. Re-presented in respect of 2022 as detailed in note 1 to the accounts.

Adjusted[1] results

	Note	2023	2022
Adjusted Operating Profit	1	**24.0**	22.0
Adjusted Profit Before Tax	1	**21.2**	19.4
Adjusted Profit After Tax	1	**17.3**	17.2
Adjusted Basic Earnings Per Share	7	**11.1p**	11.1p
Adjusted Diluted Earnings Per Share	7	**11.1p**	11.0p

1. See note 1 for alternative performance measures.

The accompanying notes on pages 130 to 168 form an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2023

£m	2023	2022
Profit for the year	**16.7**	11.0
Other comprehensive income – amounts that may be reclassified to profit or loss in the future:		
Foreign exchange translation differences – foreign operations	**(2.5)**	2.4
Other comprehensive income – amounts that will not be reclassified to profit or loss:		
Changes in the fair value of equity investments at fair value through other comprehensive income	**0.6**	—
Total comprehensive income for the year	**14.8**	13.4

All results are from continuing operations.

The accompanying notes on pages 130 to 168 form an integral part of these financial statements.

Consolidated Balance Sheet
at 31 December 2023

£m	Note	2023	2022
Non-current assets			
Property, plant and equipment	9	**20.0**	21.4
Right-of-use assets	9	**7.6**	6.1
Intangible assets	10	**40.1**	41.7
Investment in equity instruments	11	**2.3**	–
Financial assets measured at fair value through profit or loss	20	**0.4**	0.5
Deferred tax asset	12	**2.5**	0.8
		72.9	70.5
Current assets			
Inventories	13	**40.8**	47.5
Trade and other receivables	14	**55.7**	52.9
Financial assets measured at fair value through profit or loss	20	**0.3**	0.7
Current tax asset		**2.5**	1.2
Cash and cash equivalents	15	**4.6**	5.3
		103.9	107.6
Total assets		**176.8**	178.1
Current liabilities			
Trade and other payables	18	**47.9**	49.8
Financial liabilities measured at fair value through profit or loss	20	**1.5**	2.3
Other financial liabilities	17	**2.0**	2.0
		51.4	54.1

£m	Note	2023	2022
Non-current liabilities			
Interest-bearing loans and borrowings	16	**22.3**	28.4
Other financial liabilities	17	**3.1**	4.3
Deferred tax liability	12	**3.6**	2.3
Financial liabilities measured at fair value through profit or loss	20	**0.3**	–
Provisions	17	**2.3**	2.3
		31.6	37.3
Total liabilities		**83.0**	91.4
Net assets		**93.8**	86.7
Equity attributable to equity holders of the parent			
Share capital	23	**0.1**	0.1
Share premium	23	**24.8**	24.8
Other reserves	23	**0.7**	2.6
Treasury reserve	23	**(8.6)**	(8.7)
Retained earnings		**76.8**	67.9
Total equity		**93.8**	86.7

The accompanying notes on pages 130 to 168 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 25 March 2024 and were signed on its behalf by:

John Hornby
Chief Executive Officer

Will Hoy
Chief Financial Officer

Company registered number: 05254883

Consolidated Statement of Changes in Equity

for the year ended 31 December 2023

£m	Share capital	Share premium	Translation reserve	Retained earnings	Treasury reserve	Total equity
Balance at 1 January 2022	0.1	24.8	0.2	69.3	(6.7)	87.7
Total comprehensive income						
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
Transactions with owners in their capacity as owners						
Dividends	–	–	–	(10.9)	–	(10.9)
Purchase of own shares	–	–	–	–	(2.4)	(2.4)
Disposal of own shares	–	–	–	(0.4)	0.4	–
Deferred tax on share-based payment transactions	–	–	–	(1.6)	–	(1.6)
Corporation tax on foreign currency translation differences on investments in overseas entities	–	–	–	(0.5)	–	(0.5)
Share-based payments charge	–	–	–	1.0	–	1.0
Total transactions with owners in their capacity as owners	–	–	–	(12.4)	(2.0)	(14.4)
Balance at 31 December 2022	0.1	24.8	2.6	67.9	(8.7)	86.7

Consolidated Statement of Changes in Equity continued

for the year ended 31 December 2023

£m	Share capital	Share premium	Translation reserve	Financial assets at FVOCI	Retained earnings	Treasury reserve	Total equity
Balance at 31 December 2022	0.1	24.8	2.6	—	67.9	(8.7)	86.7
Total comprehensive income							
Profit for the year	–	–	–	–	**16.7**	–	**16.7**
Investment revaluation	–	–	–	**0.6**	–	–	**0.6**
Currency translation differences	–	–	**(2.5)**	–	–	–	**(2.5)**
Total comprehensive income for the year	–	–	**(2.5)**	**0.6**	**16.7**	–	**14.8**
Transactions with owners in their capacity as owners							
Dividends	–	–	–	–	**(7.2)**	–	**(7.2)**
Purchase of own shares	–	–	–	–	–	**(1.6)**	**(1.6)**
Disposal of own shares	–	–	–	–	**(1.7)**	**1.7**	–
Deferred tax on share-based payment transactions	–	–	–	–	**0.2**	–	**0.2**
Share-based payments charge	–	–	–	–	**0.9**	–	**0.9**
Total transactions with owners in their capacity as owners	–	–	–	–	**(7.8)**	**0.1**	**(7.7)**
Balance at 31 December 2023	**0.1**	**24.8**	**0.1**	**0.6**	**76.8**	**(8.6)**	**93.8**

The accompanying notes on pages 130 to 168 form an integral part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2023

£m	Note	2023	2022[1]
Cash flows from operating activities			
Profit for the year		**16.7**	11.0
Adjustments for:			
Depreciation and amortisation	9,10	**9.3**	8.9
Financial expense	5	**3.3**	2.0
Taxation	6	**2.2**	0.7
Loss on disposal of tangible assets		**0.2**	0.1
Increase in provisions		**–**	0.1
Share-based payments charge		**0.8**	1.0
Other non-cash items		**(0.5)**	6.8
Operating cash flow before movement in working capital		**32.0**	30.6
(Increase)/decrease in trade and other receivables		**(3.1)**	19.2
Decrease in inventories		**5.9**	12.0
Decrease in trade and other payables		**(2.2)**	(18.5)
Cash from operations		**32.6**	43.3
Tax paid		**(3.6)**	(4.7)
Net cash from operating activities		**29.0**	38.6

£m	Note	2023	2022[1]
Cash flows from investing activities			
Acquisition of property, plant and equipment[2]		**(6.4)**	(4.1)
Acquisition of other intangible assets	10	**(1.8)**	(1.7)
Disposal of tangible assets		**–**	0.2
Acquisition of subsidiary		**–**	(7.8)
Investments	11	**(1.7)**	–
Net cash used in investing activities		**(9.9)**	(13.4)
Cash flows from financing activities			
Repayment of borrowings		**(6.1)**	(8.9)
Interest paid		**(2.8)**	(2.7)
Dividends paid		**(7.2)**	(10.9)
Finance lease liabilities	17	**(2.1)**	(2.2)
Purchase of own shares	23	**(1.6)**	(2.4)
Net cash used in financing activities		**(19.8)**	(27.1)
Net decrease in cash and cash equivalents		**(0.7)**	(1.9)
Cash and cash equivalents at 1 January		**5.3**	6.9
Effect of exchange rate fluctuations on cash held		**–**	0.3
Cash and cash equivalents at 31 December	15	**4.6**	5.3

1. Re-presented in respect of 2022 is detailed in note 1.
2. Includes £2.5m of land and buildings relating to a long lease (999 year) property shown in right-of-use assets.

The accompanying notes on pages 130 to 168 form an integral part of these financial statements.

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 169 to 174. 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 130 to 138.

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 £18.9m for the year to 31 December 2023 (2022: £11.7m), has net current assets of £52.5m (2022: £53.5m) and net assets of £93.8m (2022: £86.7m), net debt of £22.8m (2022: £29.4m) and net cash from operating activities of £29.0m (2022: £38.6m). The bank facilities mature on 30 September 2026 as detailed below:

The capital resources at the Group's disposal at 31 December 2023 and 29 February 2024 were as follows:

- A revolving credit facility of £80.0m, £22.3m drawn at 31 December 2023 and £28.4m drawn at 29 February 2024

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

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

The Directors ran scenario tests on the severe but plausible downside case. The assumptions in this scenario were as follows: concentration risks with associated operations (25% reduction in revenue for three months followed by 50% reduction for three months and 20% increase in shipping costs during the period) and macroeconomic, political and environmental risks (18-month recession with a 10% reduction in revenue and gross profit). These severe but plausible downside scenarios do not lead to any breach in covenants nor any breach in facility. All modelling has been conducted without any mitigation activity. There have been no changes to post balance sheet liquidity positions.

The Directors are confident that the Group and Company will have sufficient funds to continue to meet 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.

1 Introduction, other judgements and estimates, APMs and adjustments continued

Re-presented prior year comparative

Revenue, profit before and after tax and EPS all unchanged

During the year the Group has amended its presentation of its net finance expense line. In the 2022 Annual report and Accounts the company combined the finance interest together with the impact of re-measurement of the fair value of the hedging portfolio. Given that the impact of the hedging relates to the purchase of goods bought in a foreign currency, the Board believes it is preferable for the reader to show this as a cost of sale item rather than a net finance expense item. This leaves the finance expense line with borrowing and cash interest impacts only. Accordingly, the presentation of the accounts has been restated for 2022 and the impact is as follows from the 2022 Reported numbers:

The revised presentation has no impact on reported profit before tax, cash flows or net assets as reported previously.

£m	2022 Reported	Presentation restatement	2022 Re-presented
Revenue	206.3	–	206.3
Cost of sales	(132.0)	(6.3)	(138.3)
Gross profit	74.3	(6.3)	68.0
Distribution expenses	(9.2)	–	(9.2)
Administrative expenses	(45.1)	–	(45.1)
Operating profit	20.0	(6.3)	13.7
Finance expense	(8.3)	6.3	(2.0)
Net finance (expense)/income	(8.3)	6.3	(2.0)
Profit before tax	11.7	–	11.7
Taxation	(0.7)	–	(0.7)
Profit for the year	11.0	–	11.0

The following is the impact on the cash flow, it has no impact on any subtotal items, just within the Operating cash flow before movement in working capital section.

£m	2022 Reported	Presentation restatement	2022 Re-presented
Cash flows from operating activities			
Profit for the year	11.0	–	11.0
Adjustments for:			
Depreciation and amortisation	8.9	–	8.9
Financial expense	8.3	(6.3)	2.0
Taxation	0.7	–	0.7
Loss on disposal of tangible assets	0.1	–	0.1
Increase in provisions	0.1	–	0.1
Share-based payments charge	1.0	–	1.0
Other non-cash items	0.5	6.3	6.8
Operating cash flow before movement in working capital	30.6	–	30.6
Decrease in trade and other receivables	19.2	–	19.2
Decrease in inventories	12.0	–	12.0
Decrease in trade and other payables	(18.5)	–	(18.5)
Cash from operations	43.3	–	43.3
Tax paid	(4.7)	–	(4.7)
Net cash from operating activities	38.6	–	38.6

1 Introduction, other judgements and estimates, APMs and adjustments continued

Re-presented prior year comparative continued

Revenue, profit before and after tax and EPS all unchanged continued

£m	2022 Reported	Presentation restatement	2022 Presentation restated
Cash flows from investing activities			
Acquisition of property, plant and equipment	(4.1)	–	(4.1)
Acquisition of other intangible assets	(1.7)	–	(1.7)
Disposal of tangible assets	0.2	–	0.2
Acquisition of subsidiary	(7.8)	–	(7.8)
Net cash used in investing activities	(13.4)	–	(13.4)
Cash flows from financing activities			
Repayment of borrowings	(8.9)	–	(8.9)
Interest paid	(2.7)	–	(2.7)
Dividends paid	(10.9)	–	(10.9)
Finance lease liabilities	(2.2)	–	(2.2)
Purchase of own shares	(2.4)	–	(2.4)
Net cash used in financing activities	(27.1)	–	(27.1)
Net decrease in cash and cash equivalents	(1.9)	–	(1.9)
Cash and cash equivalents at 1 January	6.9	–	6.9
Effect of exchange rate fluctuations on cash held	0.3	–	0.3
Cash and cash equivalents at 31 December	5.3	–	5.3

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 may separately report 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.

1 Introduction, other judgements and estimates, APMs and adjustments continued

Statutory and non-statutory measures of performance continued

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.

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 2023 and 2022, which reconciles the adjusted measures to statutory figures, can be found on pages 133 to 138	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			
Constant Currency			Current period translated at the average exchange rate of the prior year	Allows management to identify the relative year-on-year performance of the business by removing the impact of currency that is 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	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

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	Operating profit and operating costs	Consolidated Income Statement	Contribution profit is after allocation of directly attributable adjusted operating expenses for each operating segment	Provides management with an assessment of profitability by operating segment
Contribution margin	Operating profit and operating costs	Consolidated Income Statement	Contribution margin is contribution profit, as above, divided by revenue for each operating segment	Provides management with an assessment of margin by operating segment
Adjusted Operating Cash Flow	Cash flow from operations	Consolidated Cash Flow Statement	Adjusted Operating Cash Flow is the cash from operations but excluding the cash impact of the adjusting items excluded from Adjusted Operating Profit	Provides management with an indication of the amount of cash available for discretionary investment
Adjusted Free Cash Flow	Cash flow from operations	Consolidated Cash Flow Statement	Adjusted Free Cash Flow is calculated as Adjusted Operating Cash Flow less cash flows in respect of investing activities (except for those in respect of acquisitions or disposals), interest and taxes paid	Provides management with an indication of the free cash generated by the business for return to shareholders or reinvestment in M&A activity
Adjusted Net Cash Flow	Net increase/(decrease) in cash and cash equivalents	Consolidated Cash Flow Statement	Adjusted 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	Provides management with an indication of the net cash flow generated by the business after dividends and purchase of shares
Adjusted Operating Cash Conversion	None	Consolidated Cash Flow Statement/Income Statement	Adjusted Operating Cash Conversion is defined as Adjusted Operating Cash Flow divided by Adjusted Operating Profit	Allows management to monitor the conversion of operating profit into cash
Return on Capital Invested (“ROCI”)	None	Operating profit Net assets	Adjusted Operating Profit divided into the sum of net assets and net debt (average for the last two years) as a percentage	To provide an assessment of how profitably capital is being deployed in the business

1 Introduction, other judgements and estimates, APMs and adjustments continued

Statutory and non-statutory measures of performance continued

The following table illustrates the Adjusted profit APMs used by management for the year:

£m	2023	Amortisation of acquired intangibles and related acquisition costs[1]	Re-measurement to fair value of hedging portfolio[2]	2023 Adjustments	2023 Adjusted
Revenue	209.0	–	–	–	209.0
Cost of sales	(126.2)	–	(0.5)	(0.5)	(126.7)
Gross profit	82.8	–	(0.5)	(0.5)	82.3
Distribution expenses	(8.6)	–	–	–	(8.6)
Administrative expenses	(52.0)	2.3	–	2.3	(49.7)
Operating profit	22.2	2.3	(0.5)	1.8	24.0
Finance (expense)/income	(3.3)	–	0.5	0.5	(2.8)
Net finance (expense)/income	(3.3)	–	0.5	0.5	(2.8)
Profit before tax	18.9	2.3	–	2.3	21.2
Taxation	(2.2)	(1.7)	–	(1.7)	(3.9)
Profit for the year	16.7	0.6	–	0.6	17.3

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

1 Introduction, other judgements and estimates, APMs and adjustments continued

Statutory and non-statutory measures of performance continued

The following table illustrates the Adjusted profit APMs used by management for the prior year:

£m	2022[1]	Amortisation of acquired intangibles and related acquisition costs[2]	Re-measurement to fair value of hedging portfolio[3]	Restructuring[4]	2022 Adjustments	2022 Adjusted
Revenue	206.3	–	–	–	–	206.3
Cost of sales	(138.3)	–	6.3	–	6.3	(132.0)
Gross profit	68.0	–	6.3	–	6.3	74.3
Distribution expenses	(9.2)	–	–	–	–	(9.2)
Administrative expenses	(45.1)	3.0	–	(1.0)	2.0	(43.1)
Operating profit	13.7	3.0	6.3	(1.0)	8.3	22.0
Finance expense	(2.0)	–	(0.6)	–	(0.6)	(2.6)
Net finance expense	(2.0)	–	(0.6)	–	(0.6)	(2.6)
Profit before tax	11.7	3.0	5.7	(1.0)	7.7	19.4
Taxation	(0.7)	(0.6)	(1.1)	0.2	(1.5)	(2.2)
Profit for the year	11.0	2.4	4.6	(0.8)	6.2	17.2

1. See re-presentation of 2022 within note 1 above.
2. Relating to Kingfisher Lighting , DW Windsor and Sync EV (included within acquisition costs was a fair value loss on 100% acquisition of Sync EV).
3. Relating to currency hedges/interest swaps.
4. Relating to the closure of Germany and France operations.

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	2023	2022
Adjusted Operating Profit	**24.0**	22.0
Adjusted Depreciation and Amortisation	**7.4**	7.1
Adjusted EBITDA	**31.4**	29.1

Covenant EBITDA

£m	2023	2022
Adjusted EBITDA	**31.4**	29.1
EBITDA from acquisitions from 1 January to the date of acquisition and share-based payment expense	**0.8**	1.2
Covenant EBITDA	**32.2**	30.3

Adjusted Operating Cash Conversion

£m	2023	2022
Cash from operations (from Consolidated Cash Flow Statement)	**32.6**	43.3
Adjustments to cash from operations (from Consolidated Cash Flow Statement)	**–**	0.4
Adjusted Operating Cash Flow	**32.6**	43.7
Adjusted Operating Profit	**24.0**	22.0
Adjusted Operating Cash Conversion	**135.8%**	198.6%

Adjusted Free Cash Flow

£m	2023	2022
Adjusted Operating Cash Flow (see table opposite)	**32.6**	43.7
Net cash used in investing activities excluding acquisitions and disposals (from Consolidated Cash Flow Statement)	**(8.2)**	(5.6)
Interest paid (from Consolidated Cash Flow Statement)	**(2.8)**	(2.7)
Tax paid (from Consolidated Cash Flow Statement)	**(3.6)**	(4.7)
Adjusted Free Cash Flow	**18.0**	30.7
Revenue	**209.0**	206.3
Adjusted Free Cash Flow as % revenue	**8.6%**	14.9%

Adjusted Net Cash Flow as % of revenue

£m	2023	2022
Adjusted Free Cash Flow (see above)	**18.0**	30.7
Purchase of own shares	**(1.6)**	(2.4)
Dividends	**(7.2)**	(10.9)
Adjusted Net Cash Flow	**9.2**	17.4
Revenue	**209.0**	206.3
Adjusted Net Cash Flow as % of revenue	**4.4%**	8.4%

Return on Capital Invested

£m	2023	2022
Net assets	**93.8**	86.7
Net debt (see note 16)	**22.8**	29.4
Capital Invested	**116.6**	116.1
Average Capital Invested (from last two years)	**116.4**	121.0
Adjusted Operating Profit (from above)	**24.0**	22.0
Return on Capital Invested (Adjusted Operating Profit/average Capital Invested)	**20.6%**	18.2%

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 28 of the Chief Financial Officer's Review.

Standards and interpretations issued

New currently effective requirements

Effective date	New accounting standards or amendments
1 January 2023	IFRS 17 Insurance Contracts
	Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2
	Definition of Accounting Estimates – Amendments to IAS 8
	Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12
23 May 2023	International Tax Reform – Pillar Two Model Rules – Amendments to IAS 12

Forthcoming requirements

Effective date	New accounting standards or amendments
1 January 2024	Non-current Liabilities with Covenants – Amendments to IAS 1 and Classification of Liabilities as Current or Non-current – Amendments to IAS 1
	Lease Liabilities in a Sale and Leaseback – Amendments to IFRS 16
	Supplier Finance arrangements – Amendments to IAS 7 and IFRS 7
1 January 2025	Lack of Exchangeability – Amendments to IAS 21

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.	39%	Largely when delivered to the customer for domestic customers. For Free on Board ("FOB") transactions, obligations are 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.	38%	Largely when delivered to the customer for domestic customers. For Free on Board ("FOB") transactions, obligations are 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.	23%	Largely when delivered to the customer for domestic customers. For Free on Board ("FOB") transactions, obligations are 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.

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 2023**	**Adjustments**	**Reported 2023**	Adjusted 2022	Adjustments	Reported 2022
Revenue						
Wiring Accessories	**82.6**	**–**	**82.6**	73.7	–	73.7
LED Lighting	**79.0**	**–**	**79.0**	81.4	–	81.4
Portable Power	**47.4**	**–**	**47.4**	51.2	–	51.2
	209.0	**–**	**209.0**	206.3	–	206.3
Operating profit						
Wiring Accessories	**15.0**	**0.3**	**15.3**	13.9	(2.2)	11.7
LED Lighting	**4.7**	**(1.5)**	**3.2**	3.4	(3.1)	0.3
Portable Power	**4.3**	**(0.6)**	**3.7**	4.7	(3.0)	1.7
	24.0	**(1.8)**	**22.2**	22.0	(8.3)	13.7

2 Operating segments continued

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

£m	2023 Total	2023 Amortisation of acquired intangibles and related costs[1]	2023 Re-measurement to fair value of hedging portfolio[2]	2022 Total	2022 Amortisation of acquired intangibles and related costs[1]	2022 Re-measurement to fair value of hedging portfolio[2]	2022 Restructuring[3]
Cost of sales							
Wiring Accessories	0.3	–	0.3	(2.2)	–	(2.2)	–
LED Lighting	0.1	–	0.1	(2.5)	–	(2.5)	–
Portable Power	0.1	–	0.1	(1.6)	–	(1.6)	–
Gross profit	0.5	–	0.5	(6.3)	–	(6.3)	–
Administrative expenses							
Wiring Accessories	–	–	–	–	–	–	–
LED Lighting	(1.6)	(1.6)	–	(0.6)	(1.6)	–	1.0
Portable Power	(0.7)	(0.7)	–	(1.4)	(1.4)	–	–
Total	(2.3)	(2.3)	–	(2.0)	(3.0)	–	1.0
Operating profit							
Wiring Accessories	0.3	–	0.3	(2.2)	–	(2.2)	–
LED Lighting	(1.5)	(1.6)	0.1	(3.1)	(1.6)	(2.5)	1.0
Portable Power	(0.6)	(0.7)	0.1	(3.0)	(1.4)	(1.6)	–
Operating profit	(1.8)	(2.3)	0.5	(8.3)	(3.0)	(6.3)	1.0

1. Relating to Kingfisher Lighting, DW Windsor and Sync EV.
2. Relating to currency hedges.
3. Relating to restructuring costs relating to the closure of Germany and France operations.

2 Operating segments continued

Revenue by location of customer

£m	2023	2022
UK	**173.6**	165.3
Europe	**12.9**	19.7
Americas	**8.6**	8.0
Middle East and Africa	**8.3**	8.7
Asia Pacific	**5.6**	4.6
Total revenue	**209.0**	206.3

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 27% (2022: 25%) of total revenue and is across all operating segments.

Non-current assets by location

£m	2023	2022
UK	**57.3**	52.1
China	**15.3**	17.6
Other	**0.3**	0.8
Non-current assets	**72.9**	70.5

3 Expenses and auditor's remuneration

Included in the Consolidated Income Statement are the following:

£m	2023	2022
Research and development costs expensed as incurred	**2.3**	1.9
Depreciation of property, plant and equipment and right-of-use assets	**5.9**	6.0
Amortisation of intangible assets	**3.4**	2.9

Auditor's remuneration:

£m	2023	2022
Audit of these financial statements	**0.5**	0.5
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
Total	**0.7**	0.7

4 Staff number and costs

The average monthly number of employees, including the Directors, during the year was as follows:

	Number of employees	
	2023	2022
Administration and support	**566**	577
Production	**1,024**	882
	1,590	1,459

The aggregate remuneration:

£m	2023	2022
Wages and salaries	**37.5**	33.8
Social security costs	**4.8**	4.5
Other pension costs	**1.0**	1.0
Share-based payment expense (note 22)	**0.8**	1.0
Total staff costs	**44.1**	40.3

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.

Interest income or expense is recognised using the effective interest method.

£m	2023	2022[1]
Finance expense:		
Interest on finance leases	**(0.1)**	(0.1)
Interest on bank borrowings	**(3.2)**	(1.9)
Net finance expense	**(3.3)**	(2.0)

1. Re-presented, see note 1.

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.

6 Taxation continued

£m	2023	2022
Current tax expense		
Current year – UK	**2.9**	2.3
Current year – overseas	**–**	(0.9)
Adjustment in respect of prior years	**(0.5)**	(0.3)
Current tax expense	**2.4**	1.1
Deferred tax (credit)/expense		
Origination and reversal of temporary differences	**0.9**	(0.2)
Adjustment in respect of prior years	**(1.3)**	(0.1)
Effect of tax rate change on opening balance	**0.2**	(0.1)
Deferred tax (credit)/expense	**(0.2)**	(0.4)
Total tax expense	**2.2**	0.7

Reconciliation of effective tax rate

£m	2023	2022
Profit for the year	**16.7**	11.0
Total tax expense	**2.2**	0.7
Profit before taxation	**18.9**	11.7
Tax using the UK corporation tax rate of 25% (effective from 1 April 2023, 2022: 19.0%)	**4.4**	2.2
R&D tax credits	**(0.4)**	(0.4)
Non-deductible expenses	**0.1**	0.2
Adjustment in respect of previous periods	**(1.8)**	(0.4)
Transfer pricing adjustments (related to China)	**–**	(1.0)
Effect of rate change in calculation of deferred tax	**0.3**	0.1
Foreign tax differences in rates	**(0.5)**	–
Deferred tax on share-based payments	**–**	0.3
Movement on deferred tax not recognised	**0.1**	–
Fixed asset differences related to tax and book value	**–**	(0.1)
Utilisation of unrecognised overseas brought forward tax losses	**–**	(0.2)
Total tax expense	**2.2**	0.7

The adjustment in respect of previous periods of a £1.8m credit relates to differences between the Group's tax provisions at the date of the accounts being signed and the completion of the Group's final tax returns, of which £1.2m relates to a tax deduction in respect of shares issued on the acquisition of DW Windsor.

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 2023 and 31 December 2022 has been calculated based on these rates, reflecting the expected timing of reversal of the related temporary differences.

7 Earnings Per Share

£m	2023	2022
Earnings for calculating basic Earnings Per Share	**16.7**	11.0
Adjusted for (see note 1):		
Restructuring of European operations	–	(1.0)
Amortisation of acquired intangibles and related acquisition costs	**2.3**	3.0
Remeasurement to fair value of hedging portfolio	–	5.7
Income tax on above items	**(0.5)**	(1.5)
Other tax items	**(1.2)**	–
Adjusted earnings for calculating Adjusted Basic Earnings Per Share	**17.3**	17.2

Number million	2023	2022
Weighted average number of ordinary shares		
Basic	**155.2**	154.3
Dilutive effect of share options on potential ordinary shares	**1.3**	2.6
Diluted	**156.5**	156.9

Pence	2023	2022
Basic Earnings Per Share	**10.8**	7.1
Diluted Earnings Per Share	**10.7**	7.0
Adjusted Basic Earnings Per Share	**11.1**	11.1
Adjusted Diluted Earnings Per Share	**11.1**	11.0

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	2023	2022
Final dividend for the year ended 31 December 2022 of 3.0p (2021: 5.5p) per ordinary share	**4.7**	8.5
Interim dividend for the year ended 31 December 2023 of 1.6p (2022: 1.6p) per ordinary share	**2.5**	2.4
Total dividend recognised during the year	**7.2**	10.9

The Board is proposing a final dividend for the year ended 31 December 2023 of 3.2p which is a £5.0m cash payment (2022: £4.7m).

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 (2022: £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.

9 Property, plant and equipment continued

£m	Land and buildings	Plant and equipment	Fixtures and fittings	Motor vehicles	Tooling	Work in progress	Total
Cost							
Balance at 1 January 2022	15.6	15.1	2.3	0.2	12.7	2.2	48.1
Additions	0.3	2.3	0.1	–	1.2	0.2	4.1
Disposals	–	(0.3)	(0.1)	–	(3.1)	(0.1)	(3.6)
Effect of movements in foreign exchange	0.3	0.3	–	–	0.2	–	0.8
Balance at 31 December 2022	16.2	17.4	2.3	0.2	11.0	2.3	49.4
Additions	**0.2**	**2.5**	**0.2**	**–**	**1.4**	**(0.4)**	**3.9**
Disposals	**–**	**(0.4)**	**–**	**–**	**(0.8)**	**(0.2)**	**(1.4)**
Effect of movements in foreign exchange	**(0.9)**	**(0.8)**	**(0.1)**	**–**	**(0.6)**	**–**	**(2.4)**
Balance at 31 December 2023	**15.5**	**18.7**	**2.4**	**0.2**	**11.0**	**1.7**	**49.5**

£m	Land and buildings	Plant and equipment	Fixtures and fittings	Motor vehicles	Tooling	Work in progress	Total
Depreciation							
Balance at 1 January 2022	5.2	9.6	2.0	0.2	9.9	–	26.9
Depreciation charge for the year	0.6	1.7	0.1	–	1.7	–	4.1
Disposals	–	(0.2)	–	–	(3.1)	–	(3.3)
Effect of movements in foreign exchange	0.1	0.1	–	–	0.1	–	0.3
Balance at 31 December 2022	5.9	11.2	2.1	0.2	8.6	–	28.0
Depreciation charge for the year	**0.5**	**1.9**	**0.1**	**–**	**1.4**	**–**	**3.9**
Disposals	**–**	**(0.4)**	**–**	**–**	**(0.8)**	**–**	**(1.2)**
Effect of movements in foreign exchange	**(0.3)**	**(0.4)**	**(0.1)**	**–**	**(0.4)**	**–**	**(1.2)**
Balance at 31 December 2023	**6.1**	**12.3**	**2.1**	**0.2**	**8.8**	**–**	**29.5**
Net book value							
At 1 January 2022	10.4	5.5	0.3	–	2.8	2.2	21.2
At 31 December 2022	10.3	6.2	0.2	–	2.4	2.3	21.4
At 31 December 2023	**9.4**	**6.4**	**0.3**	**–**	**2.2**	**1.7**	**20.0**

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
Cost				
Balance at 1 January 2022	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
Balance at 31 December 2022	8.4	1.5	0.8	10.7
Additions	**2.7**	**0.4**	**0.4**	**3.5**
Disposals	**(0.1)**	**(0.9)**	**(0.1)**	**(1.1)**
Balance at 31 December 2023	**11.0**	**1.0**	**1.1**	**13.1**

£m	Land and buildings	Plant and equipment	Motor vehicles	Total
Depreciation				
Balance at 1 January 2022	1.8	1.0	0.5	3.3
Depreciation charge for the year	1.5	0.2	0.2	1.9
Disposals	(0.4)	—	(0.2)	(0.6)
Balance at 31 December 2022	2.9	1.2	0.5	4.6
Depreciation charge for the year	**1.5**	**0.3**	**0.2**	**2.0**
Disposals	**(0.1)**	**(0.9)**	**(0.1)**	**(1.1)**
Balance at 31 December 2023	**4.3**	**0.6**	**0.6**	**5.5**
Net book value				
At 1 January 2022	6.9	0.5	0.4	7.8
At 31 December 2022	5.5	0.3	0.3	6.1
At 31 December 2023	**6.7**	**0.4**	**0.5**	**7.6**

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.

10 Intangible assets continued

£m	Goodwill	Patents	Development costs	Customer relationships	Tradenames and brands	Total
Cost						
Balance at 1 January 2022	19.4	0.6	10.6	7.3	3.0	40.9
Acquisitions through business combinations	6.9	–	–	1.5	0.8	9.2
Other acquisitions – internally developed	–	–	1.7	–	–	1.7
Disposals	–	–	(3.5)	–	–	(3.5)
Balance at 31 December 2022	26.3	0.6	8.8	8.8	3.8	48.3
Other acquisitions – internally developed	**–**	**–**	**1.8**	**–**	**–**	**1.8**
Disposals	**–**	**–**	**(1.3)**	**–**	**–**	**(1.3)**
Balance at 31 December 2023	**26.3**	**0.6**	**9.3**	**8.8**	**3.8**	**48.8**
Amortisation						
Balance at 1 January 2022	–	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)
Balance at 31 December 2022	–	0.5	2.8	2.7	0.6	6.6
Amortisation for the year	**–**	**–**	**1.9**	**1.1**	**0.4**	**3.4**
Disposals	**–**	**–**	**(1.3)**	**–**	**–**	**(1.3)**
Balance at 31 December 2023	**–**	**0.5**	**3.4**	**3.8**	**1.0**	**8.7**
Net book value						
At 1 January 2022	19.4	0.2	5.8	5.7	2.6	33.7
At 31 December 2022	26.3	0.1	6.0	6.1	3.2	41.7
At 31 December 2023	**26.3**	**0.1**	**5.9**	**5.0**	**2.8**	**40.1**

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"). The Group annually tests the CGUs for impairment. The Group's total consolidated goodwill of £26.3m at 31 December 2023 is allocated as follows:

	Goodwill	
£m	**2023**	2022
Portable Power	**8.9**	8.9
Wiring Accessories	**4.0**	4.0
LED Lighting	**7.2**	7.2
DW Windsor	**6.2**	6.2
	26.3	26.3

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 2028 and the discount rates applied. The 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 2028 are assumed to be 2.0% (2022: 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:

%	**2023**	2022
Portable Power	**13.0**	12.4
Wiring Accessories	**13.3**	12.5
LED Lighting	**13.1**	12.3
DW Windsor	**13.2**	12.4

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 2028
- A 10% reduction in cash flows forecast over the next five years in the Group's Strategic Plan

11 Investments

Accounting policy

Investments are accounted for in line with IFRS 9. The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in Other Comprehensive Income ("OCI"), there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established. Equity securities which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers this classification to be more relevant. The Group has elected to recognise changes in the fair value of certain investments in equity securities in OCI. These changes are accumulated within the Fair Value of Other Comprehensive Income ("FVOCI") reserve within equity. The Group transfers amounts from this reserve to retained earnings when the relevant equity securities are derecognised.

During the year an investment was made in eEnergy Group plc for £1.7m in November 2023. eEnergy Group plc are based in London, England. The business is a net zero energy services provider, empowering organisations to achieve net zero by tackling energy waste and transitioning to clean energy, without the need for upfront investment. The holding represented 9% of eEnergy at 31 December 2023.

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:

	Assets		Liabilities		Net	
£m	**2023**	2022	**2023**	2022	**2023**	2022
Property, plant and equipment	**–**	–	**1.6**	1.6	**1.6**	1.6
Intangible assets	**–**	–	**2.0**	2.7	**2.0**	2.7
Losses	**(1.1)**	(1.0)	**–**	–	**(1.1)**	(1.0)
Share-based payments	**(1.0)**	(0.8)	**–**	–	**(1.0)**	(0.8)
Financial assets and liabilities	**(0.4)**	(1.0)	**–**	–	**(0.4)**	(1.0)
Deferred tax liability/(asset)	**(2.5)**	(2.8)	**3.6**	4.3	**1.1**	1.5

A deferred tax asset of £0.8m has been recognised against carried forward non-trading tax losses of £3.1m (2022: £3.9m) during the period as it is expected that they can be offset against current year profits. Of the £1.2m deferred tax liability, £1.4m liability relates to the UK and a (£0.2m) asset relates to China.

12 Deferred tax assets and liabilities continued

Movement in deferred tax liability/(asset) during the year

£m	1 January 2023	Recognised in income	Recognised in equity	**31 December 2023**
Property, plant and equipment	1.6	–	–	**1.6**
Intangible assets	2.7	(0.7)	–	**2.0**
Losses	(1.0)	(0.1)	–	**(1.1)**
Share-based payments	(0.8)	–	(0.2)	**(1.0)**
Financial assets and liabilities	(1.0)	0.6	–	**(0.3)**
	1.5	(0.2)	(0.2)	**1.1**

A deferred tax liability of £0.7m has been recognised in respect of intangible assets acquired when Kingfisher Lighting was acquired in 2017. A deferred tax liability of £1.1m 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 £0.5m 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 2022	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

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	**2023**	2022
Raw materials	**7.0**	8.9
Work in progress	**1.4**	2.1
Finished goods	**32.4**	36.5
	40.8	47.5

In 2023, inventories of £117.3m (2022: £125.8m) were recognised as an expense during the year and are included in "cost of sales".

The inventory charge for write-downs was £0.1m (2022: £0.1m) in the period.

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	**2023**	2022
Trade receivables	**53.2**	50.4
Prepayments and other receivables	**2.5**	2.5
	55.7	52.9

The following table provides information about the exposure to credit risk and expected credit losses for trade receivables as at 31 December 2023. 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.

14 Trade and other receivables continued

	31 December 2023			1 January 2023		
Age overdue (days)	**Loss rate (%)**	**Gross debtor (£k)**	**Loss amount (£k)**	Loss rate (%)	Gross debtor (£k)	Loss amount (£k)
Current	**1.59%**	**50,719**	**806**	2.00%	44,913	898
0-30	**2.67%**	**2,487**	**66**	2.00%	4,281	86
30-60	**2.34%**	**1,419**	**33**	2.15%	1,829	39
60-90	**2.93%**	**327**	**10**	4.19%	341	14
90-120	**2.47%**	**333**	**8**	2.02%	404	8
120+	**61.49%**	**1,015**	**624**	6.98%	629	44
Total	**2.75%**	**56,300**	**1,547**	2.08%	52,397	1,089

15 Cash and cash equivalents

£m	**2023**	2022
Current cash balances	**4.6**	5.3

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	**2023**	2022
Non-current liabilities		
Revolving credit facility	**22.3**	28.2
Overdrafts	**–**	0.2
	22.3	28.4

16 Interest-bearing loans and borrowings continued

Terms and debt repayment schedule

£m	Currency	Nominal interest rate	Maturity date	**Face value[1] 2023**	**Carrying amount[1] 2023**	Face value[1] 2022	Carrying amount[1] 2022
Revolving credit facility	GBP	1.75% + SONIA	Sep 2026	**22.3**	**22.3**	28.2	28.2
Overdrafts	GBP	1.75% + base rate	Sep 2026	**–**	**–**	0.2	0.2
				22.3	**22.3**	28.4	28.4

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 2023, undrawn facilities were £57.5m (2022: £51.8m).

£m	**2023**	2022
Net debt as at 31 December represented by:		
Revolving credit facility	**22.3**	28.2
Overdrafts	**–**	0.2
Cash and cash equivalents	**(4.6)**	(5.3)
Finance leases – pre-IFRS 16	**0.7**	0.7
Covenant Net Debt	**18.4**	23.8
Finance leases – post-IFRS 16	**4.4**	5.6
Net debt	**22.8**	29.4

£m	Cash	Borrowings	Finance leases	**Total**
Net debt movement:				
As at 1 January 2023	(5.3)	28.4	6.3	**29.4**
Cash (in)/outflow	0.7	(6.1)	–	**(5.4)**
Finance lease movements	–	–	(1.2)	**(1.2)**
As at 31 December 2023	(4.6)	22.3	5.1	**22.8**

16 Interest-bearing loans and borrowings continued

Terms and debt repayment schedule continued

£m	Cash	Borrowings	Finance leases	Total
Net debt movement:				
As at 1 January 2022	(6.9)	36.8	8.2	**38.1**
Cash (in)/outflow	1.9	(8.9)	(2.2)	**(9.2)**
Acquired borrowings	–	0.5	–	**0.5**
Finance lease movements	–	–	0.2	**0.2**
Effect of exchange rate fluctuations	(0.3)	–	0.1	**(0.2)**
As at 31 December 2022	(5.3)	28.4	6.3	**29.4**

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 2023	1.4	0.9	**2.3**
Addition/(reduction)	0.1	(0.1)	**–**
Utilisation	–	–	**–**
As at 31 December 2023	1.5	0.8	**2.3**

Finance lease

£m	2023	2022
Current liabilities		
Lease liabilities	**2.0**	2.0
Non-current liabilities		
Lease liabilities	**3.1**	4.3

17 Other financial liabilities and provisions continued

Finance lease liabilities

Finance lease liabilities are payable as follows:

£m	Future minimum lease payments 2023	Future minimum lease payments 2022	Interest 2023	Interest 2022	Present value of minimum lease payments 2023	Present value of minimum lease payments 2022
Less than one year	**2.0**	2.0	**–**	–	**2.0**	2.0
Between one and five years	**3.4**	4.7	**(0.3)**	(0.4)	**3.1**	4.3
	5.4	6.7	**(0.3)**	(0.4)	**5.1**	6.3

Reconciliation of interest payments from cash flow

£m	2023	2022
Interest paid from leases under IFRS 16	**0.1**	0.1
Interest paid excluding interest from leases under IFRS 16	**2.7**	2.6
Interest paid per cash flow	**2.8**	2.7

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	2023	2022
Current liabilities		
Trade payables	**20.6**	24.2
Accrued expenses[1]	**19.6**	17.2
Other payables	**7.7**	8.4
Trade and other payables	**47.9**	49.8

1. Includes £10.0m (2022: £10.1m) in relation to rebates.

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 (2022: £1.0m).

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-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

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 page 132.

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.

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

Investments policy is note 11.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term call deposits.

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.

20 Financial instruments continued

Accounting policy continued

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.

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.

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:

	Carrying amount	
£m	**2023**	2022
Trade receivables	**53.2**	50.4
Cash and equivalents	**4.6**	5.3
Financial assets measured at fair value through profit or loss	**0.7**	1.2
	58.5	56.9

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 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 2023, the Group had an allowance for impairment of £1.5m (2022: £1.1m). The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was as follows:

	Carrying amount	
£m	**2023**	2022
Europe	**47.4**	44.6
North America	**–**	0.1
Rest of World	**5.8**	5.7
	53.2	50.4

Of this total balance, £8.3m is with our largest customer.

Cash and cash equivalents

The Group held cash of £4.6m at 31 December 2023 (2022: £5.3m), 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.

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 measured at fair value through profit or loss[1]	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

1. Includes interest rate swaps of nil.

31 December 2023 (£m)	**Carrying amount**	**Within 1 year**	**1-2 years**	**2-5 years**
Financial liabilities				
Revolving credit facility	**22.3**	**–**	**–**	**22.3**
Financial liabilities measured at fair value through profit or loss[1]	**1.8**	**1.5**	**–**	**0.3**
Finance leases	**5.1**	**2.0**	**1.5**	**1.6**
Trade payables	**20.6**	**20.6**	**–**	**–**
	49.8	**24.1**	**1.5**	**24.2**

1. Includes interest rate swaps of £0.3m (shown with 2-5 years).

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.

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 8.6% (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 2023, 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.

	Profit or loss	
£m	100bps increase	100bps decrease
31 December 2023		
Variable rate instruments	**(0.3)**	**0.3**
Cash flow sensitivity (net)	**(0.3)**	**0.3**
31 December 2022		
Variable rate instruments	(0.5)	0.5
Cash flow sensitivity (net)	(0.5)	0.5

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 130 to 138).

Equity price risk

The primary goal of the Group's investment in equity securities is to hold the investment for the long term for strategic purposes. The Group's equity investment is listed on the London Stock Exchange and is classified at FVOCI. A 2% change in price would change the investment value by £47k.

20 Financial instruments continued

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.

Exposure to currency risk

The table below shows the extent to which the Group had monetary assets and liabilities denominated in currencies with third parties other than the local currency of the Company in which they are recorded:

	2023			2022		
£m	**RMB**	**USD**	**EUR**	RMB	USD	EUR
Trade receivables	**–**	**16.3**	**0.8**	–	13.2	0.7
Bank facilities	**–**	**(13.1)**	**0.3**	(0.1)	(12.0)	–
Trade payables	**(5.3)**	**(0.6)**	**(0.2)**	(2.4)	(0.3)	(0.2)
Net statement of financial position exposure	**(5.3)**	**2.6**	**0.9**	(2.5)	0.9	0.5

The following significant exchange rates were applied during the year:

	Average rate		Reporting date spot rate	
£m	**2023**	2022	**2023**	2022
USD	**1.24**	1.23	**1.27**	1.21
EUR	**1.15**	1.17	**1.15**	1.13
RMB	**8.81**	8.30	**9.00**	8.34

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 2022, as indicated below.

£m	Equity	Profit/(loss)
31 December 2023		
GBP strengthens against the USD by 10%	**(0.2)**	**(0.2)**
GBP strengthens against the EUR by 10%	**(0.1)**	**(0.1)**
GBP strengthens against the RMB by 10%	**0.5**	**0.5**
31 December 2022		
GBP strengthens against the USD by 10%	(0.1)	(0.1)
GBP strengthens against the EUR by 10%	—	—
GBP strengthens against the RMB by 10%	0.2	0.2

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	2023	2022
Assets carried at amortised cost:		
Trade receivables	**53.2**	50.4
Cash and cash equivalents	**4.6**	5.3
Assets carried at fair value:		
Financial assets measured at fair value through profit or loss	**0.7**	1.2
Financial assets measured at fair value through OCI	**2.3**	—
Financial assets	**60.8**	56.9
Liabilities carried at amortised cost:		
Revolving credit facility	**22.3**	28.2
Overdrafts	**—**	0.2
Finance leases	**5.1**	6.3
Trade payables	**20.6**	24.2
Liabilities carried at fair value:		
Financial liabilities measured at fair value through profit or loss	**1.8**	2.3
Financial liabilities	**49.8**	61.2

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.

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 1 instruments for 2023 are financial asset investments measured at fair value through OCI.

The only Level 2 instruments for 2023 are financial (liabilities)/assets measured at fair value through profit or loss, which relate to forward exchange contracts and interest rate swaps. The fair value (liability)/asset is shown below:

£m	Fair value hierarchy	**2023**	2022
Financial assets measured at fair value through OCI	Level 1	**2.3**	–
Currency hedging financial (liabilities) measured at fair value through profit or loss	Level 2	**(1.2)**	(1.7)
Interest swaps financial assets measured at fair value through profit or loss	Level 2	**0.1**	0.6

At 31 December 2023, undrawn facilities were £57.5m (2022: £56.9m).

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 £80.0m 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	**2023**	2022
Covenant EBITDA (see note 1)	**32.2**	30.3
Covenant Net Debt (see note 16)	**18.4**	23.8
Covenant Net Debt : Covenant EBITDA	**0.6**	0.8

21 Capital management continued

The Covenant EBITDA : Net Finance Expense ratio is calculated as follows:

£m	2023	2022
Covenant EBITDA (see note 1)	**32.2**	30.3
Adjusted Net Finance Expense (see note 1)	**2.8**	2.6
Covenant EBITDA : Adjusted Net Finance Expense	**11.5**	11.7

The Company's covenants and headroom are summarised as follows:

2023 year-end covenant	Covenant	2023 actual	Headroom
Covenant Net Debt : Covenant EBITDA	3.0 : 1	0.6	Covenant Net Debt headroom: £78.2m[1] Adjusted EBITDA headroom: £26.1m
Covenant EBITDA : Adjusted Net Finance Expense	4.0 : 1	11.5	Adjusted EBITDA headroom: £21.0m Adjusted Net Finance Expense headroom: £5.2m

1. Headroom with increased facility. Current facility headroom is £57.5m.

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

	2023	2022
Adjusted Earnings Per Share (pence)	**11.1**	11.1
Covenant Net Debt : Covenant EBITDA (times)	**0.6**	0.8
Adjusted Free Cash Flow (£m)	**18.0**	30.7

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 £0.9m (2022: £1.0m) included in the Consolidated Income Statement within administrative expenses.

22 Share-based payments continued

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:

a) Matching shares. Two shares at nil cost

b) 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	
	2023	2022	**2023**	2022
Outstanding at 1 January	**28,981**	36,466	**1,055,167**	798,586
Granted during the year	**–**	–	**450,585**	306,824
Forfeited during the year	**(1,106)**	(4,436)	**(36,480)**	(3,849)
Released during the year	**(2,088)**	(3,049)	**(98,000)**	(46,394)
Outstanding at 31 December	**25,787**	28,981	**1,371,272**	1,055,167

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 £0.4m (2022: £0.2m) 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 95:

Executive Directors	Role	Number of shares awarded
John Hornby	Chief Executive Officer	492,956
Will Hoy	Chief Financial Officer	350,561

Measurement of fair values

The 2023 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 2023 to 31 December 2025. For the TSR condition, this runs for three years from the three-month average TSR to 6 April 2023, the date of the grant, to the three-month average TSR to 6 April 2026. No consideration was paid for any of the awards.

As the options under the 2023 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:

22 Share-based payments continued

Measurement of fair values continued

Directors' and employee share options LTIP awards	2023	2022
Three-day average share price before options were issued (pence)	**124.80**	204.00
Fair value of share options	**103.78p**	158.92p
Average expected volatility	**66.00%**	67.50%
Expected life	**3 years**	3 years
Risk-free rate	**3.45%**	1.40%

The share-based payments charge of £0.9m (2022: £1.0m) included in the Consolidated Income Statement within administrative expenses is attributable to the LTIP nominal cost options.

A summary of the number of share options under the share option programmes is as follows:

	2023	2022
Outstanding at 1 January	**8,127,564**	5,876,639
Granted during the year	**2,556,361**	3,637,562
Forfeited during the year	**(1,185,521)**	(1,268,568)
Exercised during the year	**(1,283,437)**	(118,069)
Lapsed during the year	**–**	–
Outstanding at 31 December	**8,214,967**	8,127,564

As at 31 December 2023, a total of 8,214,967 options were outstanding which had a weighted average remaining contractual life to vesting of 20 months.

During the year, 633,554 tax-qualifying share options were granted to employees (2022: 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 2023, the Trust had 6,570,939 shares held at a cost of £8.6m (31 December 2022: 6,460,288 shares at a cost of £8.7m). 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)	
	2023 £	2022 £	**2023 Number**	2022 Number
At 1 January	**80,400**	80,400	**160,800**	160,800
At 31 December	**80,400**	80,400	**160,800**	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 2023, the EBT held 6,570,939 of the Company's shares (2022: 6,460,288 shares)
- During the year the Company purchased £1.6m of shares (2022: £2.4m)
- Financial asset at FVOCI comprises the cumulative net change in the fair value of equity securities designated at fair value through other comprehensive income
- 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

24 Related parties

Key personnel include Executive and Non-Executive Board members and the senior leadership 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. 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 leadership team. The compensation of key management personnel is as follows:

£m	**2023**	2022
Remuneration (including benefits in kind)	**5.1**	5.1
Element of share-based payments expense	**0.9**	1.0
	6.0	6.1

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 101. The remuneration figure reflects £0.2m in respect of the Chief Financial Officer's and Chief Executive Officer's 2020 Performance Share Plan. There were nil 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 2023 (2022: nil).

Defined contribution pension scheme retirement benefits are accruing to one Director at the year end (2022: one).

25 Ultimate Parent Company, controlling party and changes in significant accounting policies

There is no controlling party.

26 Post balance sheet events

On 29 February 2024, the Group acquired the entire issued share capital of D-Line (Europe) Limited ("D-Line") for £8.6m initial cash consideration and up to £3.8m of contingent consideration. D-Line is a supplier of cable management solutions consisting of decorative cable trunking and accessories, fire-rated cable supports, floor cable protector and cable organisers, with headquarters in Tyne and Wear in the UK. The business supplies retail, wholesale and eCommerce customers mainly in the UK, Europe and North America. The business supports its customers in North America from a sales and distribution facility in Kentucky, USA. For the unaudited 12 month period ended 30 November 2023, D-Line generated revenue of £17.0m and underlying operating profit of £1.4m.

27 Prior year acquisition

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.

Company Balance Sheet
at 31 December 2023

£m	Note	2023	2022
Non-current assets			
Investments	29	**5.2**	4.3
Debtors	30	**75.7**	84.5
Net assets		**80.9**	88.8
Capital and reserves			
Called-up share capital	31	**0.1**	0.1
Share premium account		**24.8**	24.8
Treasury reserve		**(8.6)**	(8.7)
Profit and loss account		**64.6**	72.6
Equity		**80.9**	88.8

The accompanying notes on pages 171 to 174 form an integral part of these financial statements.

The Company reported a profit for the year ended 31 December 2023 of nil (2022: £20.0m).

These financial statements were approved by the Board of Directors on 25 March 2024 and were signed on its behalf by:

John Hornby
Chief Executive Officer

Will Hoy
Chief Financial Officer

Company registered number: 05254883

Company Statement of Changes in Equity

for the year ended 31 December 2023

£m	Share capital	Share premium	Retained earnings	Treasury reserve	Total equity
Balance at 1 January 2022	0.1	24.8	62.9	(6.7)	81.1
Total comprehensive income					
Profit for the year	–	–	20.0	–	20.0
Total comprehensive income for the year	–	–	20.0	–	20.0
Transactions with owners in their capacity as owners:					
Dividends	–	–	(10.9)	–	(10.9)
Purchase of own shares	–	–	–	(2.4)	(2.4)
Disposal of own shares	–	–	(0.4)	0.4	–
Share-based payments charge	–	–	1.0	–	1.0
Total transactions with owners in their capacity as owners	–	–	(10.3)	(2.0)	(12.3)
Balance at 31 December 2022	0.1	24.8	72.6	(8.7)	88.8
Total comprehensive income					
Profit for the year	–	–	–	–	–
Total comprehensive income for the year	–	–	–	–	–
Transactions with owners in their capacity as owners:					
Dividends	–	–	**(7.2)**	–	**(7.2)**
Purchase of own shares	–	–	–	**(1.6)**	**(1.6)**
Disposal of own shares	–	–	**(1.7)**	**1.7**	–
Share-based payments charge	–	–	**0.9**	–	**0.9**
Total transactions with owners in their capacity as owners	–	–	**(8.0)**	**0.1**	**(7.9)**
Balance at 31 December 2023	**0.1**	**24.8**	**64.6**	**(8.6)**	**80.9**

The accompanying notes on pages 171 to 174 form an integral part of these financial statements.

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.

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	**2023**	2022
Balance at 1 January	**4.3**	3.3
Share-based payment charge relating to subsidiaries	**0.9**	1.0
Balance at 31 December	**5.2**	4.3

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[1] (Reg: 05254785)	Luceco Distribution Centre Stafford Park 1, Telford TF3 3BD, UK	Intermediate holding company	100
Luceco UK Limited[1] (Reg: 02255270)	Luceco Distribution Centre Stafford Park 1, Telford TF3 3BD, UK	Electrical accessories importer and distributor	100
BG Electrical Limited[1] (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
Kingfisher Lighting Limited[1] (Reg: 02236337)	Luceco Distribution Centre Stafford Park 1, Telford TF3 3BD, UK	Electrical accessories importer, installer and distributor	100
DW Windsor Group Limited[1] (Reg: 08849218)	Luceco Distribution Centre Stafford Park 1, Telford TF3 3BD, UK	Intermediate holding company	100
D.W. Windsor Limited[1] (Reg: 01309755)	Luceco Distribution Centre Stafford Park 1, Telford TF3 3BD, UK	Manufacture of electric lighting equipment	100

Notes to the Company Financial Statements continued

for the year ended 31 December 2023

29 Fixed asset investments continued

Company	Registered office	Principal activity	% of shares held
Pulsar Lighting Solutions Limited[1] (Reg: 00943317)	Luceco Distribution Centre Stafford Park 1, Telford TF3 3BD, UK	Manufacture of electric lighting equipment	100
Urban Control Limited[1] (Reg: 09950591)	Luceco Distribution Centre Stafford Park 1, Telford TF3 3BD, UK	Manufacture of electric lighting equipment	100
EV Charge Points UK T/A EVCP Limited[1] (Reg: 12454736)	Burlands, Charlwood Road, Ifield, Crawley, England RH11 0JZ	Manufacture of electric vehicle chargers	100

1. 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 2023. 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.

30 Debtors

£m	**2023**	2022
Amounts owed by Group undertakings	**75.7**	84.5

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)	
	2023 £	2022 £	**2023 Number**	2022 Number
At 1 January	**80,400**	80,400	**160,800**	160,800
At 31 December	**80,400**	80,400	**160,800**	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.

Glossary

A

AGM: Annual General Meeting

APMs: Alternative performance measures; a table summarising the reconciliation of adjusted measures to statutory measures is included in note 1 of the consolidated financial statements

Articles: The Company's Articles of Association

B

BAU: Business-as-usual

C

CAGR: Compound annual growth rate

Capex: Capital expenditure

CDP: Carbon Disclosure Project

CEO: Chief Executive Officer

CFO: Chief Financial Officer

CGU: Cash-generating unit

CO_2: Carbon dioxide

Code: 2018 UK Corporate Governance Code

CPA: Construction Products Association

CPI: Consumer Price Index

CSOP: Company Share Option Plan

D

DIY: Do it yourself

DTR: Disclosure Guidance and Transparency Rules

E

EAC: Energy Attribute Certificate

EBT: Employee Benefit Trust

ECCTA: Economic Crime and Corporate Transparency Act

ECL: Expected credit loss

EEIO: Environmentally extended input output

EICR: Electrical Installation Condition Report

EPD: Environmental Product Declarations

ESG: Environment, Social and Governance

ESOS: Energy Savings Opportunity Scheme

EUR: Euro, currency of the Eurozone

EV: Electric vehicle

F

FCA: Financial Conduct Authority

FOB: Free On Board, comprising products shipped directly from our facility in China to the customer

FRS: Financial Reporting Standards

FTSE: Financial Times Stock Exchange

FVOCI: Fair Value through Other Comprehensive Income

G

GBP: British pound sterling

GHG: Greenhouse gas

H

HEA: Highway Electrical Association

HFC: Hydrofluorocarbon, used as coolants in air conditioning units

HR: Human resources

I

IAS: International Accounting Standards

IEA: International Energy Agency

IFRS: International Financial Reporting Standards

IP: Intellectual property

IPCC: Intergovernmental Panel on Climate Change

IPO: Initial public offering

ISO: International Organisation for Standardisation

K

KPI: Key Performance Indicator

L

L&D: Learning and development

LBM: Location-based methodology

LCMP: Low Carbon Manufacturing Programme

LED: Light emitting diode

LED Lighting: A type of low energy lighting

LPG: Liquefied petroleum gas

LTIP: Long-term incentive plan

M

M&A: Mergers and acquisitions

MAR: Market Abuse Regulation

MBM: Market-based methodology

N

NED: Non-Executive Director

NGFS: Network for Greening the Financial System

O

OCI: Other Comprehensive Income

OECD: Organisation for Economic Co-operation and Development

OEM: Original equipment manufacturer

P

PCA: Persons closely associated

PCAF: Partnership for Carbon Accounting Financials

PPTS: Percentage points

PSP: Performance Share Plan

R

R&D: Research and development

RMB: Renminbi, currency of China

RMI: Repairs, maintenance and improvements

RNS: Regulatory News Service

RPI: Retail Price Index

S

SBTi: Science Based Targets initiative

SECR: Streamlined Energy and Carbon Reporting

SIC: Standard Industrial Classification

SID: Senior Independent Director

SIP: Share Incentive Plan

SKU: Stock keeping unit

Solar PV: Solar Photovoltaic, technology which converts sunlight into electricity

SONIA: Sterling Overnight Index Average

T

tCO_2e: Tonnes of carbon dioxide equivalent

TCFD: Task Force on Climate-related Financial Disclosures

TM65 and TM66 assessment: calculation of the total CO_2 emitted in the production of a product

TPT: Transition Plan Taskforce

TSR: Total shareholder return

U

UAE: United Arab Emirates

USD: United States dollar

W

WEEE: Waste Electrical and Electronic Equipment

WWF: World Wide Fund for Nature

Financial calendar

Ex-dividend date	11 April 2024
Dividend record date	12 April 2024
Dividend reinvestment plan final date for election	25 April 2024
Annual General Meeting	14 May 2024
Dividend paid	17 May 2024
Half-year end	30 June 2024
Half-year end trading update	23 July 2024
Half-year interim management statement	10 September 2024
Year end	31 December 2024
Full-year results	March 2025

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 2023 to 31 December 2023.

Share price (pence)	High	Low	Average	Financial year end[1]
2023	**152.8**	**100.0**	**122.2**	**124.0**
2022	337.5	66.0	148.8	98.2

1. Last trading day at the London Stock Exchange, 29 December 2023.

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, 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

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**, 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** 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

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** 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**.

Find out more at **www.fca.org.uk/scamsmart**.

Advisers and Other Information

Company's registered office
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Telford TF3 3BD
www.lucecoplc.com
ir@luceco.com

Independent auditor
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Statutory Auditor
Chartered Accountants
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Snow Hill Queensway
Birmingham B4 6GH

Financial advisers and brokers
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Liberum
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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 Report and Governance

The Strategic Report, Governance and the Financial Statements form part of the Directors' Report. In particular, the Board has taken advantage of Section 414C(11) of the Act to include disclosures in the Strategic Report including:

- Employee involvement
- The employment of disabled people
- The future development, performance and position of the Group
- Research and development activities

Each of the Strategic Report and Governance section have been drawn up and presented in accordance with English company law and the liabilities of the Directors in connection with these 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 Governance section contained 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 and full copies are available on the Group's website at **www.lucecoplc.com** or from the Company's registered office.

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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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