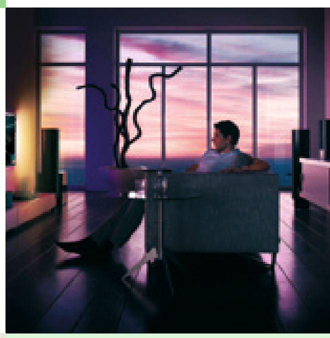
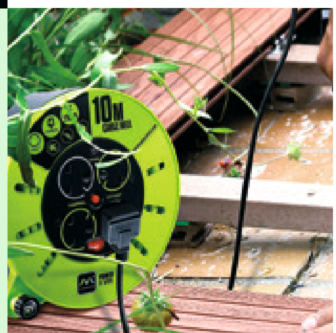
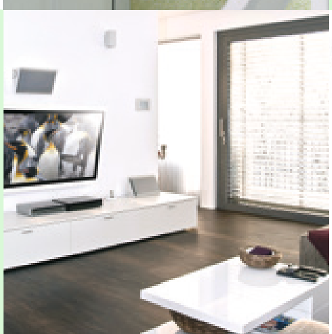
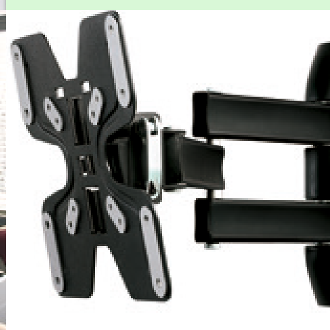
ANNUAL REPORT AND FINANCIAL STATEMENTS 2016

WELL POSITIONED FOR CONTINUED GROWTH







Welcome to the Luceco plc Annual Report 2016

Luceco is a rapidly growing manufacturer and distributor of high quality, innovative LED lighting products and wiring accessories supplying a global customer base. The Group supplies a blue chip and diversified customer base of trade distributors, retailers, wholesalers and project developers with a wide range of products which fall under the market leading brands of Luceco (LED Lighting), British General (Wiring Accessories), Masterplug (Portable Power) and Ross (AV Accessories).

Luceco operates a fully integrated model, which includes wholly-owned manufacturing and product development facilities in the UK and China, that enables the Group to maintain strong control over its cost base and the quality of its products, while allowing new products to be brought to market quickly and at low cost.

Visit us online at www.lucecoplc.com

CONTENTS

STRATEGIC REPORT

PAGES 2 TO 37

CORPORATE GOVERNANCE

PAGES 38 TO 66

FINANCIAL STATEMENTS

PAGES 67 TO 98

OVERVIEW

Luceco is an exciting growth story, underpinned by strong competitive advantages

The Group has made recent investment in the expansion of its Chinese manufacturing facilities and continues to invest in its sales network, both in the UK and internationally, to support the Group's existing and new product ranges.

1 FULLY INTEGRATED MODEL

- Wholly-owned Chinese manufacturing with local know-how and expertise
- High quality, low-cost manufacturing; supply chain aligned to client needs

2 ESTABLISHED ROUTES TO MARKET

- Highly regarded UK business; quality blue-chip customer base
- Expanding UK and international sales networks; well placed for LED growth opportunity

3 RAPID GROWTH IN THE LED MARKET

- Well positioned to continue impressive organic growth trajectory
- Consolidation opportunities in a fragmented market
- Total global market opportunity of US$70 billion by 2019; UK market £1.2 billion by 2019

4 CULTURE OF INNOVATION WITH FOCUS ON EXECUTION

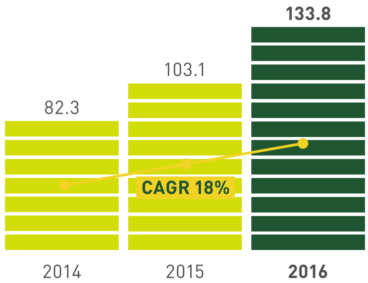
- Development of China facility, well invested for future growth
- Innovative and expanding product ranges within wiring accessories and portable power; Anglo-Chinese research and development team able to meet customer demands
- Strong pipeline of new products to bring to market

5 TRACK RECORD OF FINANCIAL DELIVERY

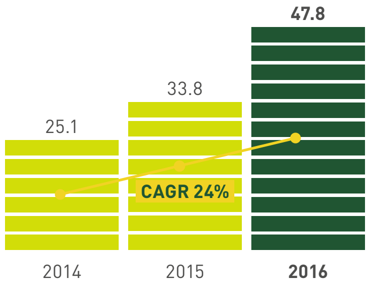
- Significant growth in revenue and operating profit achieved

HIGHLIGHTS

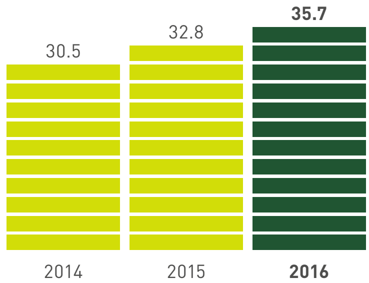
Revenue
(£m)



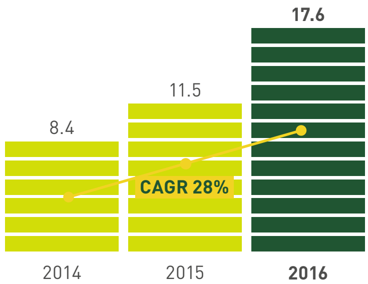
Gross profit
(£m)



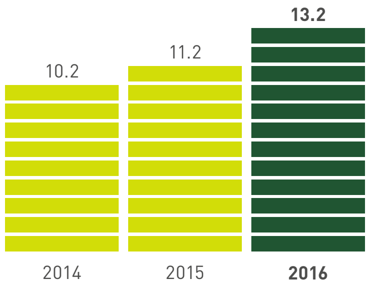
Gross margin
(%)



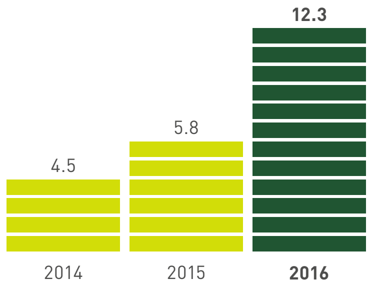
Adjusted operating profit[1]
(£m)



Adjusted operating margin[1]
(%)



Adjusted profit after tax[1]
(£m)



FINANCIAL HIGHLIGHTS

- Group[2] revenue up 29.8% to £133.8m; £125.9m or 22.1% at constant currency[3]
- Gross margin increased to 35.7% (2015: 32.8%)
- Adjusted Group operating profit[1] up 53.0% to £17.6m (2015: £11.5m). Unadjusted Group operating profit grew 30.4% to £15.0m
- 112.1% growth in Group adjusted profit after tax[1] to £12.3m (2015: £5.8m). Unadjusted Group profit after tax is £9.7m, year-on-year growth is 67.2%
- Closing cash position £4.1m (2015: £4.8m)
- Net debt is £29.4m (2015: £46.1m)
- Adjusted EPS[1, 4] is 8.5p (2015: 4.2p). Unadjusted EPS is 6.7p
- Proposed final dividend 0.3p per share

OPERATIONAL AND STRATEGIC HIGHLIGHTS

- IPO in October 2016
- New offices set up in Spain and Hong Kong in 2016
- 140 new products bought to market in 2016
- 10,000m^2 additional capacity built in China expanding the site to 52,500m^2
- Ambitious strategy for further growth into new sectors and territories
- Focus on growth opportunity in LED Lighting and Wiring Accessories

1. Adjusted operating profit, adjusted operating margin and adjusted profit after tax represent operating profit, operating margin and profit after tax adjusted for exceptional IPO costs of £2.6m. The calculation of the performance measures stated above is detailed in pages 14 and 15.
2. Group comprises Luceco plc and its subsidiary undertakings.
3. 2016 translated at 2015 average exchange rates. These were 1.52 for £: US Dollar and 9.61 for £: CNY.
4. 2015 EPS reflects the share subdivision that took place in 2016.

AT A GLANCE

The market leader in key electrical categories

With over 70 years' experience, the brands of Luceco, BG, Masterplug and Ross are market leaders in key electrical categories, offering a "one-stop shop" for trade and retail accessories.

LUCECO

Environmental and energy saving LED lighting, providing commercial and domestic lighting solutions

Revenue
25% of Group

Operating profit
£2.3m

BRITISH BG GENERAL

A traditional wiring accessory brand, serving the professional electrical trade and specialists

Revenue
46% of Group

Operating profit
£11.3m

Customers across **75** countries

Find out more about our operations on
PAGES 26 AND 27

Head Office in London with global offices in Telford, China, Houston, Mexico, Hamburg, Paris, Barcelona, Dubai, Hong Kong and Johannesburg offering sales and support to EMEA and Asia Pacific regions.

masterplug

A market leading supplier of portable power equipment through DIY outlets and high street retailers

Revenue

25% of Group

Operating profit

£3.4m

ROSS

A family of audio visual and home entertainment products designed to meet the needs of the discerning user

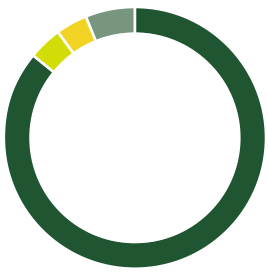
Revenue

4% of Group

Operating profit

£0.6m

Group revenue by location (%)



- UK **86%**
- Middle East **4%**
- Europe **4%**
- Rest of world **6%**

Number of employees c.**2,000**

R&D[1] staff c.**68**

Number of product innovations 2016 **140**

Number of customers c.**1,100**

1. Research and development.

CHAIRMAN'S STATEMENT

Another year of strong growth and financial performance

In our first Annual Report and Financial Statements since we became a publicly listed company in October 2016, I am delighted to report a year of significant progress, building on our capabilities for a successful future.

Review of the year

- IPO in October 2016
- Expansion of the Board
- Focus on strong governance
- Significant growth in revenue and profit
- Well positioned to execute growth strategy

Dear Shareholder

In 2016, the Group has continued to build on its reputation for delivering strong growth, underpinned by innovative product development, demonstrating that we have a robust business model capable of delivering our strategy and generating long-term value to our shareholders.

The IPO of Luceco in October 2016 has provided us with a stronger, more efficient capital structure, giving the Group better financial and operational flexibility to pursue its growth strategy. I would like to thank my colleagues and all of the advisers for their hard work and support during this process.

The Company floated at an initial share price of 130p. The share price has risen steadily over the period to 31 December 2016, closing at 192p.

The Board

We have created a Board with a diverse range of skills and experience to provide strong leadership to oversee the delivery of the Group's strategy and its next phase of growth.

I would like to welcome my new colleagues to the Board during this exciting period for the Company and thank them for their efforts to date.

Governance

The Board is committed to high standards of governance, which we consider key to the long-term success of our business. The composition of the Board and its Committees provide the appropriate corporate governance balance.

Dividend policy

The Board intends to adopt a progressive dividend policy based on an initial pay-out ratio of c.20% of profit after tax. The expectation is to pay an interim and final dividend in respect of each financial year, split one-third and two-thirds respectively.

In determining the dividend payment, the Board needs to be mindful of maintaining an appropriate level of working capital, profitability and funding for planned expansion in line with its growth strategy.

The Board intends to pay a final dividend of 0.3p per share in respect of the 2016 financial year.

People

People are our greatest strength and on behalf of the Board, I would like to thank all of our colleagues who have made a substantial contribution to the achievements of the Group.

Outlook

Another year of strong growth and financial performance provides an excellent platform for the Group to focus on its growth strategy of continued penetration with innovative products into new and existing markets to deliver long-term value to our shareholders.

GILES BRAND

Chairman

3 April 2017

EXECUTIVE REVIEW

An excellent year of progress, both in the UK and internationally

Operational highlights

- Strong revenue growth across all product categories particularly within LED lighting and USB sockets
- Improved gross and operating margins
- Expanded manufacturing capacity in wholly-owned Chinese facility from 42,500m² to 52,500m²
- Strong pipeline of new product launches
- On-going investment in expanded sales teams
- New sales offices opened in Spain and Hong Kong

Overview

Following the Group's IPO on the London Stock Exchange in October 2016, Luceco now has a stronger, more efficient capital structure, affording the Group greater financial and operational flexibility as it seeks to execute its growth strategy.

2016 was another year of strong growth for our Company. Investments made in product innovation and development, expansion of the sales teams (both in the UK and internationally) and improvements in manufacturing processes have delivered 29.8% growth in revenue at an improved gross margin, resulting in a 53.0% improvement in adjusted operating profit.

We completed a major expansion of the Chinese manufacturing facility and we are continuing with our growth strategy with a strong pipeline of product launches and extending our sales and marketing platforms both in the UK and overseas.

During the period, revenue increased by 29.8% to £133.8m (2015: £103.1m), gross profit increased by 41.4% to £47.8m (2015: £33.8m) and adjusted operating profit increased by 53.0% to £17.6m (2015: £11.5m). On a constant currency basis, revenue was £125.9m, generating a gross profit of £47.9m and adjusted operating profit of £18.8m.

Financial highlights

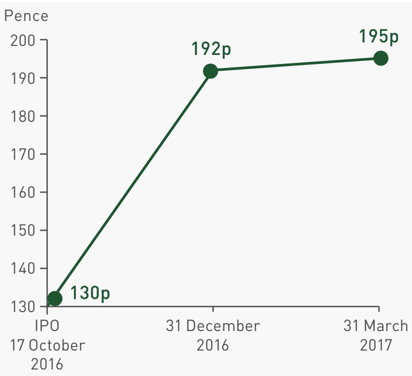
	2016	2015	Change
Revenue	**£133.8m**	£103.1m	29.8%
Gross profit	**£47.8m**	£33.8m	41.4%
Gross margin	**35.7%**	32.8%	8.8%
Adjusted operating profit[1]	**£17.6m**	£11.5m	53.0%
Adjusted operating margin[1]	**13.2%**	11.2%	17.9%
Operating profit	**£15.0m**	£11.5m	30.4%
Operating margin	**11.2%**	11.2%	—
Adjusted profit after tax[1]	**£12.3m**	£5.8m	112.1%
Profit after tax	**£9.7m**	£5.8m	67.2%
Adjusted basic EPS[1,2]	**8.5p**	4.2p	102.4%
Basic EPS[2]	**6.7p**	4.2p	59.5%

1. Adjusted operating profit, adjusted operating margin and adjusted profit after tax represent operating profit, operating margin and profit after tax adjusted for exceptional IPO costs of £2.6m.
2. 2015 EPS figure reflects the share subdivision that took place in 2016.

EXECUTIVE REVIEW CONTINUED

The Group continues to grow market share of its key brands

Share price



Overview continued

The Group's strong growth performance was driven by the continuing expansion and uptake of the Group's LED product range, and further market share gains within the Group's UK market leading electrical brands BG and Masterplug. The Group also saw an increase in international sales following the recent expansion of its overseas sales presence.

The increase in gross margin to 35.7% in 2016 (2015: 32.8%) was the result of a combination of a favourable sales mix (introducing new products with higher margins) and improved manufacturing efficiency.

Adjusted operating profit margin increased to 13.2% in 2016 (2015: 11.2%), reflecting strong revenue and gross profit growth despite on-going investment in sales and marketing to support the Group's future growth strategy.

During the year, the Group's wholly-owned Chinese manufacturing facility was extended by an additional 10,000m^2, increasing the site to 52,500m^2. This investment has expanded the manufacturing, assembly and warehousing capacity of the site providing the infrastructure to support the future growth.

The Group's sophisticated Chinese presence and expertise with the Freight on Board ("FOB") business model enables the Group to service large international customer store networks without local logistical or stock keeping requirements. As more retailers reduce their supply chain costs by moving to this centralised direct import model, the Group increases its advantage over its competitors. As FOB sales are invoiced in US Dollars, the weakness of Sterling provided a further benefit to overall revenue growth of £7.9m.

LED Lighting (Luceco)

LED Lighting delivered another year of strong revenue growth. The Group maintained investment in product range expansion and continued to benefit from the rapidly growing LED lighting market – which the Group estimates is now worth more than £1bn in the UK alone.

LED Lighting sales increased by 41.6% to £33.0m (2015: £23.3m) driven by further penetration of the Group's product range to the existing customer base and the continuing expansion of the projects team both in the UK and internationally.

New product development and innovation is at the forefront of the growth of the Luceco brand and there were many successful product launches during the period.

LED Lighting is a global product category, giving Luceco the opportunity to continue to increase market share as the Group continues to build its global network.

The reduction in average LED selling prices, combined with the improving energy and maintenance efficiencies is driving shorter payback periods and increases the return on investment for LED retrofits. This dynamic provides additional opportunities for growth in the Group's projects business and the projects sales pipeline continues to build.

Wiring Accessories (BG)

BG delivered strong performance for the period with revenue growth of 29.9% to £62.2m (2015: £47.9m) largely driven by increased customer penetration of more recently launched products such as USB charging wall sockets and circuit protection consumer units.

The BG product range continues to be almost entirely manufactured by the Group's facility in China, thereby enabling the Group to deliver competitively priced products to both retailers and trade wholesalers at attractive margins.

On-going investment in process improvements, such as automation, strengthen the Group's competitive advantage and should enable us to extend our market leading position beyond BG's current 19% share of the UK wiring accessories market.

The on-going structural demand for increased levels of new house building in the UK continues to drive strong demand for electrical accessories in this market segment. During the year, the Group won contracts to supply a number of major house-builders.

Portable Power (Masterplug)

Masterplug revenue in the period increased by 15.3% to £33.2m (2015: £28.8m), driven by significant new business wins in the UK, Europe and USA. Approximately 75% of portable power products are sold on a FOB basis and are invoiced in US Dollars.

Masterplug is the dominant market leader in the UK and had an estimated market share of more than 40% in the period. Whilst we believe we can continue to grow our market share in the UK, the Group is also focused on international growth and enjoyed some significant international business wins during 2016.

International business

The Group has customers across 75 countries and continues to seek opportunities to expand its penetration into international distributors and retailers by winning both new customers in new territories and by increasing sales to existing customers cross-border, leveraging relationships with our pan-European customers.

Following the successful opening of start-up international sales offices in Germany and France in prior years, the Group opened new sales offices in Spain and Hong Kong during 2016. The Hong Kong office will target large global retail groups who have buying offices in the Far East.

EXECUTIVE REVIEW CONTINUED

Trading in the new financial year has been stronger than expected and the Group continues to have a robust pipeline of orders and new products to bring to market

Strategy

The Group's strategy remains unchanged from that outlined at the IPO and the Board remains focused on executing these growth plans.

Luceco's growth has resulted from investment in its Chinese facility and the creation of a wholly-owned supply chain, enabling the Group to reduce the cost and improve the quality of its products, as well as establishing a product development team for further diversification and growth through innovative product design and manufacturing excellence.

The Group combines this investment in Chinese manufacturing and product development with on-going investment in sales channel development on behalf of the Chinese operations.

The deleveraged capital structure and diversification of the Board with the addition of the independent Non-Executive Directors following October 2016's IPO, positions the Group to continue its strategy of growth, both organically and through targeted acquisitions.

Continued international expansion will be achieved through leverage of the existing customer base, increasing the Group's sales teams in each international office while also establishing new offices in strategic locations.

As stated at the time of the IPO, selected bolt-on acquisitions to supplement the Group's organic growth strategy will be assessed on a case by case basis where the Group sees the potential to consolidate the core UK market, improve its supply chain, expand its product range or access overseas markets.

Board changes

As part of the IPO, the Board was strengthened significantly. David Main joined the Board as Group Chief Financial Officer. John Barton was appointed as Senior Independent Director and Caroline Brown and Tim Surridge as independent Non-Executive Directors.

Current trading and outlook

Trading in the new financial year has started stronger than expected as the Group continues to grow market share of its key brands in the UK and other, newer markets, at margins in line with expectations. A strong order book, new business wins and a full pipeline of new product launches means that our growth forecasts for this year are well underpinned and we look forward to the remainder of the year with confidence.

Our strategy

- **Expansion of product range to deliver growth in revenue and profits**
- **Increase market share in LED products (Luceco)**
- **Increase market share of established core brands (BG and Masterplug)**
- **Develop international sales for all product offerings**
- **Targeted acquisitions**
- **Improve conversion of profit to cash**

Find out more
PAGES 20 AND 21

Financial review

Overview

Revenue has grown by 29.8% compared to 2015 (constant currency 22.1%), with double digit growth across all operating segments.

UK revenues have grown strongly, increasing 32.6% during the year to £114.8m (2015: £86.6m). This growth has been driven by significant new business wins, successful new product launches, penetration of more of the product range into existing customers and favourable currency movements.

International revenues have increased 15.2% to £19.0m (2015: £16.4m) and, while Luceco's market share remains very small outside of the UK, this provides the Group with enormous growth potential.

The Group distributes its products to suit its customers' requirements. This is mainly FOB for large retail customers. The Group's split of sales by distribution channel is 46% FOB and 54% direct distribution, this compares to 54% FOB and 46% direct distribution for the Group's UK business.

The increase in gross margin to 35.7% (2015: 32.8%) has been driven by a combination of favourable sales mix with new product innovations delivering higher margins, increased volumes within the Group's manufacturing operation and on-going product and process re-engineering.

Variable overheads, which comprise mainly freight costs, remain a consistent proportion of turnover.

The overhead base has increased by £7.8m to £30.2m (2015: £22.4m). This was primarily driven by growth in sales and marketing costs and an expansion of the Chinese manufacturing operations.

The Group continues to invest heavily in R&D to remain at the forefront of changing customer requirements and market trends. The Group has a substantial specialist research and development function in China, supported by a smaller team in the UK. R&D overhead in the year was £1.7m (2015: £1.6m), of which £1.6m (2015: £1.5m) was capitalised in line with IFRS accounting standards and consistent with prior periods.

Adjusted operating profit (before exceptional IPO costs) has increased to £17.6m (2015: £11.5m), giving a margin of 13.2% (2015: 11.2%). Adjusted operating profit on a constant currency basis (before exceptional IPO costs) is £18.8m generating a margin of 14.9%.

After taking account of exceptional IPO costs, operating profit was £15.0m (2015: £11.5m) representing an operating margin of 11.2% (2015: 11.2%).

Impact of foreign exchange movements

A summary of the Income Statement on a constant currency basis is below (with current year balances translated at last year's average exchange rates), demonstrating the impact of the volatility in exchange rates during 2016.

	As reported[2] £'m	Constant currency[3] £'m	Variance £'m
Revenue	133.8	125.9	7.9
Cost of sales	(86.0)	(78.0)	(8.0)
Gross profit	**47.8**	**47.9**	**(0.1)**
Operating costs	(30.2)	(29.1)	(1.1)
Adjusted operating profit[1]	**17.6**	**18.8**	**(1.2)**

1. Before exceptional IPO costs.
2. 2016 translated at average exchange rates for the period. These were 1.36 for £: US Dollar and 8.98 for £: CNY.
3. 2016 translated at 2015 average exchange rates. These were 1.52 for £: US Dollar and 9.61 for £: CNY.

The exchange rate movement in revenue, denominated mainly in US Dollars, is offset by an opposite movement in cost of sales, denominated primarily in CNY, creating a natural hedge at gross profit level as the CNY is largely pegged against the US Dollar.

The Chinese facility contributes significantly to the overhead costs and the exchange loss noted is due to the fluctuation in the CNY rate over the period.

Exchange rates are monitored regularly and CNY is purchased at forward exchange rates to minimise the impact on the Group's results.

Operating segment review

LED Lighting

	2016	2015	Growth %
Revenue	**£33.0m**	£23.3m	41.6
Operating profit	**£2.3m**	£1.8m	27.8
Operating profit margin	**7.0%**	7.7%	(9.1)

The strong growth in LED Lighting follows the expansion of the product range, the decision to move more production in-house, thereby aiding competitive pricing and increasing investment in project sales teams focused on LED retrofits.

At constant currency, revenue grew by 36.9%.

Operating profit of LED products has increased in value terms but the operating profit margin has decreased from 7.7% to 7.0% due to investment in overheads, most notably expansion of the product development and LED sales teams, which have increased to support future growth in 2017 and beyond.

Wiring Accessories

	2016	2015	Growth %
Revenue	**£62.2m**	£47.9m	29.9
Operating profit	**£11.3m**	£6.4m	76.6
Operating profit margin	**18.2%**	13.4%	35.8

Wiring Accessories accounted for half of the Group's revenue growth in value terms in the period due to general market share gains and on-going product development, for example USB charging wall sockets and circuit protection consumer units, as well as range expansion in decorative finishes and a price increase in the second half of the year following currency and inflationary pressures.

Revenue grew by 22.5% on a constant currency basis.

The increase in profitability was due to volume and favourable product mix with new product innovations and range expansions commanding higher margins.

EXECUTIVE REVIEW CONTINUED

Portable Power

	2016	2015	Growth %
Revenue	**£33.2m**	£28.8m	15.3
Operating profit	**£3.4m**	£2.9m	17.2
Operating profit margin	**10.2%**	10.1%	1.0

The increase in Portable Power revenue is a result of significant new business wins in the UK, Europe and USA in the second half of 2016. The Group has invested in expanding the cable reel product range to cover many international territories and has gained new international distribution partners for these new products.

At constant currency, revenue grew by 5.2%.

Ross and other

	2016	2015	Growth %
Revenue	**£5.3m**	£3.1m	71.0
Operating profit	**£0.6m**	£0.2m	200.0
Operating profit margin	**11.3%**	6.5%	73.8

Revenues mainly comprise TV brackets under the Group's Ross brand, which have increased as the Group re-engineered the product range to reduce product costs, thus enabling the Group to win some significant new retail contracts.

At constant currency, revenue grew by 61.2%.

Exceptional IPO costs

Exceptional IPO costs of £2.6m represent non-recurring costs associated with the IPO. These have been shown separately in the Income Statement to better reflect the performance of the underlying business.

Interest costs

Interest costs are lower than the prior year at £2.8m (2015: £3.2m). The £0.4m reduction is due to the repayment of the shareholder loans and certain Chinese banking facilities in October 2016 following the IPO.

The repayment of these loans reduced net debt to £29.4m (2015: £46.1m), which will subsequently result in lower interest costs going forward.

Tax

The amount of tax payable year-on-year is consistent, but the effective tax rate has reduced from 29.6% in 2015 to 20.8% in 2016.

The tax rate has been positively impacted by losses allowed in the year, via a loan rationalisation programme, that were previously considered uncertain and the recognition of previously unrecognised deferred tax assets. Little change in the effective tax rate is expected going forward as international operations gain critical mass and utilise carried forward tax losses.

Balance sheet

Non-current assets

The increase in non-current assets (excluding deferred tax) of £6.0m is represented by the expansion of the manufacturing and product development site in China coupled with on-going investment in new product development partially offset by depreciation and amortisation.

Working capital

Funds tied up in working capital have increased by £14.6m to £37.7m. Exchange rate movements accounted for £5.8m of the working capital increase when comparing on a constant currency basis (by translating the 2016 Balance Sheet at 2015 closing exchange rates), of which £5.2m related to stock.

Stock stands at £38.5m at 31 December 2016 (2015: £26.2m) which, based on current sales and production output, represents stock days of 145 (2015: 127 days) and a stock turn of 2.2 (2015: 2.6). With the organic geographical expansion, higher levels of stock were held in support of this and future growth. As order visibility improves and the LED Lighting business matures, this investment in stock will reverse. The high level of stock held at year end has negatively impacted working capital, which has increased by £14.2m in cash terms compared to last year, and reduced cash conversion from 59.3% in 2015 to 31.7% in 2016. It is recognised that the overall level of stock held is high compared to our activity and during 2017 stock levels will reduce as the business continues to grow, improving the working capital cycle and hence increasing cash conversion in line with our strategic objectives. Steady progress has been made since the year end.

At 31 December 2016, debtor days remained at 68 (2015: 68) despite the continued overseas expansion and higher proportion of international customers. With many customers typically on credit terms of 60-90 days, this level of debt is reasonable.

Creditor days are higher at 97 days (2015: 79) at the year end and the Group continues to enjoy good relationships with its suppliers who remain supportive of its wider growth plans.

Cash flow

	2016 £'m	2015 £'m
Adjusted EBITDA[1]	**20.8**	14.0
Adjusted operating cash flow[2]	**6.6**	8.3
Cash conversion[3]	**31.7%**	59.3%
Tax paid	**(1.3)**	(1.0)
Financing inflows	**4.2**	0.8
Capital expenditure	**(7.7)**	(5.3)
Exchange rate fluctuations	**0.1**	(0.2)
Net cash flow before exceptional IPO costs	**1.9**	2.6
Exceptional IPO costs paid	**(2.5)**	—
Net cash flow	**(0.6)**	2.6

The Group's net cash flow before exceptional IPO costs increased by £1.9m in the year but after deducting exceptional IPO costs paid of £2.5m, net cash flow reduced by £0.6m. Adjusted operating cash flow was £1.7m lower than last year at £6.6m (2015: £8.3m) as the adverse working capital movement of £8.5m was partially offset by the £6.8m favourable movement in adjusted EBITDA.

1. Adjusted EBITDA (earnings before interest, tax, depreciation and amortisation) and adjusted operating cash flow represent EBITDA and operating cash flow adjusted for exceptional IPO costs of £2.6m.
2. Adjusted operating cash flow is defined as adjusted EBITDA plus/minus movements in working capital.
3. Cash conversion is defined as adjusted operating cash flow divided by adjusted EBITDA.

Cash conversion has reduced to 31.7% at the year end due to the increase in stock which has adversely impacted working capital and adjusted operating cash flow.

The adjusted operating cash flow and the IPO (financing inflows) were used to fund the £7.7m investment in infrastructure to support future growth through expansion of the Chinese factory and new product development (2015: £5.3m), tax payments of £1.3m (2015: £1.0m) and the payment of exceptional IPO costs of £2.5m (2015: £nil).

Funding and covenants

The Group's capital structure has changed significantly since IPO, with shareholder loans and certain Chinese borrowings being repaid from the proceeds.

The Group has committed borrowing facilities in place in the UK comprising a £12m revolving credit facility ("RCF"), which was drawn down in full at the year end, and a maximum £30m invoice discounting facility with HSBC.

At the year end, the Group also had uncommitted and undrawn loan facilities in China of CNY 75m (£8.8m) (CNY 25m with China Construction Bank and CNY 50m with Industrial and Commercial Bank of China).

Net debt at 31 December 2016 stood at £29.4m, (2015: £46.1m), representing 1.4 x 2016 adjusted EBITDA and the Group continues to enjoy considerable headroom against its covenant requirements.

Dividend

The Board expects to pay dividends to the Company's shareholders twice in every financial year. The Board intends to balance the planned dividend with the working capital requirements of the business, its profitability and funding of planned expansion in line with its growth strategy.

The Board has recommended the payment of a final dividend of 0.3p per share in respect of the 2016 financial year, pro-rated for the period that the shares have traded publicly.

Subject to shareholder approval, the final dividend will be paid on 2 June 2017 to shareholders registered at the close of business on 5 May 2017. The ex-dividend date will be 4 May 2017.

Going forward, the Company is expecting to pay a dividend representing approximately 20% of profit after tax.

Going concern

The Group's projections show that the Group will be able to operate within its existing bank facilities and meet its debt covenants. The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and as such has applied the going concern principle in preparing the Annual Report and Financial Statements.

JOHN HORNBY
Chief Executive Officer

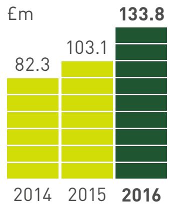
DAVID MAIN
Chief Financial Officer

3 April 2017

KEY PERFORMANCE INDICATORS

The Board uses key performance indicators to measure its progress against the Group's strategic objectives.

Revenue



Link to strategy

- Revenue is used to measure growth in operating segments and geographies and the success of the product range expansion

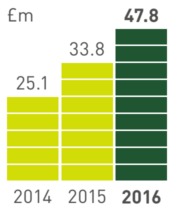
Definition

- Revenue from sales stated net of rebates and discounts

Link to remuneration

- Annual bonus and PSP are linked to growth
- Read more in the Remuneration Committee Report on pages 48 to 60

Gross profit



Link to strategy

- Gross profit measures the profitability of the growth and product range expansion in operating segments and geographies in value terms

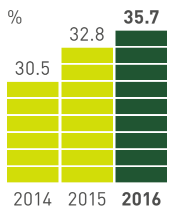
Definition

- Revenue from sales (net of rebates and discounts) less cost of goods sold

Link to remuneration

- Annual bonus and PSP are linked to growth
- Read more in the Remuneration Committee Report on pages 48 to 60

Gross margin



Link to strategy

- Gross margin measures the profitability of the growth and new products in operating segments and geographies as a percentage allowing ease of comparison

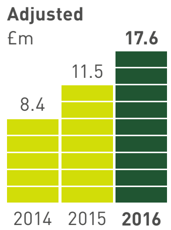
Definition

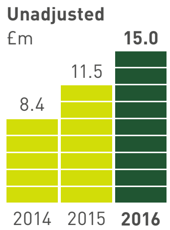
- Revenue from sales (net of rebates and discounts) less cost of goods sold, divided by revenue, expressed as a percentage

Link to remuneration

- Annual bonus and PSP are linked to growth
- Read more in the Remuneration Committee Report on pages 48 to 60

Operating profit (adjusted and unadjusted)





Link to strategy

- Operating profit measures the profitability of the growth derived from segmental, geographic and product range expansion
- Adjusted operating profit excludes non-recurring costs, which in 2016 represented exceptional IPO costs of £2.6m

Definition

- Operating profit is calculated as profit before interest and tax
- Adjusted operating profit excludes non-recurring costs from operating profit to reflect the underlying performance

Link to remuneration

- Annual bonus and PSP are linked to growth
- Read more in the Remuneration Committee Report on pages 48 to 60

Expansion of product range to deliver growth in revenue and profits

Increase market share of established core brands (BG and Masterplug)

Targeted acquisitions

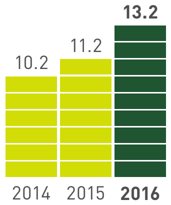
Increase market share in LED products (Luceco)

Develop international sales for all product offerings

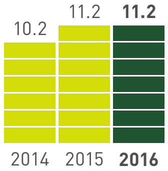
Improve conversion of profit to cash

Operating margin (adjusted and unadjusted)

Adjusted
%



Unadjusted
%



Link to strategy

- Operating margin measures the profitability, as a percentage, of the growth derived from segmental, geographic and product range expansion
- Adjusted operating margin excludes non-recurring costs. In 2016 this represented exceptional IPO costs of £2.6m

Definition

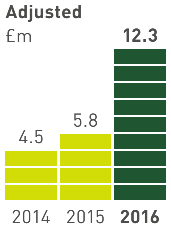
- Operating margin is calculated as operating profit divided by revenue, expressed as a percentage
- Adjusted operating margin excludes non-recurring costs from operating margin to reflect the underlying performance

Link to remuneration

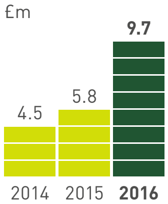
- Annual bonus and PSP are linked to growth
- Read more in the Remuneration Committee Report on pages 48 to 60

Profit after tax (adjusted and unadjusted)

Adjusted
£m



Unadjusted
£m



Link to strategy

- Profit after tax measures the impact of the combined strategic objectives on the whole of the business
- Adjusted profit after tax excludes non-recurring costs. In 2016, this represented exceptional IPO costs of £2.6m

Definition

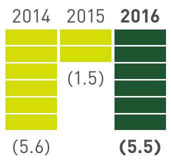
- Profit after tax is calculated as profit after charging all expenses, including interest and tax
- Adjusted profit after tax excludes non-recurring costs from profit after tax to reflect the underlying performance

Link to remuneration

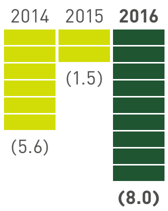
- Annual bonus and PSP are linked to growth
- Read more in the Remuneration Committee Report on pages 48 to 60

Free cash flow (adjusted and unadjusted)

Adjusted
£m



Unadjusted
£m



Link to strategy

- The determination of free cash flow measures performance of the conversion of profit to cash
- Adjusted free cash flow excludes non-recurring costs, which in 2016 represented exceptional IPO costs of £2.6m

Definition

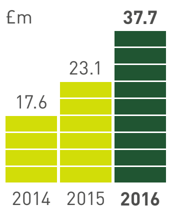
- Free cash flow is calculated as operating cash flow adjusted for cash flows in respect of investing activities, interest and taxes paid
- Adjusted free cash flow excludes non-recurring costs to reflect the underlying performance

Link to remuneration

- Annual bonus is linked to the generation of free cash flow
- Read more in the Remuneration Committee Report on pages 48 to 60

Working capital

£m



Link to strategy

- Working capital impacts the conversion of profit to cash, providing greater understanding of performance

Definition

- Working capital is the total of inventories and trade receivables less trade payables

Link to remuneration

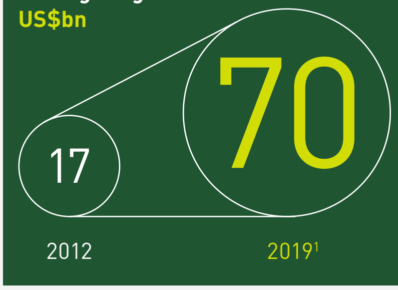
- Annual bonus is linked to the generation of free cash flow
- Read more in the Remuneration Committee Report on pages 48 to 60

MARKET OPPORTUNITY

Our brands are well established market leaders and LED provides exceptional growth potential for our business

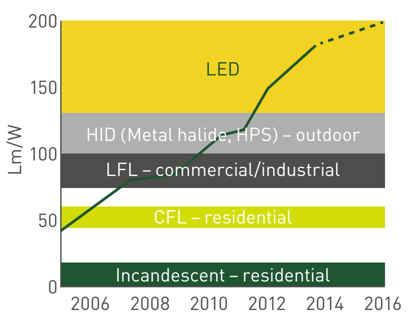
Clearly identified growth opportunities for our brands through product range expansion, increasing market share in existing channels and countries, targeting new markets and continuing our international expansion into new territories.

Global
LED lighting market
US$bn

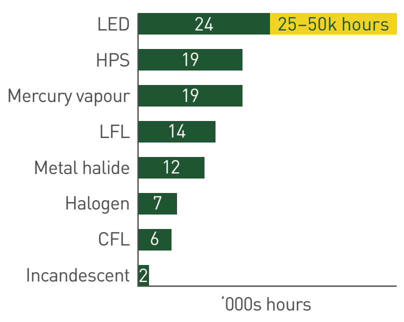


UK
LED lighting market
£bn

Efficacy by lighting technology[3] (Lumens/Watt)



Lifetime by lighting technology[4] ('000s hours)



Policy support for LED

- EU: restriction on incandescent bulbs in 2012
- US: restriction on incandescent bulbs in 2014
- China: restriction on incandescent bulbs in 2016
- EU: halogen lamps ban anticipated 2018
- Paris Agreement, signed by 178 countries, into force 2020

Government incentives for LEDs

- UK: tax relief on capex
- UK: interest free loans
- USA: rebates

1. Frost & Sullivan; World LED Lighting Market (2015 update).
2. AMA Research; LED Lighting Market Report – UK 2016-2020 Analysis (May 2016).
3. Goldman Sachs; LED lighting report.
4. US Department of Energy SSL forecasts.

LUCECO

The disruptive change in technology allows Luceco to further expand its product offering across existing and new distribution channels and geographies. As the pace of this change accelerates, Luceco is well placed to gain market share as it has no legacy lighting business.

The global LED lighting market is forecast to grow to a total approximate size of US$70bn by 2019[1]. In the UK, where the Group mainly operates, the market is expected to grow to a total approximate size of £1.2bn by 2019 from £651m in 2015[2]. It is estimated that in 2015 only 15% of the UK's installed lighting fixtures were LED[2].

In addition to new lighting installations, there is a significant retrofit opportunity in converting existing buildings to LED lighting. The falling cost of LED products is expected to support this as payback periods and upfront capital costs reduce.

The global adoption of LED lighting is supported by public policy, for example, the banning and/or restriction on incandescent bulbs in the European Union ("EU") (2012), the United States (2014) and China (2016). A ban on halogen lamps within the EU is expected to come into force in 2018 and the Paris Agreement, signed by 178 counties in April 2016, has established a framework for reductions in energy consumption or greenhouse emissions which will come into force in 2020. This is in addition to the binding targets for EU members to reduce energy consumption across the EU by 20% compared to 1990 levels.

There are also financial incentives or support schemes in place to support the adoption of LED lighting products. In the UK, businesses can receive tax breaks via enhanced capital allowances and public bodies can receive interest free loans.

Rebates are offered in the United States if the LED product conforms to certain criteria; the Group's product range meets these standards.

The overall market for wiring accessories has shown strong growth, to an estimated size of £248m in 2016 in the UK, rising from £220m in 2011[3]. The Group has outperformed this market growth due to market share gains.

The market has been supported by an increased need for product innovation; favourable growth in the construction and house-building markets driving end-user demand for electrical accessories and the recent change in the UK regulatory environment for circuit protection. The UK circuit protection market was estimated at £356m in 2015[3], giving the Group scope for further penetration.

Opportunities exist in the development of energy efficient products as businesses and consumers become increasingly aware of the rising cost of their energy consumption. The increasing installation of smart meters also presents further opportunity for the development of related electrical accessories.

Revised wiring regulations are due to be published in July 2018, which in addition to promoting safety is also expected to allow for additional international harmonisation, providing further scope for innovative product development.

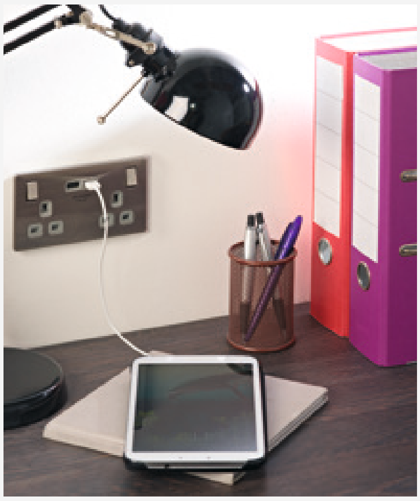
Wholesalers are expected to continue to be the main route to market as well as hybrid trade distributors who are becoming more significant to the distribution market.

The portable power market has an estimated UK size of £68m in 2016, rising from £51m in 2011[3]. Demand for portable power products has been steady, with growth attributable to favourable performance in the construction and house-building sectors, product innovation as a result of increased smartphone adoption (for example USB charging points on extension cables) and the Group's strong Masterplug brand resulting in increased demand from retail customers.

Industry forecasts predict steady growth in this sector. Pressure on pricing is expected to remain, although this is influenced by copper price and exchange rate fluctuations.

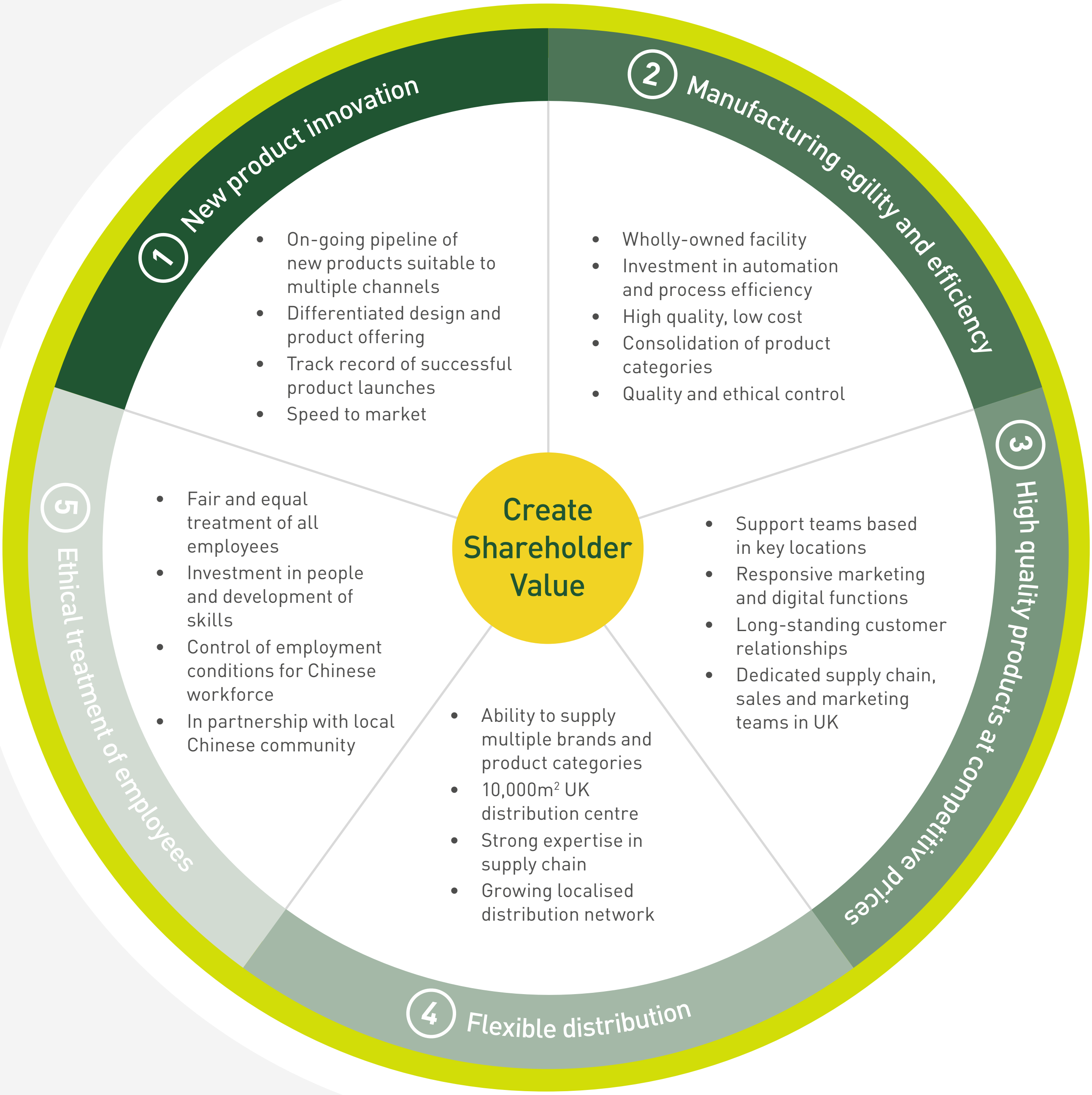
Retailers, particularly in the DIY sector, are rationalising their supplier base and moving to suppliers with large product offerings and those who can offer additional services such as merchandising or stock management. The Group is well placed to meet the needs of its customer base.

Many retailers have national and international store networks which the Group can leverage, with its innovative and extensive product range, to enter new regions.



BUSINESS MODEL

Luceco differentiates itself by owning its supply chain, providing significant competitive advantages via flexible operations



Luceco's vertically integrated model has allowed the Group to create a strong value proposition for its customers with a unique combination of branded, high quality products at competitive prices, combined with rapid product innovation, commercial support and flexible distribution.

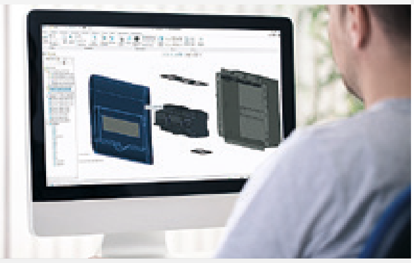
Luceco's model has been successful in the Group's main operating market, the UK, and is becoming increasingly relevant in Europe where retailers are copying the UK model. This market dynamic will provide further growth opportunities.

The key features of the Group's business model are:

1 NEW PRODUCT INNOVATION

Product development is mainly undertaken at the Chinese site, where there is a team of over 100 product developers and engineers and supported by a small UK-based team. In-house development and proximity to the factory allow the Group to respond quickly to market trends, commence manufacture and launch the product to market well in advance of its competitors.

READ MORE ON PAGE 28 TO 33



2 MANUFACTURING AGILITY AND EFFICIENCY

Having invested in a Chinese factory, the Group has certainty of demand, clear visibility on required product mix and is able to invest in automation, process engineering and other cost reduction activities. This enables greater efficiencies compared to other Chinese manufacturers who are contracted for fixed periods and do not have long-term certainty of demand. The Telford facility quickly adapts to the advances in technology and new products that are developed by its Chinese counterpart, benefiting customers who are serviced from both locations.

READ MORE ON PAGE 26 AND 27

3 HIGH QUALITY PRODUCTS AT COMPETITIVE PRICES

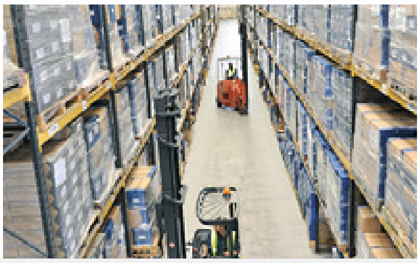
Through owning its own factory in China, the Group can manufacture its products at a low cost but with increased control over the sourcing of raw materials, manufacturing processes and robust quality control of the end product. This is further supported by a dedicated customer support team in China. The UK facility capitalises on the quality, low-cost supply channels used by the Chinese operation.

READ MORE ON PAGE 28 TO 33

4 FLEXIBLE DISTRIBUTION

The Group can operate under the commercial arrangements most suited to each customer. Large retail and trade customers tend to source directly in China, operating on either a FOB basis, where the customer takes ownership of stock before shipping negating the requirement for the Group to hold stock or the Group imports its products from the Chinese factory and transports them from its UK facility directly to the customer.

READ MORE ON PAGE 34 AND 35



5 ETHICAL TREATMENT OF EMPLOYEES

The fair and ethical treatment of all of its employees is of key importance to the Group, particularly in China where it is widely recognised that workers' rights can be compromised to deliver goods at low prices. We encourage customers to visit our Chinese operation where they can witness the working conditions of the team throughout the process.

READ MORE ON PAGE 36 AND 37

OUR STRATEGY

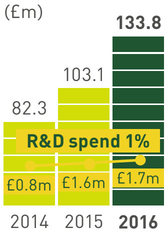
Luceco is an exciting growth story and well positioned to execute its expansion strategy

The Group's strategy has been to organically grow revenue and profits by leveraging its Chinese facility to develop new products, to sell through existing channels and into new geographies.

	Expansion of product range to deliver growth in revenue and profits	**Increase market share in LED products (Luceco)**	**Increase market share of established core brands (BG and Masterplug)**
Objectives	• Focus on innovation and speed to market for new products, particularly within Luceco and BG brands • Adjust existing products to be compatible with requirements in target markets	• Expansion of LED projects team to meet expected additional customer demand in retrofit market • Increase LED product sales, leveraging existing customer and distribution channels • Enter new customer markets including UK house-builders	• Increase range of products sold to new and existing retail and distribution customers
Measurement	• Number of new products launched • R&D spend as a proportion of revenue	• Estimation of market share held • Value of LED sales	• Estimation of market share held by brand • Value of sales by brand
KPIs	R&D spend versus revenue (£m); 140 new products launched in 2016	Luceco UK market share	BG UK market share; Masterplug UK market share
Risks	• Disruption to manufacturing operations • Input costs • Loss of market share • Concentration	• Disruption to manufacturing operations • Loss of market share • Concentration	• Disruption to manufacturing operations • Loss of market share • Concentration

KPIs

R&D spend versus revenue
(£m)



new products launched in 2016

Luceco
UK market share

BG
UK market share

Masterplug
UK market share

The Group is well positioned to execute its strategy over the next three years by continuing to pursue growth; bringing new products to market and developing its existing product range for new markets; increasing its market share across all brands in new and existing channels; targeting new markets and progressing its international expansion.

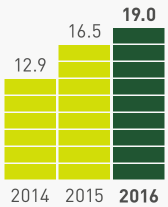
These growth initiatives will be supported by continued investment in our operations and will focus on improving free cash flow and delivering value to our shareholders.

Develop international sales for all product offerings

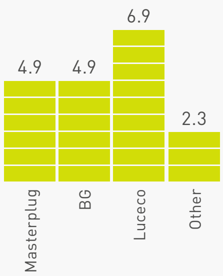
- Expand sales to countries with same electrical standards as UK (Middle East, countries in Africa and Asia)
- Sell internationalised product range to existing customers cross-border and to new customers through newly opened overseas offices

- Value of international sales
- Value of international sales by brand

International sales (£m)



2016 international sales by brand (£m)



- Disruption to manufacturing operations
- Loss of market share
- Financial impact of international operations

Targeted acquisitions

- Consolidate UK market, delivering supply chain efficiencies
- Create access to new distribution channels in new territories
- Entry to new markets with an established customer base

- Number of acquisitions
- Number of new territories entered

2 territories entered in 2016

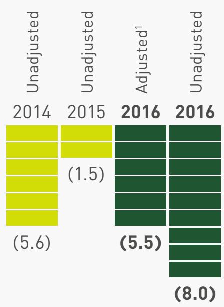
- Regulatory non-compliance
- Pursuit of the acquisition strategy

Improve conversion of profit to cash

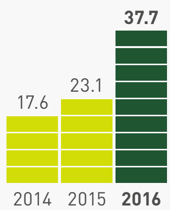
- Continue to improve working capital management
- Reduction in the length of the working capital cycle

- Value of free cash flow
- Value of working capital

Free cash flow (£m)



Working capital (£m)



- Disruption to manufacturing operations
- Input costs
- Loss of market share
- Concentration
- Financial impact of international operations

1. Adjusted free cash flow represents free cash flow adjusted for exceptional IPO costs of £2.6m. Free cash flow is defined on page 15.

PRINCIPAL RISKS AND UNCERTAINTIES

The Board is responsible for identifying, reviewing and managing business and operational risk

Principal risks and uncertainties

The Board is responsible for identifying, reviewing and managing business and operational risk. It is also responsible for determining the level of risk 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 44 to 46. The Group's risk management process is set out below.

The principal risks identified and actions taken to minimise their potential impact are included in pages 23 to 25. 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 page 25 considers the prospects of the Group should a number of these risks crystallise together.

Risk management process

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

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

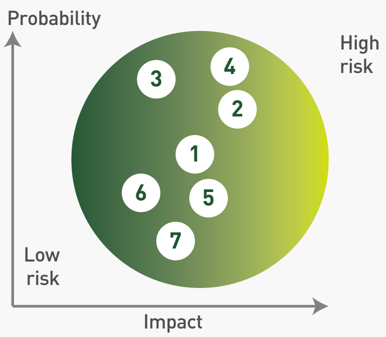
The Audit Committee reviews risk management at each meeting and is provided with an update in respect of progress made in the reduction of existing risks, summary of newly identified risks and the actions agreed to reduce them to an acceptable level.

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.

Senior management →	Executive Directors →	Audit Committee →	The Board
Reviews and updates the risk register for new risks, identify mitigations in place and recommend actions to reduce risk	Review and challenge the risks identified and the actions proposed to mitigate them; approve and monitor agreed actions	Monitors and reviews the risks in conjunction with the internal control framework, audit process and financial reporting	Holds overall responsibility for effective internal control and risk management

Heatmap



1: Disruption to manufacturing operations
2: Input costs
3: Loss of market share
4: Concentration
5: Financial impact of international operations
6: Regulatory non-compliance
7: Pursuit of the acquisition strategy

Risk 1: Disruption to operations

The Group's key manufacturing operation is based in China. Any change to China's current political situation could impact the Group's ability to manufacture its products. The Group is reliant on the UK and Chinese sites remaining fully operational at all times.

The Group is reliant on its IT systems to ensure its operations function efficiently. Any loss of IT service or compromise of IT security (through a cyber attack) could adversely impact the business.

Impact	Mitigation	Link to strategy
• The Group's Chinese operation and supply chain could be adversely affected if there is any disruption to legal, political, economic or social conditions in China • If the key operational sites went offline for any reason or period of time, it would have a material adverse effect upon the Group's ability to manufacture and bring its products to market, severely impacting its business, financial position and future prospects • Loss of sensitive data as a result of an IT security breach could negatively impact the Group's operations and reputation	• The Board and senior management team are in regular liaison with their Chinese counterparts and aware of any changing dynamics in the country • The Group has an IT strategy and a disaster recovery plan in place to protect its operations • The Chinese factory comprises separate buildings, reducing disruption • Appropriate precautions are taken in all factories and warehouses to safeguard against theft and fire • IT security systems in place, and tested regularly, to protect commercial and sensitive data • IT technological and security developments are monitored regularly	**Expand product range** **Develop LED** **Increase market share** **International business** **Profit/cash conversion**

Risk 2: Input costs

Raw materials represent a significant cost to the Group. The Group faces risks from copper price volatility and is reliant on third parties to supply some of its products and components.

Impact	Mitigation	Link to strategy
• Suppliers may increase product prices as a result of copper or other commodity price fluctuations, reducing profit margins • Profitability will be negatively impacted if the Group is unable to pass price fluctuations on to its customers or there is a time lag in achieving a price increase • Suppliers may not fulfil order requirements or products may be of poor quality, negatively impacting the Group's reputation, financial position and contractual commitments	• Copper prices are monitored regularly. Where fluctuations are severe, the exposure is determined and customer pricing is considered and adjusted accordingly • Price fluctuations are passed on to customers as soon as practicable • The Group has long-term relationships, and some exclusive arrangements, with its suppliers who reliably fulfil orders to the required standard • Quality control teams are in place at all key operational locations to ensure quality of supply	**Expand product range** **Profit/cash conversion**

Risk 3: Loss of market share

The Group could lose market share through the loss of one or more of its major customers with whom it does not have long-term contracts, or if it is unable to maintain its innovative edge, particularly in the competitive LED lighting market where barriers to entry are low.

Impact	Mitigation	Link to strategy
• Any reduction in the Group's revenue or market share would have a material adverse effect on the Group's future prospects • LED technology is constantly changing and customer demand rapidly evolving, giving risk of product obsolescence • Any defence or claim against intellectual property ("IP") rights could be costly to instigate and pursue • Infringement of third-party IP would limit the Group's product offering and ability to compete • Customers could stop trading with the Group at short notice as many agreements are on a rolling annual basis	• The Group invests heavily in R&D to remain at the forefront of capturing and delivering changing customer requirements and market trends • The Group registers its designs with the design and patent office in the country of the market the product is sold in • The Group has long-standing relationships with many of its customers and works closely with them to meet their requirements • Dedicated customer support teams in all key trading locations maintaining excellent customer service	**Expand product range** **Develop LED** **Increase market share** **International business** **Profit/cash conversion**

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

Risk 4: Concentration

Approximately 86% of the Group's revenue is generated from the UK and profitability is directly influenced by the UK economic climate.

The Group has a large number of customers but there is significant concentration within the customer base. This concentration presents a risk should one or more of the customers cease purchasing from the Group. Customer agreements are typically on a rolling annual basis.

Impact	Mitigation	Link to strategy
• Any economic downturn in the UK economy could adversely impact the Group's financial position if demand for its products reduces and there are limitations on its ability to increase or maintain its prices • A significant proportion of the Group's trade is with a small number of customers that are not committed to purchasing the Group's products on a long-term basis. Customers could cease to purchase from the Group at relatively short notice negatively impacting trading and working capital as there would be a lag in adjusting manufacturing volumes	• Mitigation through innovation and product development as diversification of products enables the Group to grow by exploiting market gaps protecting it from any market downturn • The economies and markets of all the Group's operations are reviewed regularly by the Board with mitigating action taken • Continued international expansion will lessen reliance on any particular economy or customer • The Group has long-standing relationships with its customers providing a strong competitive barrier • The Group's ability to rapidly embrace new consumer trends and its distribution flexibility make it a valued supplier	**Expand product range** **Develop LED** **Increase market share** **Profit/cash conversion**

Risk 5: Financial impact of international operations

With its Chinese operation and FOB sales, the Group is exposed to exchange rate fluctuations of the CNY and US Dollar as a significant proportion of the Group's revenue is invoiced in US Dollars and the majority of costs are paid in CNY.

The UK's referendum decision to leave the EU also presents a risk to the business. In the short term, the Group is managing the associated currency volatility but the longer-term risks of this decision are not yet clear. The Board continues to monitor the position closely.

Impact	Mitigation	Link to strategy
• Any weakening of Sterling relative to the US Dollar and CNY, could adversely affect profit • There will be a time lag from the change in exchange rate to any recovery through pricing with a potential negative impact on profit • The UK referendum decision and negotiations may cause further currency volatility, potentially adversely impacting profits	• The Group hedges excess CNY net outflows over US Dollar net inflows • Currency fluctuations mitigated by hedging policy; pricing action is undertaken when appropriate • Continued international diversification will dilute the impact of currency fluctuations	**International business** **Profit/cash conversion**

Risk 6: Regulatory non-compliance

The risk of regulatory non-compliance is increasing as the Group is expanding rapidly into new territories, each with its own laws and regulations. Keeping up to date with changing laws and regulations is also a risk that the Group faces with its current operations.

Impact	Mitigation	Link to strategy
• Changes in the laws and regulations in the countries the Group operates in could result in incurring costs and adversely impact its reputation should it be found to be non-compliant with any aspect • The Group's third-party supply chain in China may not meet the Group's ethical resourcing standards, compromising its reputation	• The Board monitors the changing landscape of laws and regulations in the jurisdictions in which it operates • The Board seeks appropriate advice before setting up operations in new territories • The Group has long-standing relationships with its suppliers and the Executive Directors frequently visit their operations	**Acquisitions**

Risk 7: Pursuit of the acquisition strategy

The acquisition strategy may incur substantial expense and divert management attention from the day-to-day business. The ability to pursue such a strategy is dependent upon the retention of key personnel to ensure that there is no disruption to the Group's operations.

Impact	Mitigation	Link to strategy
• Expenses may be incurred, whether or not an acquisition is completed, reducing profitability • The cost and integration of an acquisition may reduce profit and increase indebtedness in the short-term • Time required in pursuit of an acquisition may divert attention from other business concerns	• Costs are tightly controlled and cash flow is monitored daily • The Board closely monitors the strategy and the resources required to deliver it • The Group has an experienced senior management team in place to ensure that the day-to-day activities of the Group's business are managed effectively	Acquisitions

VIABILITY STATEMENT

In accordance with the requirements of section C2.2 of the 2014 revision of the UK Corporate Governance Code, the Directors have assessed the prospects of the Group for a longer period than the twelve months required by the going concern principle by performing a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.

The Board has conducted this review over a three-year period to 31 December 2019 as it aligns with the period covered by the Group's strategic objectives as set out in pages 20 to 21.

In assessing the viability of the Group over this period, the Board has considered the realistic, worst-case scenario of several of the principal risks set out in pages 23 to 25 crystallising and the impact that would have on the forecast financial position. In assessing whether the Group could withstand such negative impacts, the Board has considered cash flow, impact on debt covenants and headroom against its current borrowing facilities. In such a scenario, any return to shareholders would be reduced.

The main risks that the Board has considered in performing its review are the reduction in revenue and margins if it were unable to maintain its market share through loss of customers, a downturn in the UK economy or loss of innovation and development momentum, the impact of any disruption to its own manufacturing operations and the effect of an increase in the price of raw materials.

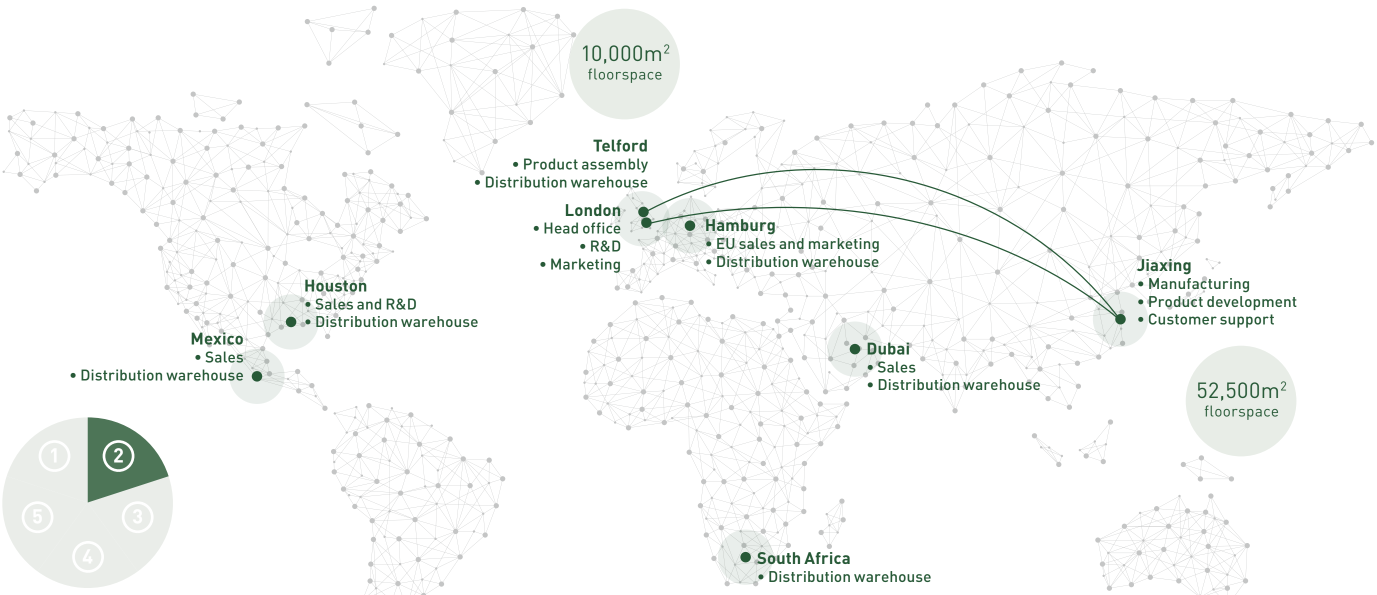
In the situations reviewed, the business remained robust, with sufficient funding and headroom and compliance with key covenants to remain in operation over the period reviewed. The Board considers that the long-term relationships it has with many of its key customers and suppliers helps to protect the Group and gives it the resilience to withstand such scenarios materialising.

After conducting the viability assessment, the Board considers that the Group will be able to continue in operation and to meet its liabilities as they fall due for the three-year period covered by its strategy to 31 December 2019.

OUR OPERATIONS

The Group has a global spread and an expanding international footprint

The key sites are the manufacturing, product development and customer support facility in Jiaxing, China, its UK assembly, distribution warehouse and business operations in Telford and head office in London.



2 Manufacturing agility and efficiency

▶ Business model pages 18 and 19

Highlights

- New offices opened in Spain and Hong Kong
- Expansion of Chinese facility to 52,500m²
- 10,000m² of warehouse space in the UK

The Group's vertical operating model allows it to create a strong value proposition for its customers with a unique combination of branded, high quality products at competitive prices, rapid product innovation, commercial support and flexible distribution.

UK operations

A UK assembly and distribution warehouse, housing 10,000m² of floor space, is maintained in Telford (situated 30 miles from Birmingham with good transport links) to service the needs of the customers who prefer to transact with a local business rather than sourcing directly from China.

The Group manufactures and assembles approximately 60% of its product range in-house in its Telford or Chinese facilities.

The Telford site also houses the Group's UK sales, accounting and support functions, as well as a portion of the Group's research and development function (who work closely with the R&D teams in China).

The London office serves as the Group's head office, where the executive function and certain sales and support functions are based.

Chinese operations

The Group's wholly-owned manufacturing, product development and customer support facility is based in Jiaxing, China (approximately 100km from Shanghai).

The facility first opened in 2008 and has been subsequently expanded in 2011 and 2016, taking the facility from 12,500m^2 in 2008 to 52,500m^2 in 2016.

The aim was to benefit from the low-cost manufacturing in China with access to electronics knowledge and supply base and increased control compared to using sub-contractors, where the Group cannot control quality or the ethical treatment of employees. This enabled the Group to be more flexible to respond to market trends with innovative product development and the potential to become a key supply partner to trade and retail customers.

In addition to a factory, the Chinese operation also houses approximately 100 product development staff and engineers from which the Group has established a strong track record of successful product launches, rapid speed to market and delivery at low cost.

The strategic placement of the factory near Shanghai allows the Group's larger retail customers to source directly on a FOB basis, whereby the customer takes ownership of the goods before shipping. The existence of a Chinese customer support team is also of considerable value to the Group's customers.

Other international operations

The Group has opened a network of international sales offices, many still at an early stage in their development, to build market share in new territories and leverage the Group's manufacturing and product development facilities in China.

The Group has an established sales office and distribution warehouse in Dubai (opened in 2003). This office previously focused on sales of wiring accessories under the BG brand, as certain Gulf States and African countries have common wiring standards with the UK. More recently, the sales office has expanded to offering UK-assembled Luceco LED products.

The Group has opened sales offices and a distribution warehouse in Europe to acquire new customers locally and to further develop existing relationships with international retailers with a European presence. The Group has offices in France (opened in 2014), Germany (opened in 2015) and Spain (opened in 2016).

Sales offices and distribution warehouses were opened in the United States in 2014 and Mexico in 2015 to build market share as these countries transition to LED lighting.

The Group opened a sales office in Hong Kong in 2016 to target the buying offices of global retailers based in the Far East.

There is also an additional distribution warehouse in South Africa.

PRODUCTS

LED Lighting

LUCECO

Environmental and energy-saving LED lighting, providing commercial and domestic lighting solutions

Luceco

- Established in 2013 to address the rapidly growing LED market
- Distributed via the Group's established channels
- Already an established trade brand in the UK market and penetration increasing

Rapid growth of LED market

- Once-in-a-generation transition from traditional lighting into LED offers a disruptive market entry
- Improving technology will see LED replace all other lighting sources over time
- Global LED lighting market will grow to c.$70bn by 2019[1]
- CAGR of 290.4% between 2013 and 2015

Titan High Bay
The LED alternative to traditional lighting, perfect for industrial environments

Group revenue (%)

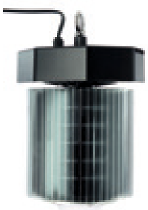
UK market share (%)

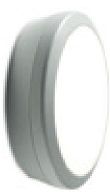
The Luceco brand was established in 2013 as the transition from legacy lighting technologies to LED offered a disruptive entry point into a rapidly growing market. The Directors estimate the Group's current market share in the UK LED lighting market to be 4% with revenue of £33.0m in 2016 compared to £1.5m in the year of product launch in 2013.

1 New product innovations

3 High quality products at competitive prices

▶ Business model pages 18 and 19





The product range has grown organically, with the majority of LED products manufactured and assembled in-house at the Group's Chinese and Telford facilities.

The Luceco LED lighting range is focused on commercial users and consists of:

- Interior lighting including panels, down lights, battens and high bay
- Exterior lighting including floodlights, bulkheads, road lights and bollards
- Retrofit lamps and tubes including replacement bulbs and tubes for existing light fixtures

Routes to market

The product range is sold through the same routes to market as the Group's other product ranges: via retailers, trade wholesalers, distributors and as a new route to market through the Projects sales team.

Product advantages

The growth in the LED lighting market is being powered by the push for greater energy efficiency and the corresponding cost savings that can be achieved by switching to LED lighting versus competing technologies.

The key features of LED lighting are:

- Efficiency: LED lighting products can have efficiencies of 15 times that of traditional (incandescent) light sources
- Lifetime: LED lighting products can have a lifetime of up to 100k hours compared to 3k for traditional (incandescent) light sources, significantly reducing replacement frequency and associated maintenance costs
- Cost: LED product manufacturing costs are falling as components become cheaper. These cost savings are passed onto consumers. The cost of LED lighting is increasingly comparable with other lighting technologies

Expectations

Management believes that the global adoption of LED lighting will continue for a significant period of time due to varying penetration rates across different applications and geographies. International harmonisation of lighting standards provides further opportunity for expansion.

Technological improvements, decreasing component costs and new developments are expected to increase LED lighting penetration rates further.

We believe there is significant potential to increase the Group's current 4% market share due to the scale of the global opportunity and its ability to capitalise on its product innovation, Chinese manufacturing facility and pre-existing distribution channels.

The key features driving growth are:

- Product efficiency
- Increased product lifetime
- Cost reduction
- Smaller payback periods on LED retrofit
- Supportive public policy and financial incentives

1. Frost & Sullivan, World LED Lighting Market (2015 update).

PRODUCTS

Wiring Accessories

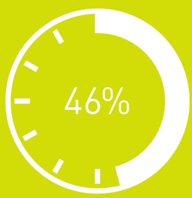
A wiring accessory manufacturing brand serving the professional electrical trade and specialists

BG

- Long-established trade brand dating back to 1941
- A market leader in 2016
- Significant market share gains
- Comprehensive and innovative product range
- Product examples: switches, sockets and circuit protection
- CAGR of 15.9% between 2013 and 2015

USB sockets
Charge USB devices whilst keeping sockets free for use

Group revenue (%)



UK market share (%)

Established in 1941, BG is a well respected brand and a market leader in the UK wiring accessories market with a share of approximately 19%[1]. Wiring Accessories revenue has increased from £35.7m in 2013 to £62.2m in 2016.

1 New product innovations

3 High quality products at competitive prices

▶ Business model pages 18 and 19

The BG product range consists of:

- Wiring accessories comprising a range of switches and sockets in both plastic and decorative metal finishes. The range also includes USB charging sockets and exterior or weatherproof accessories
- Circuit protection comprising circuit protection consumer units (fuse boxes) and industrial switches
- Cable management and other accessories, including cable trunking

The BG product range is manufactured and assembled in the Group's facilities in China and Telford. The product range offered benefits from the Group's sizeable R&D department and new products bought to market include range enhancements following the highly successful introduction of USB charging sockets (2014) and circuit protection consumer units (2015).

Sales of BG products are focused in the UK and in other countries with common wiring and British electrical standards, including certain Gulf States, African and Asian countries.

Routes to market

The Group distributes its BG product range through retailers, UK and international trade wholesalers and distributors, including members of wholesaler buying groups and hybrid trade distributors.

Expectations

The Group has a strong track record of bringing new products to market and plans to target new adjacent product lines including door chimes and lighting controls. Its sizeable R&D team coupled with the wholly-owned Chinese manufacturing capability keep the Group at the forefront of new technological advances and enable it to maintain competitive prices.

The Directors believe market share can be further increased by continued expansion of its competitively priced product range to existing customers and targeting new adjacent customers, such as house-builders.

The key features driving growth are:

- Product innovation, notable successes include USB sockets and consumer protection units
- Range expansion introducing numerous decorative finishes
- Growth in construction and house-building markets driving end-user demand

1. AMA Research: Electrical Products Market Data, 23 August 2016.

PRODUCTS

Portable Power

Established UK market leader
serving retailers and trade wholesalers

Masterplug

- Brand established in 1988
- A market leader in 2016 following significant market share gains
- Product examples: cable reels, extensions
- CAGR of 7.0% between 2013 and 2015

Pro-XT cable reel
The professionals' choice for portable power

Group revenue (%)

UK market share (%)

Masterplug is the Group's Portable Power brand. Masterplug was established in 1988 and has been part of the Group since 2000. Masterplug is the UK market leader in the product ranges it offers, with approximately 40% of the UK cables and extension leads market[1]. Portable Power revenue has grown steadily from £25.0m in 2013 to £33.2m in 2016.

1 New product innovations

3 High quality products at competitive prices

Business model pages 18 and 19

The increase in revenue is driven by the Group's dominant UK position and growth in international markets.

The Masterplug product range mainly comprises:

- Cable reels
- Extension leads
- Surge protection devices
- Timers
- International socket adaptors for indoor and exterior applications which can be sold in overseas markets

The Group also sells a higher quality sub-range under the name Pro-XT and a limited number of unbranded products to its long-standing customers.

The Masterplug product range is primarily manufactured by a third-party supplier in China, under an exclusive arrangement, with whom the Company has had a 15-year relationship.

Routes to market

The Group distributes its Masterplug range through retailers, selected trade wholesalers and online retailers. The Group has a well-diversified blue-chip customer base, of which it has many long-standing relationships.

Expectations

The Group will continue to drive sales through maintaining UK market share and expand sales to international retailers by winning new customers in new territories and increasing sales to existing customers cross-border.
The Group has recently opened international offices to facilitate this expansion.

The key features driving growth are:

- Product innovation as a result of smartphone adoption
- Significant new business wins in second half of the year
- Leveraging pan-European customer relationships

1. AMA research: Electrical Products Market Data (August 2016).

ROUTES TO MARKET

Flexible routes to market to suit the needs of the individual customer

Customers are served by three core routes to market comprising Retail (including DIY, grocery, consumer electrical, high street and online), Trade Distribution (including hybrid distributors, wholesalers and trade-buying groups) and Projects (who undertake demand creation activities with end-users and contractors).

4 Flexible distribution

▶ Business model pages 18 and 19

Highlights

- High customer satisfaction due to product quality and service
- Broad customer base underpinned by customer loyalty
- LED projects growing rapidly as LED adoption increases

Trade Distribution

The Group's Trade Distribution channel sells predominantly BG and Luceco LED products to UK and international trade wholesalers and distributors.

Distributors include wholesaler buying groups comprising a mixture of independent wholesalers and larger multi-site wholesalers and hybrid trade distributors which also have a retail offering. Products offered are typically lower in value or more technical, requiring a more specialist installation or qualified end-user.

The Group tends to negotiate contracts directly with the large distributors or wholesalers, whereas smaller wholesalers increasingly belong to buyer groups. Within buyer groups, pricing and contract structures are negotiated at the buyer group level enabling terms to be standardised across its members and removing the need to negotiate with individuals. Members simply choose the brand they wish to stock and the quantity they wish to purchase. The Group is well represented in the UK's major buying groups with capacity for greater range and individual consumer penetration.

The Group has developed long-standing relationships with many of its Trade Distribution customers who have shown strong brand loyalty and have readily adopted new product ranges when introduced. This is in part due to the Group's reputation for quality, value and excellent customer service. The Group maintains a strong dialogue with customers in this channel to guide product development and match product introductions to market demands.

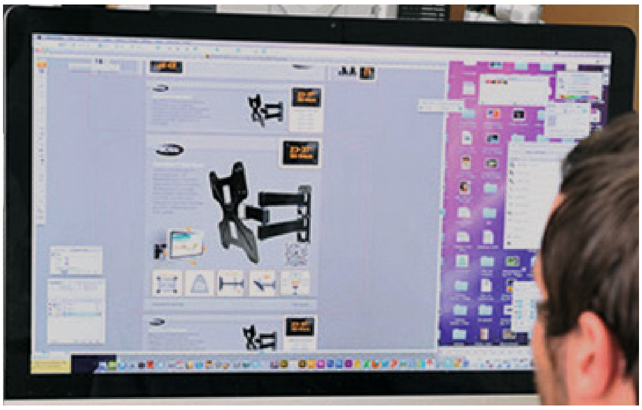
The Trade Distribution channel is served by 21 sales employees in the Group's Telford office, with additional sales employees based at the London office and overseas servicing more than 700 customers who collectively are estimated to have over 4,800 outlets.

Retail

The Retail channel sells the Group's products to a diversified range of retailers including blue-chip DIY, grocery, consumer electrical, high street and online retailers. The products sold are often higher in value and more customer orientated, for example more decorative or easy to install.

UK Retail

Historically, the Group predominantly sold the Masterplug range to UK retailers. Recently, the Group has moved to offering its full brand range (BG and Luceco) to retailers and has been successful at increasing the penetration within its major blue-chip customers, aided by the trend of supplier rationalisation within the DIY retail sector.



The Group offers a "one-stop solution" via the widest possible product range, including stock management and store merchandising services (where the Group is able to monitor the level of its stock with the customer and is able to assist in creating in-store or online retail spaces from which its products are sold).

The large retail customers tend to operate a centralised stocking model whereby the retailer holds stock centrally and resupplies stores accordingly. The Group is well positioned to support this model as it can fulfil large orders from its Chinese factory and supply on a FOB arrangement allowing the Group to service large international customer store networks without the logistical or stock keeping requirements.

The Group can also leverage access to retailers' national and international networks to increase penetration in new regions as retailers are often keen to harmonise suppliers.

The Group has long-standing relationships with many of its UK retail customers, and this customer base is served by 27 sales employees based in the Group's Telford office, with additional sales employees based at the Group's London Office and overseas. Separate sales teams also target nationwide retailers and smaller independent retailers.

International Retail

International retail is an area of opportunity as the Group seeks to expand its market share by winning new customers in new territories and by increasing sales to existing customers cross-border.

The Group has recently opened international sales offices in Germany, France and Spain to facilitate this expansion, and an office in Hong Kong to deal with the Far East buying offices of global retailers. This international expansion is supported by the Group's FOB capabilities, minimising the requirement for local stock build up when the Group enters new territories and to fulfil orders in China regardless of the product's end destination.

In the rest of Europe, retailers selling the Group's product categories have tended to be less centralised but have recently started to move towards the centralised UK model. This fragmentation makes the market more competitive as it allows suppliers with less presence in the UK to enter the market, such as Far East private factories.

Projects

The Projects sales team was established in 2014 to provide LED lighting solutions directly to end-users by informing customers of the economic benefits of changing to LED and to transition them to the new technology. The main economic benefits of LED lighting include: increased energy efficiency, longer life, and lower maintenance.

The Projects sales team targets customers with large and/or long-burning hour lighting requirements and offers a lighting solution function whereby they provide lighting planning and return on investment consultancy solutions to motivate the customer to adopt the new technology. This approach of "lighting as a solution" is integral to the current and future success of this channel. The Projects sales team is able to leverage the in-house manufacturing and production facility with on-going product enhancements and expansion of the range to meet customer demand.

Whilst in their infancy, the Projects sales team has already had notable successes, with Luceco products provided for retrofits in offices, schools, universities and certain primary healthcare trusts. The team is also targeting new build opportunities.

The orders generated by this sales team are fulfilled through the Group's Trade Distribution customers, helping to build relationships in those routes to market.

The Projects channel is served by 22 sales employees across our international offices.

CORPORATE AND SOCIAL RESPONSIBILITY

The Board is responsible for the promotion of corporate and social responsibility in its business operations and strategy and ensuring that it has a positive impact on society.

Lorentz Jiang Jiulong; General Manager, China, visiting Jaixing University

5 Ethical treatment of employees

▶ Business model pages 18 and 19

Directors

Senior managers

Total employees

The Board recognises the importance of safe, ethical behaviour in its relationships with its employees, customers and suppliers. We recognise that reducing the environmental impact of our activities and contributing to communities creates and sustains value for our shareholders.

The Group accepts that it can continue to improve and the Board is committed to ensuring that it incorporates the challenges of operating in a sustainable manner in its day-to-day activities.

Ethics

The Group is dedicated to undertaking its business activities in an ethical manner. Compliance with the legislative and regulatory environments in each of the territories in which it conducts its business is a key priority.

In all its dealings with employees, customers, suppliers and other stakeholders, the principles of honesty, integrity and fairness are applied. The Group's policies require all employees to display these values in their behaviour and conduct when representing the Group. The policies cover anti-discrimination, health and safety and guidance on ethics and conduct, including fraud, bribery and corruption, confidentiality, hospitality and gifts. The Group has a confidential whistle-blowing procedure to allow employees to report issues in the knowledge that they will be protected.

People

The Group operates in a number of territories and employs people from a diverse range of backgrounds. The Board is committed to ensuring fair and equal treatment of all its employees regardless of race, colour, nationality, ethnicity, religion or belief, gender, age, marital status or disability and that the work environment is suitable for its employees to fulfil their duties. All employees are afforded equal opportunities in recruitment and promotion, training and development are provided according to each individual's skills and capabilities.

The Group has a reputation for innovation and excellent customer service and these attributes underpin the culture of the organisation. The Group is keen to attract and retain talented individuals with the same passion for innovation and customer focus and recognises and rewards outstanding performance. When recruiting, the policy is to recruit the person most capable of performing the role on the basis of their qualifications, experience and suitability.

Employee involvement

The Board communicates the strategy annually to its employees, and given the continual change in the Group's products and operations, regular communications are circulated updating the teams of the changes that are taking place in the business. Employees are supported by their line managers and HR department if they have any concerns, or equally invited to contribute if they have any product or operational ideas.

Nexus class lecture, Jaixing University

Students awarded scholarships

Safety

The safety and wellbeing of our employees is paramount. The Group's health and safety policies are designed to protect, not stifle, our employees and to keep accidents to a minimum. During 2016, four minor accidents were reported in the Telford facility and eleven in China.

Human rights

The UK Modern Slavery Act 2015 requires the Company to make an annual statement outlining the steps the business is taking to identify and prevent modern slavery within its organisation and supply chain. This statement is available on the Company's website at www.luceco.com.

Of the territories the Group operates in, the location where people's rights could be most at risk is in China, where the Group has a large proportion of its operations. By owning the manufacturing and product development facility in China, the Directors can directly control the environment and conditions in which its employees live and work to ensure that they are treated fairly and in accordance with the Group's employment policies. The Directors regularly visit and routinely invite customers to the facility for them to witness the working and living conditions of its employees and assist them in fulfilling their own responsibility agendas.

Supply chain, products and operations

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

Being in control of its own factory means that the Group can invest in more efficient machinery and/or technology, control the products it uses in the manufacturing process, responsibly dispose of waste products and ensure compliance with industry standards and legal requirements.

Sustainability

The Group is keen to support its customer's sustainability requirements. Recycled materials are used as far as possible for the packaging of our products. The increased mix of FOB sales significantly reduces the miles in which the Group's products travel to its customers. In stocking the UK warehouse, goods are shipped in large quantities to reduce the environmental impact. Air freight is used as a last resort.

The Group also makes use of modern methods of communication in keeping in contact with customers to reduce the number of business miles incurred by our sales teams across the territories.

Communities

The Group is keen to support and contribute to the local communities in which it operates, particularly in poorer countries. In Jiaxing (the location of the Group's Chinese facility), the Company is heavily involved with the local university, establishing a "Nexus class" where 36 students were selected to receive weekly lectures for three terms. These are led by managers or technical experts within the Company on a number of topics 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.

A scholarship programme has also been in place since 2013 to support talented but disadvantaged students at Jiaxing University, and the Company has granted 73 scholarships to date.

The Strategic Report on pages 2 to 37 was approved by the Board of Directors on 3 April 2017.

JOHN HORNBY
Chief Executive Officer

DAVID MAIN
Chief Financial Officer

CHAIRMAN'S INTRODUCTION

Corporate governance provides the structure to enable the Board of Directors to effectively execute the Group's strategy within a framework that ensures it is well controlled and mitigates undue risk.

Our governance principles

- Effective leadership with clearly defined responsibilities
- Board with appropriate balance of skills, experience, independence and knowledge of the Company
- Half of the Board are independent Non-Executive Directors
- Defined Committees with delegated responsibilities to maintain balance

Dear Shareholder

I am delighted to present the Company's first corporate governance report following its IPO on the London Stock Exchange on 17 October 2016.

Your Board recognises that strong governance is vital to the long-term success of this business and our governance practices have been strengthened to reflect the responsibilities and expectations of publicly listed companies.

As a company incorporated in the UK and listed on the London Stock Exchange, it is required to comply with the UK Corporate Governance Code 2014 (the "Code"), the Listing Rules, the Disclosure, Guidance and Transparency Rules and the Companies Act 2006. As the Company is below the FTSE 350, some of the provisions of the Code do not apply but the Company is keen to apply best practice wherever possible to uphold strong governance, evidenced by securing a premium listing with the London Stock Exchange.

This report sets out how the Company has adhered to the principles of the Code and how the provisions have been applied in the period from 17 October 2016 to 31 December 2016. It explains the composition of the Board, its responsibilities and the structure within which it, and its Committees, operate and includes reports from the Chairs of the Board's Committees.

The Board is keen to establish effective communication with its new shareholders and I look forward to welcoming those who are able to attend to the Annual General Meeting ("AGM") on 25 May 2017.

GILES BRAND
Chairman

3 April 2017

BOARD OF DIRECTORS

The Board of Directors has overall responsibility for the Group. Its aim is to represent all stakeholders and to provide leadership and control in order to ensure the growth and development of a successful business.

GILES BRAND

Non-Executive Chairman

Skills and experience

Giles is the Managing Partner of EPIC Private Equity LLP, an independent investment manager, advisory and placement agent and administrator. EPIC Private Equity LLP is the investment adviser to EPIC Investments LLP, whose affiliates are 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.

External appointments

Giles has served on the boards of multiple private companies and is currently a Non-Executive Chairman of Whittard of Chelsea and a Non-Executive Director of the Reader Organisation, a not-for-profit educational charity.

N 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 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 Oxford University with a degree in Economics.

D

DAVID MAIN

Chief Financial Officer

Skills and experience

David joined the Group as Chief Financial Officer in February 2016, with over 25 years' experience of working in fast moving consumer goods manufacturing businesses across the UK and Europe.

Prior to joining Luceco, David held a number of senior roles with McBride plc, latterly as interim Chief Finance Officer but also as Group Director of Finance, Deputy Managing Director of Eastern and Central Europe, Group Head of Mergers and Acquisitions and Group Head of Internal Audit. Before joining McBride plc, David held a number of senior operational and commercial finance roles within the fast moving consumer goods sector.

External appointments

David is a Director of Rugby Theatre Limited.

D

JOHN BARTON

Senior Independent Non-Executive Director

Skills and experience

John joined the Group as Senior Independent Non-Executive Director on 27 September 2016. Prior to his current appointments, John served as Chairman of Cable and Wireless Worldwide plc, Brit Holdings plc and Wellington Underwriting plc and has served as Senior Independent Director of WHSmith plc and Hammerson plc. John was also the Chief Executive of insurance broker JIB Group plc from 1984 to 1997 and after JIB's merger with Lloyd Thomson in 1997, he became Chairman of the combined group, Jardine Lloyd Thompson Group plc, until 2001.

External appointments

John is currently serving as Chairman to both Next plc and easyJet plc and is the Senior Independent Non-Executive Director of SSP Group Plc and Non-Executive Director of Matheson & Co Ltd.

R A N

CAROLINE BROWN

Independent Non-Executive Director

Skills and experience

Caroline joined the Group as an independent Non-Executive Director and Chair of the Audit Committee on 27 September 2016. Caroline has managed divisions of FTSE100 groups and AIM businesses with international industrial and technology operations and has worked as a corporate finance adviser to governments and corporations with Merrill Lynch, UBS and HSBC. She has chaired audit committees of listed companies for the past 15 years and is a Fellow of the Chartered Institute of Management Accountants. Caroline holds a first-class degree and PhD in Natural Sciences from the University of Cambridge and a Masters of Business Administration from the Cass Business School, University of London.

External appointments

Caroline currently serves as an independent Non-Executive Director, and audit chair on the boards of several London companies and serves on the MBA Advisory Board of the Cass Business School, University of London.

R A N

TIM SURRIDGE

Independent Non-Executive Director

Skills and experience

Tim joined the Group as an independent Non-Executive Director on 27 September 2016. 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 Transaction Services business in 2006. He has considerable accounting and advisory experience including stockmarket listings, reverse takeovers, management buyouts and acquisitions.

External appointments

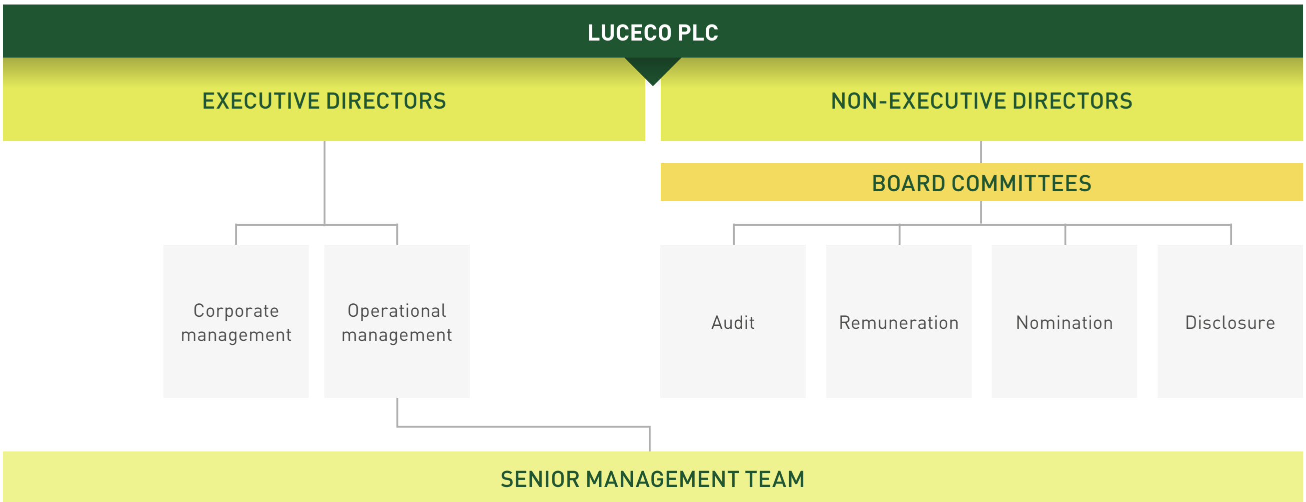
Tim is a qualified chartered accountant and an Associate of the Institute of Chartered Accountants in England and Wales.

R A

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

CORPORATE GOVERNANCE REPORT

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



Compliance with the Code

Prior to October 2016's IPO, the Company was not required to comply with the Code, although given the significant proportion of external private equity ownership, governance has always been considered key to the control and management of the business.

At the date of this report the Board has complied with all provisions of the Code with the exception of the following provisions:

- A.3.1 which states that a listed company's chairman should meet the independence criteria set out in provision B.1.1. The Chairman is deemed to be non-independent due to his connection with EPIC Investments LLP who hold 24.3% of the issued share capital of the Company (the Chairman is Managing Partner of EPIC Private Equity LLP, investment adviser to EPE Special Opportunities plc (the company which has the majority economic benefit of EPIC Investment LLP's holding in the Company)). The Board believes that the Chairman's experience and knowledge of the Group justify his position and ability to lead the Board and ensure its effectiveness in respect of all aspects of its role
- B.6.1 and B.6.3 require an annual performance evaluation to be completed of the Board and the Chairman respectively. The Company has not undertaken such evaluations in the period from the IPO on 17 October 2016 to the year end as it is considered that it will be more appropriate to do this closer to the anniversary of the IPO

A copy of the Code is available at **www.frc.org.uk**.

Board composition and independence

The Board comprises Giles Brand, Non-Executive Chairman, John Barton, Senior Independent Director, Caroline Brown and Tim Surridge, independent Non-Executive Directors, and two Executive Directors, John Hornby, Chief Executive Officer, and David Main, Chief Financial Officer.

The independent Non-Executive Directors have been appointed for the knowledge and expertise they can bring to the Company, promoting healthy debate and challenge to the Executive Directors and senior management team.

The Executive Directors work solely for the Company. John Hornby does not have any other directorships. David Main is a Director of Rugby Theatre Limited, a charitable organisation; this directorship does not create any conflict of interest or interfere with his role at Luceco. The three independent Non-Executive Directors are considered by the Board 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 Chairman and independent Non-Executive Directors are available for inspection at the Company's registered office. The Board is satisfied that the other commitments of the Chairman and the independent Non-Executive Directors do not prevent them from devoting sufficient time to the Company.

A biography of each Board member demonstrating their skills and experience is included on page 39.

Board member responsibilities

The responsibilities of the different roles held by the members of the Board are set out below. The roles of Chairman and Chief Executive Officer ("CEO") are separately defined.

Chairman

The Chairman is primarily 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 Chairman maintains regular contact with the independent Non-Executive Directors to discuss and address any issues or concerns outside of formal Board meetings. The Chairman also provides support to the Executive Directors where required.

Chief Executive Officer

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

Chief Financial Officer

The Chief Financial Officer ("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.

Senior Independent Director

In addition to the responsibilities of an independent Non-Executive Director, the Senior Independent Director ("SID") is available to shareholders should they have concerns which contact through the Chairman 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 Chairman in conjunction with the other independent Non-Executive Directors.

Non-Executive Directors

The Non-Executive Directors are independent and contribute to the strategic direction of the Group, providing an independent sounding board to the Chairman and Executive Directors. The independent Non-Executive Directors are also members of the Board Committees (with the exception of the Disclosure Committee), with responsibility for audit, financial control and risk management, composition and remuneration of the Board.

Board responsibilities and procedures

The Board is collectively responsible for leading and controlling all activities of the Group with overall authority for the management and conduct of the Group's business, strategy and development.

The Board sets the strategic direction of the Group and approves strategic projects, policy and investment decisions. These decisions are underpinned by effective financial reporting and a robust approach to risk management and internal controls. The Board is responsible for ensuring appropriate resources are in place to enable the senior management team to deliver the strategic objectives and enact their policies and decisions.

Matters reserved exclusively for Board review and approval 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, significant capex proposals, acquisitions, systems of internal control and risk management and corporate governance arrangements.

In advance of their meetings, the Board is provided with an agenda and all relevant documentation and financial information in a timely manner to assist them in the discharge of their duties and ensuring that decisions are well-informed and made in the best interests of the Group. The Directors are able to take independent professional advice to assist them, if necessary, at the Company's expense. No one Board member has the power to make a decision without the sanction of the other members.

If any member is unable to attend a Board meeting, they have the opportunity to discuss any agenda items with the Chairman before the meeting.

The Board has formally delegated specific responsibilities for audit, risk management and financial control, public announcements, Board composition and remuneration to various committees namely the Audit Committee, Disclosure Committee, Nomination Committee and Remuneration Committee. These Committees are all chaired by the Chairman or an independent Non-Executive Director, enabling them to take an active role in influencing and challenging the work of the Executive Directors and senior management team. Details of the composition, responsibilities and activities of these Committees, is set out below. The terms of reference of these Committees, explaining their role and the authority delegated to them by the Board, will be reviewed annually and are available for inspection at the Company's registered office and on its website. The Board may, in future, create further Committees to approve specified processes as required.

The Board is supported by a dedicated and experienced senior management team in the delivery and execution of their objectives.

The Board is fully accountable to the shareholders for the performance and conduct of the business.

CORPORATE GOVERNANCE REPORT CONTINUED

Board Committee responsibilities

Audit Committee

The Audit Committee assists the Board in discharging its responsibilities with regard to monitoring the integrity of the financial statements, reviewing risk and controls and compliance with applicable laws and regulations, the external audit process (including review of independence, appointment, terms of engagement, remuneration and oversight of the work of the external auditor) and the provision of non-audit services.

The Audit Committee is chaired by Caroline Brown, and its other members are John Barton and Tim Surridge. The Board considers that Caroline Brown and Tim Surridge have recent and relevant financial experience.

The report of the Audit Committee is included in pages 44 to 46.

Nomination Committee

The Nomination Committee assists the Board in satisfying its responsibilities relating to the composition and make-up of the Board and its Committees. It is also responsible for periodically reviewing the Board's structure, succession planning and identifying potential candidates to be appointed as a Director or Committee member and makes appropriate recommendations to the Board.

The Nomination Committee is chaired by Giles Brand and its other members are John Barton and Caroline Brown.

The report of the Nomination Committee is included on page 47.

Remuneration Committee

The Remuneration Committee assists the Board in fulfilling its responsibility for setting remuneration for all Executive Directors and the Company Secretary. The Remuneration Committee also monitors the level and structure of remuneration of senior management.

The Remuneration Committee is chaired by Tim Surridge and its other members are John Barton and Caroline Brown.

The Remuneration Committee Report is included in pages 48 to 60.

Disclosure Committee

The Board has delegated responsibility to the Disclosure Committee to oversee the Company's compliance with the UKLA's Listing Rules, the 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 Disclosure Committee is chaired by Giles Brand, and its other members are John Hornby and David Main. The Disclosure Committee meets as necessary or appropriate and is responsible for:

- The design, implementation and periodic evaluation of the procedures and controls for the identification, treatment and disclosure of inside information
- Reviewing the requirement for announcements and determining whether information submitted and reviewed by the Committee requires disclosure
- Reviewing and advising on the scope, content and appropriateness of any disclosure and arranging for such disclosure to be made

Board meetings and attendance

In the period from the IPO on 17 October 2016 to 31 December 2016, the Board and Audit Committee met on one occasion. Members of the Board also met informally prior to the IPO as part of the induction process and to guide and support the final stages of the IPO.

Individual Director attendance at scheduled meetings between the IPO and 31 December 2016 is shown in the table below. There were no meetings of the Remuneration, Nomination and Disclosure Committees during that period.

Name	Board	Audit Committee
Giles Brand	1/1	
John Hornby	1/1	
David Main	1/1	
John Barton	1/1	1/1
Caroline Brown	1/1	1/1
Tim Surridge	1/1	1/1

In 2017, the Board is scheduled to hold six meetings, at approximate bi-monthly intervals. Additional meetings may be held, as necessary, to consider specific matters where a decision is required before the next meeting.

The Audit and Remuneration Committees are scheduled to meet three times in 2017 and the Nomination Committee twice. The Disclosure Committee meets when required.

The Company alternates the bi-monthly Board meeting with a bi-monthly operational meeting headed by the Chairman and attended by the Executive Directors and members of the senior management team.

Board evaluation

There has been no performance evaluation of the Board or its Committees in the period since the IPO on 17 October 2016 to the year end. The Board recognises the benefit of such an evaluation and considers the appropriate time to do this will be towards the first anniversary of the IPO.

Performance evaluation considers the composition, balance of skills, experience, knowledge, how the Board work together and any other factors relevant to its effectiveness. The Chairman acts on the results of the performance evaluation, recognising the strengths and addressing weaknesses through training and development or where appropriate by proposing the appointment of new members to the Board or seeking the resignation of Directors.

The Chairman will be appraised by the independent Non-Executive Directors, under the leadership of the SID. All Directors will be individually appraised, including evaluation of their contribution and commitment to the role.

Actions arising from the evaluations will be discussed by the Board and disclosed in the 2017 Annual Report and Financial Statements.

New appointments, development and support

Newly appointed Directors receive a tailored induction to introduce them to the Company's business, operations and governance arrangements. This has included visits to the Group's key locations in London, Telford and China, provision of strategic, financial, product and market information and meetings with members of the senior management team. The Company will provide any further training deemed necessary at the direction of the Board member.

All Board members have access to the advice and services of the Company Secretary. The Company Secretary is responsible for advising the Board on matters of governance and any relevant legal or regulatory changes that arise and arranging appropriate training where applicable. The Directors are also able to take independent professional advice as deemed necessary to discharge their responsibilities effectively.

Succession plan

The Board recognises that it needs to have a succession plan in place and a process for maintaining it. The plan will include identification of key talent within the business and the offering of leadership development and training to those individuals with the potential to form part of the future senior management team and Board. This will be an area of focus of the Board and Nomination Committee in 2017.

Re-election of Directors

In accordance with the Code and the Company's Articles of Association ("Articles"), all Directors are subject to election by the shareholders. The Articles require all newly appointed Directors since the last AGM to retire and put themselves forward for election. Each Director must then retire from office at the third AGM after the AGM at which he was last elected. However, the Board has decided to comply with best practice corporate governance on a voluntary basis, and all Directors will seek re-election annually. Non-Executive Directors are initially appointed for a three-year term and, subject to review by the Nomination Committee and continued annual election by shareholders, can serve up to a maximum of three such terms.

The biography for each Director detailing the skills and experience they bring to the Company is included on page 39.

Shareholder engagement

The Board is fully committed to engaging with its shareholders. In the period leading up to October 2016's IPO, the CEO and CFO conducted a considerable number of meetings and presentations with institutional investors and it is anticipated that this interaction with existing and potential shareholders will continue in 2017.

The CFO has day-to-day responsibility for all investor relations matters and for contact with all shareholders, financial analysts and the media. The Company is considerate of the views of its major shareholders and commits to providing an accessible professional approach and provision of timely and accurate data in its interactions with its shareholders.

All shareholders are entitled to attend the AGM and can lodge their votes by way of proxy and/or to attend such meetings in person. They will also have the opportunity to ask questions of the Board, including the Chairs of the Board Committees and to meet informally with the Directors to discuss any issues they may wish to raise.

Annual General Meeting

The 2017 AGM will take place at 1pm on 25 May 2017 at the offices of Numis Securities Limited, The London Stock Exchange Building, 10 Paternoster Square, London EC4M 7LT. The notice of AGM and any related documents will be sent to shareholders within the prescribed timescales.

GILES BRAND
Chairman

3 April 2017

AUDIT COMMITTEE REPORT

We have a rolling agenda that will focus on strengthening internal controls and risk management reporting, the integrity of our financial reporting and governing the relationship with the external auditor.

Priorities for 2017

The Committee intends to focus its attention on the following areas in 2017 and make appropriate recommendation to the Board:

- Establish a formal risk management policy and review and approve recommendations on internal controls and risk reporting framework
- Conduct a review of the monthly financial reporting in the Board pack
- Review the readiness and implementation planning for IFRSs 15, 16 and 9
- Consider whether the introduction of an internal audit department would be of benefit to the Group
- Assess the performance of the external auditor
- Form and implement a policy with regard to the provision and approval of non-audit services by the external auditor

Introduction

The Audit Committee assists the Board in discharging its responsibilities with regard to financial reporting, external and internal audits and controls, including reviewing and monitoring the integrity of the Group's annual and half-yearly financial statements. In the year under review, the Committee has been assisting the Board with transitioning from a private company reporting environment to a fully listed company reporting environment.

Governance

Appointments to the Committee are made by the Board, on recommendation by the Nomination Committee. The Committee is chaired by Caroline Brown, and its other members are John Barton and Tim Surridge. The Committee members are all independent Non-Executive Directors and members of recognised accountancy bodies with significant experience of working with listed companies in executive and non-executive capacities. Caroline Brown and Tim Surridge have recent and relevant financial experience.

The Committee as a whole has business experience in the industrial, technological and retail sectors and all members have had a tailored induction to familiarise themselves with the sector in which the Company operates.

Further details of the experience and qualifications of the Committee's members are included on page 39.

The Committee met once in 2016, in the period between the IPO on 17 October 2016 and 31 December 2016, and further meetings have been held since the year end. The meetings were attended by all members of the Committee, the CEO, CFO and senior managers together with the external auditor. In addition, the Committee has met with the external auditor without members of management present. The Chair of the Committee will be available at the AGM of the Company to respond to questions from shareholders on the Committee's activities.

There was no performance evaluation of the Committee during 2016 as the Committee has only been in existence for a short period of time. The Committee considers it appropriate to conduct its first performance evaluation on or around the first anniversary of its IPO. The Board evaluation process is detailed on page 42.

Role and responsibilities

The Committee is responsible for overseeing the Group's internal financial controls and risk management systems; recommending the half and full year financial results to the Board; and monitoring the integrity of all formal reports and announcements relating to the Group's financial performance. In addition, the Committee oversees the relationship with the external auditor and reports the findings and recommendations of the auditor to the Board.

The Board is responsible for the risk management framework and the Committee has delegated 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 the Group is willing to take and for allocating sufficient resource to the management of business risk. The risk management process is detailed on page 22.

The written terms of reference of the Committee are available on request from the Company Secretary.

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 performed a review of 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 Company's performance, business model and strategy.

Significant issues considered

The focus of the Committee's first meeting, held in November 2016, was to review and plan for the forthcoming financial year end and the publication of the Group's maiden premium listed Annual Report and Financial Statements. The significant areas of accounting judgement that have been considered by the Committee include revenue recognition, valuation of inventory and the capitalisation of development costs. These are also areas of focus for the external auditor, who reports on these matters to the Committee.

The significant areas of judgement applied in the preparation of the Annual Report and Financial Statements are set out below. The Committee is satisfied that the presentation of the financial statements is appropriate and in accordance with the Group's accounting policies.

Judgement applied	Action taken
Judgement is applied in the determination of rebates and/or discounts due at the year end and the resultant reduction in revenue. Judgement is required as customer agreements may not be coterminous with the year end and the calculation of any rebates and/or discounts can be complex, with varying criteria that require estimation methods to be used in the determination of any rebate and/or discount due.	Management has agreed to document the policy for rebate and discount calculations to ensure that a consistent approach is used for all customers. In preparation for the implementation of IFRS 15, the accounting policy on rebates and other adjustments and resulting revenue recognition has been updated, with some costs now being stated within overheads. There was no significant impact on the previous year's financial statements.
The Group operates in a rapidly evolving, technological industry and there is a risk of stock becoming obsolete as trends and customer requirements change. The Group makes provision for obsolete and slow moving stock in the valuation of its inventory and judgement is exercised in determining the level of provision required.	The provisioning policy will be formally documented and reviewed by the Committee in 2017. Stock provision calculations are performed in conjunction with the product development and sales teams to ensure that the level of provision is sufficient, with reference to changing consumer trends, new product pipeline and the impact, if any, on existing products and has been consistently applied.
The capitalisation of development costs requires judgement to be applied in the assessment of project costs that should be capitalised or expensed. The Group currently apportions project costs as directed by the product development team rather than tracking on an individual project basis.	The Committee is keen to explore a different, cost-effective approach to the capitalisation of development costs. This will encompass the treatment of third-party testing fees and the consideration of different capitalisation policies for different category of product.

KPMG LLP have set out their audit approach and the work they performed to satisfy their audit requirements in these areas in their audit report on page 67.

The principal risks and uncertainties of the Group and their mitigation are included on pages 23 to 25. The crystallisation of these risks has been considered in the Viability Statement on page 25 and Going Concern assessment on page 13.

The Committee is satisfied that the presentation of the financial statements is appropriate and in accordance with the Group's accounting policies.

The Committee has reviewed forthcoming changes in International Financial Reporting Standards ("IFRSs") and will receive management reports during 2017 on progress of the readiness and implementation plan for IFRSs – 15 Revenue from Contracts with Customers, 16 – Leases and 9 – Financial Instruments.

External Auditor

KPMG LLP has been the Group's auditor since 2014 and the senior statutory auditor is Stuart Smith, who has been in place since KPMG's appointment. The Committee considers that the auditor's knowledge of the Group's business and systems gained through experience has contributed to the effectiveness of the audit process.

The Committee intends to comply fully with the FRC Audit Committee Guidance regarding the frequency of audit tender and there is currently no plan to retender the audit for the year ending 31 December 2017.

The independence and objectivity of the auditor is regularly considered by the Committee taking into consideration relevant UK professional and regulatory requirements. The Committee reviews an annual statement from the auditor detailing their independence policies and safeguards and confirming their independence, taking into account 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 2016. Audit fees payable by the Group to KPMG LLP in 2016 totalled £116,000 (2015: £88,000). The increase in fees is due to additional work involved in auditing a listed company. There were no contingent fee arrangements.

AUDIT COMMITTEE REPORT CONTINUED

The Committee reviewed the level of non-audit services and fees provided by KPMG LLP. For the year ended 31 December 2016, these totalled £906,000 of which £857,000 was in respect of the work associated with the IPO and £44,000 in relation to tax services. There have been no significant non-audit services provided by KPMG LLP since the IPO.

The ratio of audit fees to non-audit fees for the year ended 31 December 2016 is 1:7.8. If the fees associated with the IPO were excluded this ratio becomes 2.4:1.

The Committee is required to consider and review the effectiveness of the external audit on an annual basis and report its findings and recommendations to the Board. This review will be performed during 2017. The Committee recommends that a resolution for the re-appointment of KPMG LLP as the Company's auditor should be proposed at the 2017 AGM.

Review of risk management and internal financial controls

The Committee has commenced a review of the overall process of assessing business risks and managing the impact on the Group. During 2017, the Committee is expecting to oversee the finalisation of a formal risk management process, further strengthening of the control environment of the Group and contributing to the realisation of the business objectives.

The Group's internal financial controls are underpinned by a comprehensive financial reporting cycle. Financial reporting is performed by the Group finance team. There are established controls and review procedures in place which incorporate a thorough review and challenge of performance as part of the monthly consolidation and review process. Group finance operational procedures are well established with appropriate segregation of duties and defined levels of approval to minimise the risk of misappropriation.

The Committee, on behalf of the Board, keeps under review the effectiveness of the risk management and internal controls to ensure that the controls in place are effective. Such a system is designed to manage rather than eliminate the risk taken in the ordinary course of business in achieving the Group's strategic objectives and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Committee is satisfied that the internal financial controls have operated effectively for the period under review and to the date of the Annual Report and Financial Statements.

Internal audit

The Group does not have an internal audit function. During 2016, the Committee reviewed the initial results of the internal control review and is comfortable that the control environment is sufficient for the size of the Company. In 2017, the Committee expects to receive a finalised management report on internal controls and will form a view as to whether the Group's size and activities are such that an internal audit function should be established and, if so, determine its remit and make a recommendation to the Board.

Compliance

The Committee is responsible for monitoring and periodically reviewing the Group's whistle-blowing and anti-bribery policies. The CFO, David Main, is the Group's Compliance Officer. The Committee is satisfied 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 Committee has been in place since 17 October 2016 and has sought to comply with the provisions of the Code and accompanying Guidance on Audit Committees. The Company is not required to comply with the Competition and Markets Authority Order for the UK Audit Market.

CAROLINE BROWN
Audit Committee Chair

3 April 2017

NOMINATION COMMITTEE REPORT

In our first year of operation, we will review and evaluate the composition of the Board to ensure it upholds our governance principles and the expectations of our shareholders

Priorities for 2017

The Committee intends to focus attention on the following areas in 2017 and make appropriate recommendations to the Board:

- Review structure, size and composition, including skills, knowledge, experience and diversity of the Board and its Committees
- Review leadership needs and perform a comprehensive review of succession planning for Directors and senior management
- Review annual time requirement from the independent Non-Executive Directors and whether they are spending enough time to fulfil their duties
- Consider the results of the Board evaluation process and the implications for Board composition
- Review the terms of engagement and performance of any external consultants used
- Recommend Directors for re-election at the AGM

Responsibilities

The Nomination Committee assists the Board in satisfying its responsibilities in relation to areas including:

- Reviewing the size, structure and composition, including the skills, knowledge, experience and diversity, of the Board and its Committees and making recommendations to the Board with regard to any changes
- Ensuring adequate succession planning is in place for Directors and members of the senior management team, taking into account the challenges and opportunities facing the Group, and the skills and expertise needed on the Board in the future
- Keeping under review the leadership needs of the Company, in respect of both Executive and independent Non-Executive Directors, with a view to ensuring the continued ability of the Group to compete effectively in the marketplace
- Identifying and nominating for Board approval, potential candidates to fill Board vacancies as the need arises with consideration to succession planning
- Review the results of the Board performance evaluation process and ensure conclusions and recommendations are reported to the Board

Composition and meetings

The Committee is chaired by Giles Brand and its other members are John Barton and Caroline Brown.

The Committee will meet at least twice a year. The Committee may invite individuals to attend all or part of a meeting where deemed appropriate. No meetings have been held between the IPO on 17 October 2016 and 31 December 2016.

Diversity policy

The Committee believes diversity is important when considering the composition of the Board. It is the Company's aim to have the appropriate level of diversity on the Board to reflect the diverse nature of the Company's operations and provide a wider perspective to decision making. We remain committed to ensuring recruitment and promotion of individuals throughout the Group, including those at Board and senior management level, always considering relevant skills, experience, knowledge, ability, gender and ethnicity. More information on the Company's gender profile is included in Corporate and Social Responsibility on pages 36 and 37.

External advisers

External advisers must be independent and free of any connection with the Company. There has been no engagement with any external advisers during the year.

The Chair of the Committee will be available at the AGM of the Company to respond to questions from shareholders on the Committee's activities.

GILES BRAND

Nomination Committee Chair

3 April 2017

REMUNERATION COMMITTEE REPORT

We are committed to formalising a Remuneration Policy that recognises and rewards performance that moves the Group towards the achievement of its strategic objectives.

Priorities for 2017

The Committee intends to focus attention on the following areas in 2017 and make appropriate recommendations to the Board:

- The implementation of the Remuneration Policy for 2017 as outlined in this report
- Review feedback from the AGM on the Remuneration Policy
- Determining reward outcomes for 2017
- The implementation of a Performance Share Plan for executives
- Determine how the reward framework will be implemented for 2018
- Review of remuneration trends and governance developments

Dear Shareholder

On behalf of the Board, I am pleased to present the Remuneration Committee's first report on remuneration for the year ended 31 December 2016. I am joined on the Committee by John Barton and Caroline Brown.

The Committee has met twice since the year end and has been working to develop a remuneration framework which supports the execution of our long-term growth strategy in a way which is appropriate for the listed environment. Our Remuneration Policy set out on pages 54 to 60 will be submitted to shareholders for approval at the AGM on 25 May 2017 and will apply to payments made to Directors from that date.

The annual bonus for 2017 will focus management on driving growth in profitability and generating free cash flow. For the CFO, a portion of the bonus will also be based on the achievement of individual objectives.

The Company will be implementing a Performance Share Plan ("PSP") subject to shareholder approval at the 2017 AGM. It is intended that awards will be made to Executive Directors and other senior executives in the business following the AGM. Awards will be based on the delivery of stretching earnings per share targets and our total shareholder return performance relative to the FTSE Small Cap Index exclusive of Investment Trusts.

Between the period from the year end to the date of this report, the Company implemented a Share Incentive Plan under which all employees in the UK were awarded free shares in the Company. They will also be able to purchase further shares in the business and may receive matching shares. The implementation of this plan reflects the Company's philosophy of enabling its employees to share in the success of the business.

Remuneration paid for 2016

The CEO decided to waive his bonus earned for 2016 in light of his significant shareholding in the business. The CFO received a bonus of £94,000 (54% of base salary) which was paid in October 2016 in relation to his exceptional performance in supporting the business in achieving a premium listing on the London Stock Exchange.

We look forward to receiving your support for our Annual Remuneration Report, Remuneration Policy and the new Performance Share Plan at the AGM.

Tim Surridge

TIM SURRIDGE

Remuneration Committee Chair

3 April 2017

Annual Remuneration Report

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

The report sets out how the Remuneration Policy was implemented in 2016 and how it will be implemented in 2017. It will be subject to an advisory shareholder vote at the 2017 AGM.

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 2016 and 2015.

Director	Year	Basic salary/fees £'000	Benefits £'000	Pension £'000	Annual bonus £'000	Long-term incentives £'000	Total £'000
John Hornby	**2016**	**323**	**14**	**—**	**—**	**—**	**337**
	2015	300	14	—	—	—	314
David Main[1]	**2016[1]**	**46**	**2**	**4**	**94**	**—**	**146**
	2015[8]	—	—	—	—	—	—
Ian Pritchard[2]	**2016[2]**	**84**	**6**	**6**	**30**	**—**	**126**
	2015	100	8	5	28	—	141
Giles Brand[3]	**2016[3]**	**8**	**—**	**—**	**—**	**—**	**8**
	2015[7]	—	—	—	—	—	—
John Barton[4]	**2016[4]**	**58**	**—**	**—**	**—**	**—**	**58**
	2015[8]	—	—	—	—	—	—
Caroline Brown[5]	**2016[5]**	**8**	**—**	**—**	**—**	**—**	**8**
	2015[8]	—	—	—	—	—	—
Tim Surridge[6]	**2016[6]**	**8**	**—**	**—**	**—**	**—**	**8**
	2015[8]	—	—	—	—	—	—

Where a Director was appointed during the financial year, salaries and fees are for the period of employment.

1. David Main was appointed as a Director on 27 September 2016. His emoluments are shown from that date.
2. Ian Pritchard resigned as a Director on 27 September 2016.
3. Giles Brand's fees are paid from 1 November 2016.
4. John Barton was appointed as a Director on 27 September 2016. John Barton was paid a one-off payment on appointment of £50,000 and was required to purchase shares in the Company with the after-tax proceeds. His fees are paid from 1 November 2016.
5. Caroline Brown was appointed as a Director on 27 September 2016. Her fees are paid from 1 November 2016.
6. Tim Surridge was appointed as a Director on 27 September 2016. His fees are paid from 1 November 2016.
7. Giles Brand did not receive a fee in the year ended 31 December 2015.
8. David Main, John Barton, Caroline Brown and Tim Surridge were not Directors of the Company during the year ending 31 December 2015.

Explaining the single figure

Salary

Following the IPO, the CEO's salary was set at £350,000 per annum (£318,000 at 1 January 2016) to better reflect the scope and responsibility of the role in the listed environment. This increase applied from 1 November 2016.

The CFO's salary from the date of joining the Company on 8 February 2016 was £175,000 per annum.

Benefits

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

Pension

The CFO received a pension contribution of 8.5% of base salary during the year. The CEO does not receive a pension contribution from the Company.

Bonus awards

For the year ended 31 December 2016, the CEO's bonus was based on the achievement of revenue and profitability targets. The CFO's bonus was based on the achievement of key performance objectives in relation to the IPO.

These performance targets, performance against the target and resultant bonuses payable for the year ended 31 December 2016 are shown in the table overleaf.

REMUNERATION COMMITTEE REPORT CONTINUED

Personal performance targets and outcomes

Executive Director	Proportion of bonus based on metric	Performance target	Actual performance	Bonus paid (£'000)	Bonus paid (% of basic salary)
John Hornby	25%	Achieve budgeted revenue of £128.5m	Revenue £133.8m 100% of target achieved	nil	nil
	25%	Achieve budgeted profit before tax[1] of £14.3m	Profit before tax[2] £14.8m 100% of target achieved	nil	nil
	25%	Achieve budgeted profit after tax[1] of £11.3m	Profit after tax[2] £12.3m 100% of target achieved	nil	nil
	25%	Achieve budgeted[1] operating profit of £16.8m	Operating profit[2] £17.6m 100% of target achieved	nil	nil
David Main	100%	Achievement of key strategic objectives and the successful flotation of Company	Admission to London Stock Exchange	94	54%

1. All profit measures exclude amortisation, the impact of any prior year adjustments and accounting policy changes.
2. Profit before and after tax and operating profit are stated before exceptional IPO costs of £2.6m.

As a major shareholder of the Company, John Hornby waived his right to a bonus for 2016.

David Main received a bonus of £94,000 (54% of base salary) shortly following IPO which was used to purchase shares in the Company. To achieve a successful IPO, the major shareholders explored numerous avenues. David Main was instrumental in preparing the numerous reports, analysis and independent reviews of these to critically appraise the different exit options available. David Main was also instrumental in the Group achieving a premium listing on the London Stock Exchange.

Long-term incentives

There are no long-term incentives currently in operation and therefore there were no long-term incentives that vested based on performance to 31 December 2016.

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 in respect of loss of office during the year.

Share interests awarded during the year (audited)

There were no share interests awarded during the year.

Shareholding guidelines

The Company 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. In light of this, Executive Directors are expected to build and maintain a holding of Luceco shares equal to at least 100% of base salary. Executive Directors are expected to retain 50% of any post-tax shares that vest under any share incentive plans until this shareholding is reached.

Directors' shareholdings and share interests (audited)

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

Executive Directors

Director	**Ordinary shares held at 31 March 2017**	**Ordinary shares held at 31 December 2016**	Ordinary shares held at 31 December 2015[1]	Shareholding requirement (% of salary)	Current shareholding	Requirement met?
John Hornby	**33,396,000**	**33,396,000**	42,296,000	100%	18,320%	Yes
David Main	**38,462**	**38,462**	—	100%	42%	No
Ian Pritchard[2]	**—**	**—**	1,206,400	—	—	n/a

1. Adjusted to reflect the 2016 share subdivision.
2. Ian Pritchard resigned as a Director on 27 September 2016.

There were no vested or unvested shares at 31 December 2016 or at 31 March 2017.

The value of Executive Directors' shareholding has been calculated using the share price of 31 December 2016 of 192p.

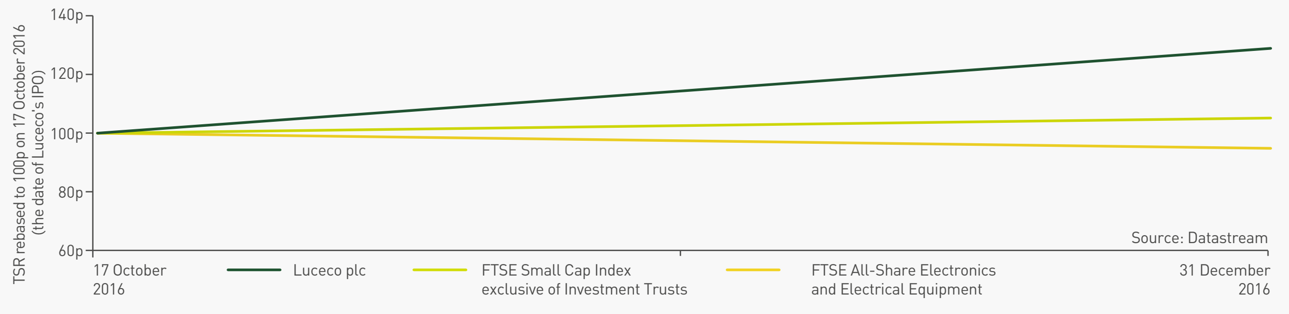
Non-Executive Directors

	Ordinary shares held at 31 March 2017	**Ordinary shares held at 31 December 2016**	Ordinary shares held at 31 December 2015[3]
Giles Brand[1]	**8,844,000**	**8,844,000**	12,692,000
John Barton[2]	**38,462**	**38,462**	—
Caroline Brown	**—**	**—**	—
Tim Surridge	**19,231**	**19,231**	—

1. Giles Brand is Managing Partner of EPIC Investments LLP, who owns 39,081,000 (2015: 68,447,400) shares in the Company.
2. John Barton received a £50,000 payment on acceptance of his appointment as Senior Independent Non-Executive Director and the after-tax proceeds were fully invested in shares of the Company. John also personally invested in shares of the Company on appointment to bring his shareholding to 38,462 shares.
3. Adjusted for 2016 share subdivision.

Review of past performance

The graph below shows the historical Total Shareholder Return ("TSR") of the Company and the FTSE Small Cap 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 2016. The Company has chosen those indices to reflect its size and the key sector within which it operates.



Performance graph and table

The table below shows the CEO's "single figure" remuneration for the five years ended 31 December 2016. John Hornby was CEO for the full period.

	2012 £'000	2013 £'000	2014 £'000	2015 £'000	**2016 £'000**
Total remuneration	213	219	251	314	**337**
LTIP vesting[1] (% of max)	n/a	n/a	n/a	n/a	**n/a**

1. No LTIPs were in place during these reporting periods.

The CEO received a reduced remuneration package during the period 2012 to 2014, reflective of the financial position of the Group, having undertaken extensive investment in its Chinese manufacturing operation and LED lighting operation. His salary changed in 2015 and 2016 to better reflect the market rate of remuneration of a CEO in a similarly sized operation.

Percentage change in the remuneration of the CEO

The following table sets out the change in remuneration paid to the CEO from 2015 to 2016 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 CEO, which does not facilitate a like-for-like comparison.

	% change 2015–2016	
	Group CEO	UK employees
Salary	7.8	3.7
Bonus	—	7.6
Benefits	0.8	(6.6)

REMUNERATION COMMITTEE REPORT CONTINUED

Percentage change in the remuneration of the CEO continued

The main benefits provided include company car or cash equivalent, medical cover and life assurance. There has been no change in the level of benefits provided to Group employees. The reduction in employee benefits is due to the mix of employees, as vacant or newly arising positions have been satisfied by the recruitment of more junior employees who are entitled to a lower level of benefits.

Relative importance of spend on pay

The table below shows the total amount paid by the Company to its employees and distributions to shareholders for 2016 and 2015.

	31 December 2016 £'000	31 December 2015 £'000	% change
Overall spend on pay for employees including Executive Directors[1]	**27,212**	20,017	35.9
Distributions to shareholders[2]	**n/a**	n/a	n/a

1. Figures are taken from note 4 to the financial statements.
2. There were no distributions of profits to shareholders in these periods as the Company was privately owned before its IPO on the London Stock Exchange on 17 October 2016. Prior to the IPO, the main shareholders, EPIC Investments LLP and John Hornby, CEO, had both advanced loans to the Company. The interest payments to these parties were £1.1m in 2015 and £0.9m in 2016.

Remuneration principles

Remuneration arrangements are designed to:

- Support our long-term growth strategy. The measures used in our short and long-term incentives focus on improving our profit performance and generating returns for our shareholders
- Align with shareholders' interests. A significant portion of our package is delivered in shares and Executive Directors are required to meet a minimum shareholding guideline
- Align with the wider Group. The reward principles that govern Executive Directors' remuneration are aligned with the broader reward philosophy and principles of the Group. When determining remuneration for the Executive Directors, the Committee gives consideration to pay and conditions in the wider employee population

Statement of implementation of Remuneration Policy in 2017

Executive Directors

Salary

Salaries for Executive Directors were reviewed with effect from 1 January 2017 and were not increased. The CEO's salary for 2017 will therefore continue to be £350,000 and the CFO's salary will continue to be £175,000 per annum. Salaries will next be reviewed from 1 January 2018.

Benefits

No changes have been proposed to the benefit structure in 2017. Executive Directors will continue to receive a mobile phone, private medical insurance, life insurance, critical illness cover and a fully expensed car or cash equivalent.

Pension

There has been no change to pension provision for 2017. The Company pays into a defined contribution scheme for the Executive Directors based on a percentage of their basic salary. The contribution rate is currently 8.5%. The CEO does not participate in the pension scheme.

Bonus

The maximum annual performance bonus is 100% of base salary. For 2017 the annual bonus will be based on the following measures:

		Weighting	
Measure	**Rationale**	**CEO**	**CFO**
Profit after tax	To incentivise executives to continue to grow the business and improve profit performance	50%	30%
Free cash flow	To continue to focus executives on operational efficiencies and the generation of cash to fund growth	50%	50%
Personal objectives	To incentivise executives to achieve specific operational and strategic business objectives	—	20%
Total		**100%**	**100%**

The bonus is payable in cash. 50% of the bonus will be achieved for meeting on-target levels of performance with the full bonus payable for meeting performance significantly in excess of target.

Long-term incentives

It is intended that awards of 100% of salary will be made under the PSP in 2017 to the CEO and CFO. These awards will be subject to meeting stretching performance targets over a three-year period. The performance measures for these awards are as follows:

- Total shareholder return relative to the FTSE Small Cap index excluding investment trusts
- Adjusted earnings per share growth

Performance targets and vesting levels for 2017 awards are as follows:

	Relative TSR	EPS
100% vesting	Upper quartile	30% p.a. growth
25% vesting	Median	15% p.a. growth

There will be straight-line vesting between each point.

Non-Executive Directors

Non-Executive Directors are paid a basic fee for their Board role with additional fees payable for undertaking the Senior Independent Director role and for chairing a Committee. The Chairman is paid an all-inclusive fee. There have been no changes to the Non-Executive Director or Chairman's fees with effect from 1 January 2017 and our policy is summarised below:

Role	Annual fee £'000
Chairman	50
Non-Executive Director basic fee	40
Senior Independent Director fee	10
Audit Committee Chair fee	10
Remuneration Committee Chair fee	10

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 2016, neither Executive Director received payment for any external directorship.

Executive Directors' service contracts

The service contract of the CEO is dated 14 October 2016. The service contract of the CFO is dated 8 February 2016. These are rolling service contracts with no fixed expiry date.

Non-Executive Director terms of appointment

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

Non-Executive Director	Date of appointment
Giles Brand	1 May 2010
John Barton	27 September 2016
Caroline Brown	27 September 2016
Tim Surridge	27 September 2016

Re-election by shareholders

In accordance with the principles of the Code, the Chairman, the Non-Executive Directors and the Executive Directors are subject to voluntary re-election by shareholders on an annual basis. Their appointments may be terminated in the event of them not being re-elected by shareholders or otherwise in accordance with the Articles.

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
- Monitor the level and structure of remuneration of senior management in conjunction with the Executive Directors
- Review the implementation and operation of any Company share option schemes, bonus schemes and long-term incentive plans

REMUNERATION COMMITTEE REPORT CONTINUED

Role of the Committee continued

The Committee is chaired by Tim Surridge. John Barton and Caroline Brown are also members of the Committee. There have been no meetings of the Committee in the period since the IPO on 17 October 2016 and the year end. The Committee has met twice since the year end and the date of issuing the Annual Report and Financial Statements to consider the Remuneration Policy and its implementation for 2017 and agree performance targets for 2017.

The Company Chairman is 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 2017, 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 2017 as outlined in this report and feedback from the AGM on the Remuneration Policy
- Determining reward outcomes for 2017
- The implementation of a Performance Share Plan for executives
- Determining how the reward framework will be implemented for 2018
- Review of remuneration trends and governance developments

Remuneration Committee advisers

In the period from the IPO on 17 October 2016 to 31 December 2016, the Committee did not engage the services of any external advisers.

Following the year end, the Committee received advice from Deloitte LLP in relation to the Remuneration Policy and the drafting of this report.

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 LLP engagement partner and team which provide remuneration advice to the Committee do not have connections with Luceco plc that may impair their independence. The Committee reviewed the potential for conflicts of interest and judged that there were appropriate safeguards against such conflicts.

Remuneration Policy report

The following table sets out our Remuneration Policy for Directors ("Policy"). This Policy will be put forward to shareholders for their binding approval at the AGM on 25 May 2017 and will apply to payments made from this date.

Further details regarding the operation of the Policy for the 2017 financial year can be found on pages 52 to 53.

Policy table

Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Base salary			
To ensure that the Company is able to attract and retain talented Executive Directors to deliver the strategy of the business.	The Committee sets base salary taking into account: • The individual's skills, experience and their performance • Salary levels at other companies of a similar size • Pay and conditions elsewhere in the Group Any salary increases are normally effective from 1 January.	Whilst there is no maximum salary, increases will normally be in line with the typical increases awarded to other employees in the Group. However, increases may be above this level in certain circumstances such as: • Where an Executive Director has been appointed to the Board at a lower than typical market salary to allow for growth in the role, larger increases may be awarded to move salary positioning closer to typical market level as the Executive Director gains experience • Where an Executive Director has been promoted or has had a change in responsibilities • Where there has been a significant change in market practice	n/a

Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Pension			
To provide appropriate levels of retirement benefit to attract and retain talented Executive Directors.	Executive Directors generally receive a contribution to a defined contribution pension scheme (or equivalent) or a cash allowance in lieu of a pension.	The maximum annual pension contribution or cash allowance is 8.5% of salary.	n/a
Benefits			
To ensure that the benefits offered by the Company remain competitive in the markets in which it operates and are in line with those provided to other Group employees in a position of management or responsibility.	Current benefits include: car allowance (£9,000 p.a.), mobile phone, life insurance and private medical insurance. Executive Directors may participate in the SIP and any other all-employee plans on the same basis as other employees up to HMRC approved limits. The Committee may introduce other benefits if it is considered appropriate to do so. Executive Directors shall be reimbursed for all reasonable expenses and the Company may settle any tax incurred. Where an Executive Director is required to relocate to perform their role the appropriate one-off or on-going expatriate benefits may be provided (e.g. housing, schooling etc).	There is no maximum level of benefit.	n/a
Annual bonus			
The role of the annual performance bonus is to incentivise and reward the Executive Directors for the delivery of the Group's strategy and objectives.	Bonuses are normally paid in cash following the year end. Bonuses are not pensionable. Bonuses are based on annual performance targets. Malus and clawback provisions apply, detailed on page 57. The Committee may adjust the bonus award if it does not consider that it reflects underlying Company performance but may not exceed the maximum policy limit.	Maximum opportunity of 100% of base salary. Around 50% of the bonus shall payout for on-target levels of performance. The Committee may change this level in future years if it is considered appropriate taking into account the stretch of the targets and may introduce a payout for achieving performance below on-target.	The Committee shall determine performance measures for the bonus each year. These may include financial measures (for example profitability and cash flow) and other metrics linked to the delivery of the business strategy. No less than 70% of the annual bonus will be based on financial measures. The Committee has the discretion in exceptional circumstances to adjust the performance targets/set different measures if events occur outside of management control or where the target no longer satisfies its original purpose to ensure that pay is aligned with performance.

REMUNERATION COMMITTEE REPORT CONTINUED

Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Performance Share Plan			
The PSP aligns shareholder interests with the Executive Directors and participating employees, incentivising them to achieve specified performance measures over a three-year period. The PSP also acts as a retention tool.	Awards can be in the form of conditional shares or nil-cost options or in such other form that the Committee determines has the same economic effect. Where awards are in the form of nil-cost options, participants may have up to ten years from grant to exercise awards. Awards may also be granted in conjunction with a tax-advantaged Company Share Option Plan ("CSOP") up to the HMRC limits (currently £30,000) as an "Approved PSP Award". The vesting of an Approved PSP Award will be scaled back to take account of any gain made on exercise of the associated CSOP option. An approved PSP Award will enable the Executive Director and the Company to benefit from tax advantaged treatment on part of their PSP award without increasing the pre-tax value delivered to the Executive Director or cost to the Company. Awards normally vest based on performance assessed over a period not shorter than three years. The Committee retains the discretion to adjust the final vesting level if it does not consider that it reflects the underlying performance of the Company. Malus and clawback provisions apply, as detailed on page 57.	The maximum annual award in respect of a financial year is 150% of base salary. It is currently intended that awards to Executive Directors will not exceed 100% of base salary. Typically 25% of awards vest for threshold levels of performance.	Awards granted in 2017 will vest subject to a combination of adjusted EPS and relative TSR. These measures will be equally weighted. The Committee may use different performance measures for future awards if it is deemed appropriate.
Company Share Option Plan			
It is not intended that awards will be made to Executive Directors under this plan during the life of the policy. The CSOP aligns shareholder interests with participating employees, incentivising them to achieve specified performance measures over a three-year period. The CSOP also acts as a retention tool.	Awards can take the form of market value share options. Awards would be subject to performance assessed over a period of no less than three years. The Committee retains the discretion to adjust the final vesting level if it does not consider that it reflects the underlying performance of the Company. Awards may be exercised once vested for up to ten years following the date of grant. Options can be granted in the form of unapproved options or HMRC approved options up to the HMRC limit at the date of grant. Malus and clawback provisions apply, as detailed on page 57.	The maximum annual award is 100% of salary. Typically 25% of awards vest for threshold levels of performance.	If this plan were operated, appropriate performance conditions would be determined by the Committee at the time of award and disclosed in the Remuneration Committee report for that year.

Luceco also operates shareholding guidelines for Executive Directors, as set out on page 47.

Information supporting the policy

Malus and clawback

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

Share plan operation

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

- Have any performance conditions applicable to them amended or substituted by the Committee in circumstances where the Committee determines an amended or substituted performance condition would be more appropriate and not materially less difficult to satisfy
- Incorporate the right to receive an amount (in cash or additional shares) equal to the value of dividends which would have been paid on the shares under an award that vest up to the time of vesting. This amount may be calculated assuming that the dividends have been reinvested in the Company's shares on a cumulative basis (this provision does not apply to the CSOP)
- Be settled in cash at the Committee's discretion
- Be adjusted in the event of any variation of the Company's share capital or any demerger, delisting, special dividend or other event that may affect the Company's share price

Approved payments

The Committee reserves the right to make any remuneration payments and/or payments for loss of office (including exercising any discretions available to it in connection with such payments) notwithstanding that they are not in line with the Policy set out above where the terms of the payment were agreed (i) before 25 May 2017 or (ii) at a time when the relevant individual was not a Director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company. For these purposes "payments" includes the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are "agreed" at the time the award is granted.

Selection of performance measures

Annual bonus

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

Performance Share Plan

Our long-term strategic objective is to provide long-term sustainable returns for all of our shareholders. It is intended that awards made in 2017 will be based on relative TSR performance and adjusted EPS growth. The Committee believes the measures are aligned with our strategy and will incentivise Executive Directors to deliver enhanced shareholder value.

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

Remuneration arrangements throughout the Group

Remuneration arrangements are determined throughout the Group based on the same principle; that reward should be sufficient to attract and retain high calibre talent without paying more than is necessary and that reward should support the delivery of the business strategy.

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

REMUNERATION COMMITTEE REPORT CONTINUED

Remuneration outcomes in different performance scenarios

The charts below set out an illustration of the Policy for 2017. The charts provide an illustration of the proportion of total remuneration made up of each component of the Remuneration Policy and the value of each component.

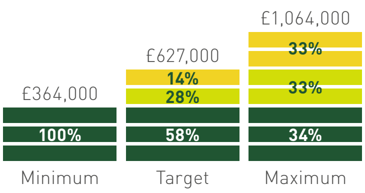
Three performance scenarios have been illustrated for each Executive Director:	
Below threshold performance	• Fixed remuneration • No annual bonus payout • No vesting under the PSP
Mid-range performance	• Fixed remuneration • 50% annual bonus payout • 25% vesting under the PSP
Maximum performance	• Fixed remuneration • 100% annual bonus payout • 100% vesting under the PSP

The charts have been prepared on the following basis:

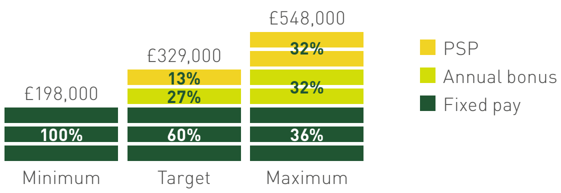
- **Base salary** – the base salary in place at 1 January 2017
- **Benefits** – based on the disclosed benefits for 2016
- **Pension** – based on the maximum contribution/allowance of 8.5% of base salary for the CFO. The CEO does not receive any pension benefit
- **Bonus** – based on the maximum award of 100% of base salary
- **PSP** – based on the maximum award of 100% of base salary

No share price growth or the payment of dividend equivalents has been assumed. Potential benefits under all-employee plans have not been included.

John Hornby – CEO



David Main – CFO



Remuneration Policy for newly appointed Directors

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

- The package should be market competitive to facilitate the recruitment of individuals of sufficient calibre to lead the business. At the same time, the Committee would intend to pay no more than it believes is necessary to secure the required talent
- New Executive Directors will normally receive a base salary, benefits and pension contributions in line with the policy described on pages 54 to 57 and would also be eligible to join the bonus and share incentive plans up to the limits set out in the Policy
- In addition, the Committee has discretion to include any other remuneration component or award which it feels is appropriate taking into account the specific circumstances of the recruitment, subject to the limit on variable remuneration set out below. The key terms and rationale for any such component would be disclosed as appropriate in that year's Remuneration Report
- Where an individual forfeits outstanding variable pay opportunities or contractual rights at a previous employer as a result of appointment, the Committee may offer compensatory payments or awards, in such form as the Committee considers appropriate, taking into account all relevant factors including the form of awards, expected value and vesting timeframe of forfeited opportunities
- When determining any such "buyout", the guiding principle would be that awards would generally be on a "like-for-like" basis unless this is considered by the Committee not to be practical or appropriate
- The maximum level of variable remuneration which may be awarded (excluding any "buyout" awards referred to above) in respect of recruitment is 250% of salary, which is in line with the current maximum limit under the annual bonus and PSP
- Where an Executive Director is required to relocate from their home location to take up their role, the Committee may provide assistance with relocation (either via one-off or on-going payments or benefits)
- In the event that an internal candidate is promoted to the Board, legacy terms and conditions would normally be honoured, including pension entitlements and any outstanding incentive awards

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

The remuneration package for a newly appointed Non-Executive Director would normally be in line with the structure set out in the policy table for Non-Executive Directors on page 60.

Executive Directors' service contracts and leaving policy

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

The service contract of the CEO is terminable on nine months' written notice by either party. The service contract of the CFO is terminable on three months' written notice by either party for the first year of employment and six months thereafter. The service contracts are available for inspection at the AGM and at the Company's registered office. For new appointments, notice will normally be limited to nine months on either side.

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

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

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

Annual bonus

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

Share plan leaver rules

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

Good leavers[1]	Leavers in other circumstances
Performance Share Plan	
If a participant dies, their PSP award will vest to the extent determined by the Committee, taking into account the extent to which the performance conditions have been met and unless the Committee determines otherwise the proportion of the performance period that has elapsed. If the participant ceases to be an officer or employee of the Group for any other "good leaver" reason, their award will vest on the original vesting date, or, if the Committee so determines, as soon as practicable after the date of cessation. The extent to which awards vest in these circumstances will be determined by the Committee, taking into account the extent to which the performance conditions have been satisfied, and, unless the Committee determines otherwise the proportion of the performance period that has elapsed. Participants have six months to exercise awards (twelve months in the case of death).	Awards lapse. Participants have six months to exercise vested options.
Company Share Option Plan	
A participant's CSOP award will vest to the extent determined by the Committee, taking into account the extent to which the performance conditions have been met and pro-rata to the proportion of the vesting period elapsed since grant, unless the Committee determines the performance conditions should be waived. Participants have six months to exercise their awards (twelve months in the case of death) from the cessation of employment.	Awards lapse. Participants have six months to exercise vested options.
SIP	
Leaver provisions are determined in accordance with HMRC approved provisions.	

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

REMUNERATION COMMITTEE REPORT CONTINUED

Change of control

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

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

Remuneration Policy table for Non-Executive Directors

Purpose and link to strategy	Operation	Maximum value
Fees		
To enable the Company to attract and retain experienced, skilled Non-Executive Directors that are capable of advising and supporting the Executive Directors with setting, monitoring and delivering the strategic objectives.	Paid in cash. Fees for the Chairman and Non-Executive Directors are set taking into account the time commitment required to fulfil the role and typical practice at other similar companies. Our Non-Executive Director fee policy is to pay a basic fee for membership of the Board, and additional fees for the SID and chairmanship of a Committee to take into account the additional responsibilities and time commitment of these roles. Additional fees may be paid to reflect additional Board or Committee responsibilities as appropriate. Fees are reviewed at appropriate intervals.	Fees paid to Non-Executive Directors, including the Non-Executive Chairman are subject to consideration and approval of the Committee. No maximum value is specified in the Company's Articles.
Benefits and expenses		
To provide suitable arrangements to allow Non-Executive Directors to discharge their duties effectively.	Reasonable costs in relation to travel and accommodation for business purposes are reimbursed to the Chairman and Non-Executive Directors. The Company may meet any tax liabilities that may arise on such expenses. The Chairman and Non-Executive Directors are not entitled to participate in any of the Group's incentive plans or pension plans. Additional non-significant benefits may be introduced if considered appropriate.	None.

Terms and conditions for the Chairman and Non-Executive Directors

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

Consideration of conditions elsewhere in the Company

The Committee does not consult with employees specifically on its Remuneration Policy for Executive Directors. However, the Committee is mindful of the salary increases and benefits applying across the whole business when considering the remuneration package of Executive Directors.

Consideration of shareholder views

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

TIM SURRIDGE
Remuneration Committee Chair

3 April 2017

DIRECTORS' REPORT AND OTHER STATUTORY DISCLOSURES

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

Disclosures required under Listing Rule 9.8.4R

The information required to be disclosed under Listing Rule 9.8.4R, where applicable to the Company, can be found in the 2016 Annual Report and Financial Statements at the references provided below:

Section	Description	Annual report location
(1)	Interest capitalised	Not applicable
(2)	Publication of unaudited financial information	Not applicable
(4)	Details of long-term incentive schemes	Page 56
(5)	Waiver of emoluments by a Director	Page 50
(6)	Waiver of future emoluments by a Director	Not applicable
(7)	Non-pre-emptive issues of equity for cash	Page 64
(8)	Item (7) in relation to major subsidiary undertakings	Not applicable
(9)	Parent participation in a placing by a listed subsidiary	Not applicable
(10)	Contracts of significance	Page 65
(11)	Provision of services by a controlling shareholder	Not applicable
(12)	Shareholder waivers of dividends	Not applicable
(13)	Shareholder waivers of future dividends	Not applicable
(14)	Agreements with controlling shareholders	Not applicable

Results and dividends

The Group's profit after tax for the year ended 31 December 2016 was £9.7m (2015: £5.8m), details are shown in the Consolidated Income Statement on page 70. The Directors recommend the payment of a final dividend of 0.3p per ordinary share, to be paid, subject to approval of the shareholders at the AGM, on 2 June 2017 to ordinary shareholders registered as members of the Company at the close of business on 5 May 2017.

Directors

The Directors who held office during the year were:

John Hornby
David Main (appointed 27 September 2016)
Ian Pritchard (resigned 27 September 2016)
Giles Brand
John Barton (appointed 27 September 2016)
Caroline Brown (appointed 27 September 2016)
Tim Surridge (appointed 27 September 2016)

Biographical details of the Directors appear on page 39. Information on the Directors' remuneration and service contracts is given in the Remuneration Committee Report on pages 48 to 60.

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 Company and then shall be eligible for election. The Company may remove a Director by ordinary resolution where special notice has been given and the necessary statutory procedures are complied with.

In accordance with the Company's Articles, all Directors will offer themselves for election at the 2017 AGM. The Board is satisfied that each Director is suitably qualified for election by virtue of their experience, skills and contribution to the Board.

DIRECTORS' REPORT AND OTHER STATUTORY DISCLOSURES CONTINUED

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 Company shall be managed by the Board, which may exercise all the powers of the Company, subject to any limitations imposed by applicable legislation, the Articles and any Directions given by special resolution of the shareholders of the Company.

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 s414A of the Companies Act 2006 ("Act"), the Company has disclosed future developments within its Strategic Report in pages 2 to 37.

Corporate governance

A report on corporate governance and the Company's compliance with the UK Corporate Governance Code 2014 is set out on pages 38 to 60 and forms part of this report by reference.

Post balance sheet events

No events have taken place in the period between the year end and the date of signing this report.

Research and development

The Directors consider that investment in research and development is critical to enable the Company to maintain its competitive advantage and continue to grow its market share. The Group has a substantial specialist research and development function in China, supported by a smaller team in the UK. Research and development expenditure in the year was £1.7m (2015: £1.6m), of which £1.6m (2015: £1.5m) was capitalised and amortised.

Asset values

Property, plant and equipment is disclosed in note 9 to the financial statements on page 83. The Directors do not believe there is any material difference between the carrying value and market value.

Financial instruments

An analysis of the Company's financial instruments, risk management objectives and its exposure to credit and liquidity risk are disclosed in note 19 on pages 88 to 92.

The Company'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 22 to 25, and the Executive Review on pages 7 to 13.

Global operations

The Group's executive head office, accounting, domestic sales and support functions are based in the UK. The Group has two UK sites in London and Telford. The Group's London facility serves as the Group's head office with the executive function and certain sales and support functions based at the office. The Telford facility serves as the UK assembly and distribution centre and the remainder of the Group's UK sales, accounting and support functions as well as a portion of the Group's research and development 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 France, Germany, Spain, Dubai, Texas (USA), Mexico and Hong Kong.

Going concern

The financial statements have been prepared on a going concern basis, as set out in the Statement of Directors' Responsibilities on page 66. Having considered the ability of the Company and the Group to operate within its existing facilities and meets its debt covenants, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future.

Viability Statement

The Viability Statement can be found in the Strategic Report on page 25.

Charitable donations

The Group made no charitable donations during the year (2015: £6,450).

Political donations

No political donations were made and no political expenditure was incurred during the year (2015: £nil).

Employees

Our employees are critical to the success of the Group and its ability to meet its objectives. We rely on a committed workforce and regular communication in an open environment and alignment of personal and business objectives supports this. Information of matters of concern to employees is given through bulletins and reports to provide a common awareness on the part of all employees of the financial and economic factors affecting the Group's performance.

The Group endeavours to provide supportive working conditions and environment to accommodate the employment of disabled people. Once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person. If employees become disabled whilst employed by the Group, they will continue to be employed wherever practical in the same role. If this is not practicable, every effort is made to train and redeploy within the Group.

Details of the Group's employment policies and its approach to diversity and disability can be found in Corporate and Social Responsibility on pages 36 and 37.

Greenhouse gas emissions

The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 require the Group to disclose its annual greenhouse gas ("GHG") emissions. The emissions of the Group have been independently calculated by the Company's carbon consultants using the operational control approach in accordance with the GHG Protocol using GHG emissions factors published by the UK Government, the International Energy Agency and the World Resources Institute.

The table and chart below illustrate the Scope 1 and 2 GHG emissions for the Group for the year ended 31 December 2016. No comparative figures are available as this is the first year the Group has been required to report its emissions profile:

Scope	Source	Total GHG tCO_2e
Scope 1	Natural gas[2]	205
	HFCs[3] (refrigerant)	212
	Company-owned vehicles[4]	187
Scope 2	Electricity[1, 5] (market based)	3,865
	Electricity (location based)	3,951
Total scope 1 and 2		4,555
tCO_2e per £m turnover		34.02
tCO_2e per manufactured unit ('000)		0.169

1. Emissions associated with non-UK based electricity consumption is reported in CO_2 only as overseas emissions factors are only available on a CO_2 basis.
2. Natural gas: calculated using metered consumption taken from supplier invoices. The calorific value of natural gas supply for the sites in China and Germany is unknown and has been assumed as Lower Heating Value to be conservative.
3. Hydrofluorocarbon ("HFC"): refrigeration emissions have been calculated from service records, where available. Where service records were not available, the refrigeration losses have been estimated using the DEFRA leakage tables. HFC emissions from the Mexico office are unknown, although it is anticipated that they represent less than 0.03% of total HFC emissions and are considered to be immaterial.
4. Company-owned vehicles: data has been calculated using fuel consumption taken from invoices and vehicle mileage logs and vehicle type (engine size and fuel type) to estimate the associated emissions.
5. Electricity: calculation primarily based on metered consumption from invoices or meter readings. Where actual consumption data is not available as energy is billed as part of a landlord service charge, energy consumption has been estimated using floor areas and published benchmarks.

Directors' interests and share options

During the year ended 31 December 2016, no Director had a material interest in any significant third-party contract between the Company or any of its subsidiaries.

Directors' shareholdings are disclosed in the Remuneration Committee Report on pages 50 and 51. No Directors held any share options at the year end.

Directors' conflicts of interest

In accordance with the Act 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. A register of conflicts or potential conflicts is maintained and available at Board meetings.

DIRECTORS' REPORT AND OTHER STATUTORY DISCLOSURES CONTINUED

Directors' liability and indemnity insurance

The Company maintains Directors' and officers' liability insurance which gives appropriate cover for legal action brought against its Directors. In addition, third-party qualifying indemnity provisions (as defined in s234 of the Act) for its Directors and officers were in force during the year ended 31 December 2016 and remain in force. There were no qualifying pension scheme indemnity provisions.

Articles of Association

On 14 October 2016, a special resolution was passed to adopt new Articles, in replacement of the existing Articles, when the Company became a public limited company prior to its IPO on the London Stock Exchange on 17 October 2016. A copy 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 Company 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 Company and one vote at general meetings of the Company. There are no restrictions on the transfer of shares in the Company (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 Company 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.

The Company passed a number of resolutions in relation to its share capital prior to its IPO on the London Stock Exchange on 17 October 2016 as follows:

- On 11 October 2016, an ordinary resolution to subdivide the nominal value of its issued ordinary share capital from 704,000 ordinary shares of 10p each to 140,800,000 ordinary shares of 0.05p each
- On 14 October 2016, a special resolution, conditional on Admission to Listing on the London Stock Exchange, providing the Directors with authority to:
  - (a) (i) allot ordinary shares in the Company up one third of the aggregate nominal value of the issued share capital of the Company immediately following Admission
    - (ii) allot ordinary shares in the Company up to two thirds of the aggregate nominal value of the issued share capital of the Company immediately following Admission (such amount to be reduced by any allotments made under paragraph (i) above) in connection with a rights issue made on a pre-emptive basis
  - (b) (i) disapply pre-emption rights of the existing shareholders on the issue of the ordinary shares on Admission
    - (ii) disapply pre-emption rights on the allotment of ordinary shares up to 5% of the aggregate nominal value of the issued share capital of the Company immediately following Admission

These authorities will expire at the conclusion of the Company's AGM on 25 May 2017. Resolutions will be proposed at the 2017 AGM to renew the authorities to authorise Directors to allot ordinary shares and to disapply pre-emption rights.

At 31 December 2016, the Company 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 2016 are disclosed in note 24 on page 94.

Authority for the Company to purchase its own shares

A resolution will be proposed at the 2017 AGM that the Company be authorised to purchase up to approximately 10% of its ordinary shares at the Directors' discretion. If the resolution is passed, the new authority will lapse at the conclusion of the 2018 AGM.

Substantial shareholdings

The Company was notified of the following interests amounting to 3% or more of its issued share capital at the financial year end and at 31 March 2017 (being the last practical date prior to the date of this report).

	At 31 March 2017		At 31 December 2016	
Shareholder	Number of shares held	% voting rights	Number of shares held	% voting rights
EPIC Investments LLP	**39,081,000**	**24.30**	**39,081,000**	**24.30**
John Hornby	**33,396,000**	**20.77**	**33,396,000**	**20.77**
Giles Brand	**8,844,000**	**5.50**	**8,844,000**	**5.50**
Columbia Threadneedle Investments	**6,212,996**	**3.86**	**6,229,115**	**3.87**
BlackRock	**5,458,695**	**3.39**	**5,488,492**	**3.41**
Old Mutual Global Investors	**5,151,279**	**3.20**	**n/a**	**n/a**
River and Mercantile Asset Management	**n/a**	**n/a**	**5,000,000**	**3.11**
Schroder Investment Management	**n/a**	**n/a**	**4,869,000**	**3.03**

Provision of services by substantial shareholders

Giles Brand, Company Chairman, and EPIC Investments LLP are connected parties and significant shareholders of the Company (Giles Brand is Managing Partner of EPIC Private Equity LLP which controls EPIC Investments LLP). Giles Brand was appointed Chairman of the Company from 1 May 2010, no fees were charged for his services in the period prior to the Company's IPO on 17 October 2016. Since 1 November 2016, Giles Brand has charged a monthly fee of £4,167 (£50,000 per annum) in respect of his services as Chairman. EPIC Investments LLP was paid £75,000 for the period 1 January until 19 October 2016 (2015: £100,000) in respect of monitoring fees and expenses.

John Hornby, CEO, owns 20.77% of the Company's issued share capital. John Hornby has a service contract with the Company, as detailed on page 53 which is available for inspection at the AGM and at the Company's registered office. Further details of John Hornby's remuneration can be found in the Remuneration Committee Report in pages 48 to 60.

Significant agreements

The Company has an agreement with its significant shareholders, EPIC Investments LLP and Giles Brand ("connected parties"), Chairman of Luceco plc and Managing Partner of EPIC Private Equity LLP which controls EPIC Investments LLP, who collectively exercise or control 29.80% of the voting rights.

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 Company's shares ceased trading on the London Stock Exchange or if the Company were to appoint an administrative receiver.

Change of control

Change of control provisions are included in the Company's banking agreements with HSBC Bank plc. Should a change of control event occur, the Company's revolving credit facility of £12m would be immediately cancelled, requiring repayment of all outstanding loans and the £30m invoice discounting facility could be modified or terminated; a notice period of six months is required.

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 Company'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 Company's auditor is aware of that information.

Appointment of auditor

On the recommendation of the Audit Committee, a resolution will be proposed at the AGM under s489 of the Companies Act 2006 to re-appoint KPMG LLP as auditor of the Company and to authorise the Audit Committee to set their remuneration.

Annual General Meeting

The Company's AGM will be held on 25 May 2017. 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 3 April 2017.

By Order of the Board

IAN PRITCHARD
Company Secretary

Company number: 5254883

Registered office:
Luceco plc
Building E Stafford Park 1
Stafford Park
Telford 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 IFRSs as adopted by the EU and applicable law and have elected to prepare the Parent Company financial statements in accordance with UK Accounting Standards, 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 their profit or loss for that period. In preparing each of the Group and Parent Company financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently
- Make judgements and estimates that are reasonable and prudent
- For the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU
- 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
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business

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 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 Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

We confirm that to the best of our knowledge:

- The financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole
- The Strategic Report includes a fair review of the development and performance of the business and the position of the Company 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 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.

JOHN HORNBY
Chief Executive Officer

DAVID MAIN
Chief Financial Officer

3 April 2017

INDEPENDENT AUDITOR'S REPORT

to the members of Luceco plc only

Opinions and conclusions arising from our audit

1 Our opinion on the financial statements is unmodified

We have audited the financial statements of Luceco plc ("the Group") for the year ended 31 December 2016 set out on pages 70 to 98. 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 2016 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- 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; and, as regards the Group financial statements, Article 4 of the IAS Regulation.

2 Our assessment of risks of material misstatement

In arriving at our audit opinion above on the financial statements the risks of material misstatement that had the greatest effect on our audit, in decreasing order of audit significance, were as follows:

Recognition of revenue and related rebate liabilities. (Revenue of £133,753,000 and rebate balances of £6,830,000) (2015: £103,055,000 and £5,245,000 respectively)
Risk vs 2015: ◀ ▶

Refer to page 45 (Audit Committee Report), page 77 (accounting policy) and page 79 (financial disclosures).

The risk – Revenue is measured taking account of discounts and rebates earned by customers on the Group's sales. The Group has agreements with its key customers whereby discounts and rebates are offered retrospectively according to the quantity of goods sold as is common in the industry. Because the agreement periods are not always coterminous with the Group's year end, not all sales qualify for discounts and rebates, and because settlement can take time and the manner of settlement can differ, there are a number of elements that require judgement and forecasts to be applied in determining the appropriate adjustment to revenue and consequential rebate and discount accruals for each customer. Discounts and rebates can have a significant effect on revenue recognised and their estimation can be complex, so there is a risk that revenue and related liabilities are materially misstated.

Our response – Our procedures included:

- considering the appropriateness of the Group's revenue recognition accounting policies in light of our knowledge of the industry, in particular relating to discounts and rebates and assessing compliance with applicable accounting standards; and
- testing of the design and implementation of controls over entering into new or revised agreements to determine whether they are authorised appropriately.

We selected a sample of agreements using qualitative and quantitative criteria. For this sample, our procedures included the following on a per customer basis:

- we compared the qualifying sales volume achieved to underlying accounting records which were tested for completeness by agreeing to total reported revenue;
- we agreed other relevant parameters used in calculating the corresponding rebate, such as sales hurdles, rebate percentage, definition of qualifying sales and rebate period to the signed agreement with the customer;
- for agreement periods that are non-coterminous with the Group's year end, we assessed the Directors' sales estimate for the entire agreement period based on past experience and our knowledge of recent and forecast sales patterns; and
- we re-performed the rebate calculations and tested that the rebates had been recorded in the correct financial year.

We tested revenue recognised per customer for the year by agreeing to Group revenue and for the ten largest customers compared against the related liabilities in order to test completeness of rebate liabilities.

We tested credit notes issued in settlement of rebates during the year and post year end to determine whether revenue was recognised in the correct period and whether the year end balance for rebates was appropriate.

We also considered the adequacy of the Group's disclosures in respect of the complexity in determining revenue.

Valuation of inventory (£38,462,000) (2015: £26,195,000) Risk vs 2015: ◀ ▶

Refer to page 45 (Audit Committee Report), page 77 (accounting policy) and page 86 (financial disclosures).

The risk – The Group operates in a rapidly 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. Inventories are carried at the lower of cost and net realisable value with the result that the Directors apply judgement in determining the appropriate provisions for inventory based upon analysis of inventory levels, discontinued inventory, sales forecasts for the future usage of inventory and overall product strategy. The complexity and subjectivity in these assessments by the Directors means that there is a risk that the assessment of the level of these provisions is inappropriate.

Our response – Our work included the testing of the design and implementation of controls to identify slow moving or discontinued products. We considered the basis of the methodology with respect to the slow moving inventory provision and the provisioning percentages or adjustments applied to individual categories of inventory. To this effect, we met with the Directors to understand the manufacturing and purchasing strategy as well as the key drivers for demand such as new product launches, sales plans and levels of expected discounting and the application of these into the provisioning calculation. We challenged the Directors by reference to available third-party market evidence (such as reports on relevant regulatory changes, market growth and likely changes in demand for products). We also assessed the historical accuracy of inventory provisioning, with reference to the level of inventory write-offs during the year. We considered sales post year end to see whether sale proceeds were sufficient to cover the net realisable value of inventory at the year end.

We considered the adequacy of the Group's disclosures in respect of the estimation risk in determining net realisable value of inventory.

INDEPENDENT AUDITOR'S REPORT CONTINUED

to the members of Luceco plc only

2 Our assessment of risks of material misstatement continued

Capitalisation of development costs (£1,556,000) (2015: £1,495,000) Risk vs 2015: ◀ ▶

Refer to page 45 (Audit Committee Report), page 76 (accounting policy) and page 84 (financial disclosures).

The risk – The Group incurred significant research and development costs in the year, some of which were considered to meet the criteria for capitalisation as development costs. There is judgement involved in determining whether a particular project or activity has met these criteria and therefore must be capitalised. The complexity in this judgement means that there is a risk that capitalisation occurs on projects that do not meet these criteria or, conversely, that development costs meeting the criteria for capitalisation are expensed. In particular, the criteria requiring the most significant judgement is the ability to measure reliably the expenditure attributable to the projects and demonstration of how the projects will generate future earnings.

Our response – Our procedures included testing whether the costs incurred met the criteria for capitalisation by obtaining the Directors' analysis of all costs incurred and those that had been capitalised and considering where they had been incurred and on which development activity they had been incurred, together with plans to complete the development activity.

We tested a sample of internal staff costs capitalised against analysis of time spent on each project and evaluated the labour rates applied to the time charged against payroll records.

In order to test each project's ability to generate future earnings, we gained an understanding of the respective projects and the forecast demand for the products through inquiry with the product development director and challenged this assessment by comparison to market trends.

We also considered the adequacy of the Group's disclosures in respect of the judgement required in determining how the capitalisation criteria are met.

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 £714,000, determined with reference to a benchmark of Group profit before tax which in 2016 only was adjusted by excluding one-off fees relating to the Group's IPO process as identified in note 3, of which it represents 4.8%.

We report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £35,700 in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 14 reporting components, five were subject to audits for Group reporting purposes. We conducted specified risk-focused audit procedures over inventory at one other location. This component was not individually financially significant enough to require an audit for group reporting purposes, but did present specific individual risks that needed to be addressed.

The components within the scope of our work accounted for the following percentages of the Group's results:

	Number of components	Group revenue	Group profit before tax	Group total assets
Audits for group reporting purposes	5	98%	89%	97%
Specified audit procedures over inventory	1	1%	4%	1%
Total 2016	**6**	**99%**	**93%**	**98%**

For the remaining components, we performed analysis at an aggregated Group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The Group audit team instructed component auditors in China as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group audit team approved component materiality which was set at a range between £250,000 to £607,000 having regard to the risk profile in the components. The work on one of the components subject to audit was performed by component auditors and the rest, including the specified audit procedures, was performed by the Group audit team.

The Group audit team visited the one component location team in China, during which the findings reported to the Group audit team were discussed in more detail and any further work required by the Group audit team was performed by the component auditor.

4 Our opinion on other matters prescribed by the Companies Act 2006 is unmodified:

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and the Directors' Report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic Report and the Directors' Report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

5 We have nothing to report on the disclosures of principal risks

Based on the knowledge we acquired during our audit, we have nothing material to add or draw attention to in relation to:

- the Directors' Viability Statement on page 25, concerning the principal risks, their management, and, based on that, the Directors' assessment and expectations of the Group's continuing in operation over the three years to December 2019; or
- the disclosures in the accounting policies of the financial statements concerning the use of the going concern basis of accounting.

6 We have nothing to report in respect of the matters on which we are required to report by exception

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the Annual Report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and 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; or
- the Audit Committee Report does not appropriately address matters communicated by us to the Audit Committee.

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.

Under the Listing Rules we are required to review:

- the Directors' Viability Statement in relation to going concern and longer-term viability; and
- the part of the Corporate Governance Statement on page 40 relating to the Company's compliance with the eleven provisions of the 2014 UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

Scope and responsibilities

As explained more fully in the Statement of Directors' Responsibilities set out on page 66, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at **www.frc.org.uk/auditscopeukprivate**. This report is made solely to the Company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at **www.kpmg.com/uk/auditscopeukco2014a**, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

S. Smith

STUART SMITH (SENIOR STATUTORY AUDITOR)

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

3 April 2017

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2016

	Note	2016 £000	2015 £000
Revenue	2	**133,753**	103,055
Cost of sales		**(85,927)**	(69,221)
Gross profit		**47,826**	33,834
Distribution expenses		**(11,011)**	(9,233)
Administrative expenses before exceptional IPO costs		**(19,170)**	(13,150)
Operating profit before exceptional IPO costs		**17,645**	11,451
Exceptional IPO costs	3	**(2,635)**	—
Administrative expenses		**(21,805)**	(13,150)
Operating profit	3	**15,010**	11,451
Finance income	5	**82**	260
Finance expenses	5	**(2,893)**	(3,444)
Net financing expense		**(2,811)**	(3,184)
Profit before tax		**12,199**	8,267
Taxation	6	**(2,542)**	(2,450)
Profit for the year		**9,657**	5,817
Earnings per share (pence)			
Basic	7	**6.7p**	4.2p

The accompanying notes on pages 74 to 94 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2016

	2016 £000	2015 £000
Profit for the year	**9,657**	5,817
Other comprehensive income – amounts that may be reclassified to profit or loss in the future:		
Foreign exchange translation differences – foreign operations	**1,797**	(810)
Total comprehensive income for the year	**11,454**	5,007

All results are from continuing operations.

The accompanying notes on pages 74 to 94 form an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET

at 31 December 2016

	Note	2016 £000	2015 £000
Non-current assets			
Property, plant and equipment	9	**20,598**	15,479
Intangible assets	10	**12,898**	11,973
Deferred tax asset	11	**202**	—
		33,698	27,452
Current assets			
Inventories	12	**38,462**	26,195
Trade and other receivables	13	**29,339**	21,825
Cash and cash equivalents	14	**4,145**	4,787
		71,946	52,807
Total assets		**105,644**	80,259
Current liabilities			
Interest-bearing loans and borrowings	15	**21,279**	25,962
Trade and other payables	17	**33,272**	25,548
Other financial liabilities	16	**610**	731
		55,161	52,241
Non-current liabilities			
Other interest-bearing loans and borrowings	15	**12,000**	24,636
Other financial liabilities	16	**145**	126
Deferred tax liability	11	**—**	704
		12,145	25,466
Total liabilities		**67,306**	77,707
Net assets		**38,338**	2,552
Equity attributable to equity holders of the parent			
Share capital	24	**80**	70
Share premium	24	**24,772**	450
Translation reserve	24	**1,417**	(380)
Retained earnings	24	**12,069**	2,412
Total equity		**38,338**	2,552

The accompanying notes on pages 74 to 94 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 3 April 2017 and were signed on its behalf by:

JOHN HORNBY
Chief Executive Officer

DAVID MAIN
Chief Financial Officer

Company registered number: 05254883

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2016

	Share capital £000	Share premium £000	Translation reserve £000	Retained earnings £000	Non-controlling interest reserve £000	Total equity £000
Balance at 1 January 2015	70	450	430	(5,772)	2,367	(2,455)
Total comprehensive income						
Profit for the year	—	—	—	5,817	—	5,817
Other comprehensive loss	—	—	(810)	—	—	(810)
Total comprehensive (loss)/income for the year	—	—	(810)	5,817	—	5,007
Transfer of non-controlling interest	—	—	—	2,367	(2,367)	—
Balance at 31 December 2015	70	450	(380)	2,412	—	2,552
Total comprehensive income						
Profit for the year	**—**	**—**	**—**	**9,657**	**—**	**9,657**
Other comprehensive gain	**—**	**—**	**1,797**	**—**	**—**	**1,797**
Total comprehensive income for the year	**—**	**—**	**1,797**	**9,657**	**—**	**11,454**
Shares issued in the year	**10**	**24,322**	**—**	**—**	**—**	**24,332**
Balance at 31 December 2016	**80**	**24,772**	**1,417**	**12,069**	**—**	**38,338**

Movements in share capital and share premium relate solely to amounts received from issuing new shares less the legal and professional fees incurred as part of the process.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2016

	Note	2016 £000	2015 £000
Cash flows from operating activities			
Profit for the year		**9,657**	5,817
Adjustments for:			
Depreciation and amortisation	9, 10	**3,198**	2,573
Financial income	5	**(82)**	(260)
Financial expense	5	**2,893**	3,444
Taxation	6	**2,542**	2,450
Operating cash flow before movement in working capital		**18,208**	14,024
Exceptional IPO costs	3	**2,635**	—
Operating cash flow before movement in working capital and exceptional IPO costs	3	**20,843**	14,024
Increase in trade and other receivables		**(7,514)**	(3,543)
Increase in inventories		**(12,267)**	(2,361)
Increase in trade and other payables		**5,555**	200
Cash from operations		**6,617**	8,320
Exceptional IPO costs paid	3	**(2,567)**	—
Adjusted operating cash flow	3	**4,050**	8,320
Tax paid		**(1,348)**	(1,003)
Net cash from operating activities		**2,702**	7,317
Cash flows from investing activities			
Acquisition of property, plant and equipment	9	**(6,018)**	(3,744)
Acquisition of other intangible assets	10	**(1,688)**	(1,560)
Net cash used in investing activities		**(7,706)**	(5,304)
Cash flows from financing activities			
Proceeds from new loans		**128**	13,114
Interest paid		**(3,005)**	(3,475)
Repayment of borrowings		**(17,213)**	(7,411)
Repayment of preference shares		**—**	(1,357)
Payment of finance lease liabilities		**(14)**	(62)
Net proceeds from share issue		**24,332**	—
Net cash from financing activities		**4,228**	809
Net (decrease)/increase in cash and cash equivalents		**(776)**	2,822
Cash and cash equivalents at 1 January		**4,787**	2,125
Effect of exchange rate fluctuations on cash held		**134**	(160)
Cash and cash equivalents at 31 December	14	**4,145**	4,787

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2016

1 Accounting policies

Luceco plc (the "Company") is a company incorporated and domiciled in the UK under the Companies Act 2006.

The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and jointly controlled entities. The Parent Company financial statements present information about the Company as a separate entity and not about its Group.

The Group financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"). The Company has elected to prepare its Parent Company financial statements in accordance with FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland and these are prepared on pages 95 to 98. 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. These financial statements are presented in thousand pounds Sterling, which is the functional currency of the Group and Parent Company.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these consolidated financial statements.

Judgements made by the Directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 23.

Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments and financial instruments classified as fair value through profit or loss.

Going concern

The financial statements have been prepared on a going concern basis, as set out in the Statement of Directors' Responsibilities on page 66. Having considered the ability of the Company and the Group to operate within their existing bank facilities and meet their debt covenants, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. During the year ended 31 December 2016, the Group made a profit after tax of £9,657,000 and generated cash from operations before working capital movements of £18,208,000 (2015: £14,024,000). For these reasons the Directors consider it appropriate to prepare the financial statements on a going concern basis.

Basis of consolidation

Subsidiaries

Subsidiaries comprise the entities controlled by the Group. Control exists when the Group has power over an entity, is exposed or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control passes to the balance sheet date.

The purchase method is used to account for the acquisition of subsidiaries.

Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the Income Statement, except for differences arising on the retranslation of a financial liability designated as a hedge of the net investment in a foreign operation that is effective, or qualifying cash flow hedges, which are recognised directly in other comprehensive income.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's functional currency, Sterling, at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Exchange differences arising from this translation of foreign operations are reported as an item of other comprehensive income and accumulated in the translation reserve or non-controlling interest, as the case may be. When a foreign operation is disposed of, such that control, joint control or significant influence (as the case may be) is lost, the entire accumulated amount in the foreign exchange translation reserve, net of amounts previously attributed to non-controlling interests, is recycled to profit or loss as part of the gain or loss on disposal.

Exchange differences arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised directly in equity in the foreign exchange translation reserve. Foreign currency differences arising on the retranslation of a hedge of a net investment in a foreign operation are recognised directly in equity, in the foreign exchange translation reserve, to the extent that the hedge is effective. When the hedged part of a net investment is disposed of, the associated cumulative amount in equity is transferred to the Income Statement as an adjustment to the profit or loss on disposal.

Classification of financial instruments issued by the Group

Financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

(a) They include no contractual obligations upon the Company (or Group as the case may be) to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company (or Group)

(b) Where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Where a financial instrument that contains both equity and financial liability components exists these components are separated and accounted for individually under the above policy.

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, 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 in debt and equity securities

Investments are stated at amortised cost less impairment. Financial instruments held for trading are stated at fair value, with any resultant gain or loss recognised in the Income Statement.

Other investments in debt and equity securities held by the Group are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss being recognised directly in equity (in the fair value reserve), except for impairment losses and, in the case of monetary items such as debt securities, foreign exchange gains and losses. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in the Income Statement. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in the Income Statement.

Investments in subsidiaries are carried at cost less impairment in the Parent Company financial statements.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses, so as to produce a constant rate of return over the period to the date of expected redemption. In instances where the Company has an early redemption option, the term over which financing costs are amortised is the period to the earliest date the option can be exercised, unless there is no genuine commercial possibility that the option will be exercised.

Derivative financial instruments and hedging

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 Income Statement. However, where derivative transactions qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

Fair value and cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in fair value of a recognised asset or liability, all changes in the fair value of the derivative are recognised immediately in the Income Statement. The carrying value of the hedged item is adjusted by the change in fair value that is attributable to the risk being hedged (even if it is normally carried at cost or amortised cost) and any gains or losses on remeasurement are recognised immediately in the Income Statement (even if those gains would normally be recognised directly in reserves).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2016

1 Accounting policies continued

Derivative financial instruments and hedging continued

Fair value and cash flow hedges continued

On the discontinuance of hedge accounting, any adjustment made to the carrying amount of the hedged item as a consequence of the fair value hedge relationship, is recognised in the Income Statement over the remaining life of the hedged item.

Where a derivative financial instrument is a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in the hedging reserve. Any ineffective portion of the hedge is recognised immediately in the Income Statement.

When the forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated cumulative gain or loss is removed from the hedging reserve and is included in the initial carrying amount of the non-financial asset or liability.

Intra-group financial instruments

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its Group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

Property, plant and equipment

Property, plant and equipment are stated at cost or deemed cost, less accumulated depreciation and accumulated impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Leases in which the Group assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses. Lease payments are accounted for as described on page 78.

Depreciation is charged to the 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	– 3-10 years
Fixtures and fittings	– 1-10 years
Motor vehicles	– 4 years
Tooling	– 2-5 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

Intangible assets and goodwill

Goodwill

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment.

Research and development

Expenditure on research activities is recognised in the Income Statement as an expense as incurred.

Expenditure on development activities is capitalised where the following conditions are met:

- The product or process is technologically and commercially feasible
- The Group intends to complete development
- The Group has the technical ability and sufficent resource
- Future economic benefits are probable
- The Group can measure reliably expenditure attributable to the asset during its development

Development activities involve a plan or design for the production of new substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the Income Statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

Other intangible assets

Expenditure on internally generated goodwill and brands is recognised in the 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 the Income Statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Patents and trademarks	– 10 years
Capitalised development costs	– 3-5 years

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on the weighted average principle and 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 and work in progress, 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 to reflect the discount required to sell the product or to rework it into a different product.

Impairment excluding inventories and deferred tax assets

Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

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 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 post-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 (the "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 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.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Defined contribution plans

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 Income Statement in the periods during which services are rendered by employees.

Provisions

A provision is recognised in the Balance Sheet when the Group has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

Revenue

Turnover represents amounts receivable for goods and services net of VAT, estimated returns and trade discounts. Revenue is recognised when persuasive evidence exists that the significant risks and rewards of ownership have been substantially transferred to the customer.

The timing of the transfer of risks and rewards varies depending on the individual terms of the sales agreement. FOB sales are recognised on receipt of the goods by the customer's freight forwarder. Domestic sales in each geography are recognised upon receipt by the customer.

The Group offers sales incentives, typically comprising rebate arrangements or discounts, to qualifying customers in the UK market through various incentive programmes. Revenue is reported net of these sales incentives.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2016

1 Accounting policies continued

Expenses

Operating lease payments

Payments made under operating leases are recognised in the Income Statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the Income Statement as an integral part of the total lease expense.

Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Market support costs

Expenditure on market support, such as advertising, is charged to the Income Statement as incurred.

Financing income and expenses

Financing expenses comprise interest payable, finance charges on shares classified as liabilities and finance leases recognised in the Income Statement using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the Income Statement (see foreign currency accounting policy).

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset. Financing income comprises interest receivable on funds invested, dividend income, and net foreign exchange gains.

Interest income and interest payable is recognised in the Income Statement as it accrues, using the effective interest method. Dividend income is recognised in the Income Statement on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the Income Statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable profit 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 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.

Standards and interpretations issued

At the date of the approval of these financial statements, the following Standards and Interpretations, which have not yet been applied in these financial statements, were in issue, but not yet effective:

- IFRS 9 – Financial Instruments
- IFRS 14 – Regulatory Deferral Accounts
- Annual improvements to IFRS 2010-2012 cycle
- Annual improvements to IFRS 2011-2013 cycle
- Annual improvements to IFRS 2012-204 cycle
- Amendments to IFRS 11 – Accounting for Acquisitions of Interests in Joint Operations
- Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation

The Directors anticipate that adoption of these Standards and Interpretations in future periods will impact the Group as follows:

- IFRS 15 – Revenue Recognition. The Directors have taken steps to review their accounting policies and are in the process of establishing the impact of this Standard
- IFRS 16 – In January 2016 the IASB issued IFRS 16 on accounting for leases which is yet to be endorsed by the European Union. This standard will have a material effect on the Group because of the value of operating leases it has entered into. The Directors are in the process of determining what the effect may be

2 Operating segments

The Group's principal activities are in the manufacturing and supply of LED lighting, wiring accessories, portable power equipment and Ross (home entertainment products). For the purposes of management reporting to the Chief Operating Decision-Maker (the Board), the Group consists of four 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.

	2016 £000	2015 £000
Revenue		
Wiring Accessories	**62,172**	47,893
Portable Power	**33,236**	28,755
LED Lighting	**33,037**	23,304
Ross and other	**5,308**	3,103
	133,753	103,055
Operating profit before exceptional IPO costs		
Wiring Accessories	**11,277**	6,415
Portable Power	**3,448**	2,944
LED Lighting	**2,285**	1,848
Ross and other	**635**	244
	17,645	11,451
Exceptional IPO costs	**(2,635)**	—
Operating profit	**15,010**	11,451
Finance income	**82**	260
Finance expense	**(2,893)**	(3,444)
Profit before tax	**12,199**	8,267
Taxation	**(2,542)**	(2,450)
Profit after tax	**9,657**	5,817
Revenue by location of customer		
Middle East	**4,874**	5,281
Asia Pacific	**4,177**	3,478
Africa	**1,909**	2,051
Europe	**5,961**	4,281
Americas	**2,075**	1,346
UK	**114,757**	86,618
	133,753	103,055

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2016

3 Expenses and auditor's remuneration

Included in the Income Statement are the following:

	2016 £000	2015 £000
Research and development costs expensed as incurred	**193**	104
Operating lease charges:		
Plant and machinery	**115**	92
Other assets	**564**	414
Depreciation of property, plant and equipment	**2,435**	2,035
Amortisation of intangible assets	**763**	538

Auditor's remuneration:

	2016 £000	2015 £000
Audit of these financial statements	**35**	26
Amounts receivable by the auditor and its associates in respect of:		
Audit of financial statements of subsidiaries pursuant to legislation	**81**	62
Other assurance services	**5**	—
Other services relating to taxation	**44**	68
All other services[1]	**857**	20
Total	**1,022**	176

1. All other services represents work performed in respect of the IPO, which have been included within exceptional IPO costs below.

Exceptional IPO costs

	2016 £000	2015 £000
Legal and advisory fees	**2,035**	—
Listing costs	**162**	—
Incremental staff costs	**415**	—
Other	**23**	—
	2,635	—

Exceptional IPO costs in 2016 relate entirely to the Group's IPO in the year and are, therefore, shown separately as they are not expected to recur and are not considered to relate to the Group's underlying performance.

Incremental staff costs include non-recurring costs the business incurred in support of the IPO process.

4 Staff numbers and costs

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

	Number of employees	
	2016	2015
Administration and support	**516**	396
Production	**1,570**	1,236
	2,086	1,632

The aggregate payroll costs of these persons were as follows:

	2016 £000	2015 £000
Wages and salaries	**25,888**	18,958
Social security costs	**1,036**	841
Other pension costs	**288**	218
	27,212	20,017

The compensation of key management personnel, including Executive Directors is as follows.

	2016 £000	2015 £000
Remuneration (including benefits in kind)	**599**	438
Company contributions paid to money purchase schemes	**10**	5
	609	443

Under money purchase pension schemes retirement benefits are accruing to one Director at the year end (2015: one).

5 Finance income and expense

	2016 £000	2015 £000
Finance income		
Net gain on financial instruments	**82**	260
Finance expense		
Interest expense on financial liabilities measured at amortised cost	**724**	1,620
Interest on bank borrowings	**2,147**	1,694
Other finance costs	**22**	130
Total finance expense	**2,893**	3,444

6 Taxation

	2016 £000	2015 £000
Current tax expense		
Current year – UK	**2,673**	651
Current year – overseas	**742**	958
Adjustment in respect of prior years	**33**	124
Current tax expense	**3,448**	1,733
Deferred tax (credit)/expense		
Origination and reversal of temporary differences	**(745)**	547
Changes in tax rate	**(4)**	52
Adjustment in respect of prior years	**(157)**	118
Deferred tax (credit)/expense	**(906)**	717
Total tax expense	**2,542**	2,450

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2016

6 Taxation continued

Reconciliation of effective tax rate

	2016 £000	2015 £000
Profit for the year	**9,657**	5,817
Total tax expense	**2,542**	2,450
Profit excluding taxation	**12,199**	8,267
Tax using the UK corporation tax rate of 20% (2015: 20.25%)	**2,440**	1,674
Effect of tax rates in foreign jurisdictions	**115**	182
Reduction in tax rate on deferred tax balances	**29**	73
Non-deductible expenses	**388**	81
(Over)/under provided in prior periods	**(124)**	242
Deferred tax asset recognised in respect of tax losses	**(1,191)**	—
Deferred tax not recognised	**885**	198
Total tax expense	**2,542**	2,450

The tax rate has been positively impacted by losses allowed in the year, via a loan rationalisation programme, that were previously considered uncertain and the recognition of previously unrecognised deferred tax assets.

Factors which may affect future current and total tax charges

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Company's future current tax charge accordingly. The deferred tax asset at 31 December 2016 has been calculated based on these rates.

7 Earnings per share

Adjusted earnings per share measure is calculated based on the profit for the year attributable to the owners of the Company before adjusting for exceptional IPO costs as follows:

	2016 £000	2015 £000
Earnings for calculating basic earnings per share	**9,657**	5,817
Adjusted for:		
Exceptional IPO costs	**2,635**	—
Earnings for calculating adjusted basic earnings per share	**12,292**	5,817

	2016 Number 000	2015[1] Number 000
Weighted average number of ordinary shares in issue	**144,123**	140,000

	2016 Pence	2015[1] Pence
Basic earnings per share	**6.7**	4.2
Basic adjusted earnings per share	**8.5**	4.2

1. 2015 weighted average number of ordinary shares in issue reflects the share subdivision that took place in 2016.

There are no dilutive ordinary shares in issue at 31 December 2016.

8 Dividends

The Company did not pay a dividend during the years ended 31 December 2016 and 31 December 2015. The Directors have proposed a final dividend of 0.3p per ordinary share, subject to approval by the shareholders at the AGM on 25 May 2017.

	2016 £000	2015 £000
Final proposed dividend of 0.3p per ordinary share (2015: nil)	**482**	—

9 Property, plant and equipment

	Land and buildings £000	Plant and equipment £000	Fixtures and fittings £000	Motor vehicles £000	Tooling £000	Total £000
Cost						
Balance at 1 January 2015	8,252	8,244	1,647	75	2,482	20,700
Additions	858	1,347	261	43	670	3,179
Disposals	—	(50)	(35)	(5)	—	(90)
Effect of movements in foreign exchange	310	224	9	5	17	565
Balance at 31 December 2015	9,420	9,765	1,882	118	3,169	24,354
Additions	**3,534**	**1,299**	**779**	**—**	**406**	**6,018**
Disposals	**—**	**—**	**—**	**(15)**	**—**	**(15)**
Effect of movements in foreign exchange	**1,183**	**1,027**	**17**	**—**	**—**	**2,227**
Balance at 31 December 2016	**14,137**	**12,091**	**2,678**	**103**	**3,575**	**32,584**
Depreciation						
Balance at 1 January 2015	1,133	2,598	1,172	75	2,039	7,017
Depreciation charge for the year	306	764	253	23	689	2,035
Disposals	—	(50)	(35)	(5)	—	(90)
Effect of movements in foreign exchange	(43)	(30)	(4)	(3)	(7)	(87)
Balance at 31 December 2015	1,396	3,282	1,386	90	2,721	8,875
Depreciation charge for the year	**502**	**1,064**	**159**	**14**	**696**	**2,435**
Disposals	**—**	**—**	**—**	**(15)**	**—**	**(15)**
Effect of movements in foreign exchange	**246**	**432**	**13**	**—**	**—**	**691**
Balance at 31 December 2016	**2,144**	**4,778**	**1,558**	**89**	**3,417**	**11,986**
Net book value						
At 1 January 2015	7,119	5,646	475	—	443	13,683
At 31 December 2015	8,024	6,483	496	28	448	15,479
At 31 December 2016	**11,993**	**7,313**	**1,120**	**14**	**158**	**20,598**

Leased land and buildings

At 31 December 2016, the net carrying amount of leased land and buildings was £10,198,000 (2015: £8,024,000).

Included within this were assets in the course of construction not yet depreciated of £nil (2015: £561,000).

Borrowing costs

The Group has not included any borrowing costs within additions in 2016 (2015: £nil). There were no funds specifically borrowed for this asset and the amount eligible as part of the general debt instruments pool (after applying the appropriate capitalisation rate) is not considered material.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2016

10 Intangible assets

	Goodwill £000	Patents £000	Development costs £000	Total £000
Cost				
Balance at 1 January 2015	9,569	339	1,325	11,233
Other acquisitions – externally purchased	—	65	—	65
Other acquisitions – internally developed	—	—	1,495	1,495
Balance at 31 December 2015	9,569	404	2,820	12,793
Other acquisitions – externally purchased	**—**	**132**	**—**	**132**
Other acquisitions – internally developed	**—**	**—**	**1,556**	**1,556**
Balance at 31 December 2016	**9,569**	**536**	**4,376**	**14,481**
Amortisation				
Balance at 1 January 2015	—	130	152	282
Amortisation for the year	—	34	504	538
Balance at 31 December 2015	—	164	656	820
Amortisation for the year	**—**	**43**	**720**	**763**
Balance at 31 December 2016	**—**	**207**	**1,376**	**1,583**
Net book value				
At 1 January 2015	9,569	209	1,173	10,951
At 31 December 2015	9,569	240	2,164	11,973
At 31 December 2016	**9,569**	**329**	**3,000**	**12,898**

Amortisation charge

The amortisation charge is recognised in administrative expenses in the Income Statement.

Development costs

The Group has not included any borrowing costs within capitalised development costs. There were no funds specifically borrowed for this asset and the amount eligible as part of the general debt instruments pool (after applying the appropriate capitalisation rate) is not considered material.

Impairment testing for cash-generating units containing goodwill

Goodwill has been allocated to cash-generating units ("CGUs") or groups of CGUs as follows:

	Goodwill	
	2016 £000	2015 £000
Portable Power	**1,990**	1,990
Wiring Accessories	**3,952**	3,952
LED Lighting	**3,627**	3,627
	9,569	9,569

Goodwill has not been allocated to Ross and others as the CGU is not considered significant.

The assessment as to recoverable amount of each CGU was based on its value in use. The carrying amount of each unit was determined to be significantly lower than its recoverable amount and management identified that there is sufficient headroom on each unit with no need for any impairment.

Value in use was determined by discounting (using the Group's pre-tax discount rate) the future cash flows generated from the continuing use of the unit. Unless indicated otherwise, value in use in 2016 was determined similarly as in 2015. The calculation of the value in use was based on the following key assumptions:

- Cash flows were projected based on past experience, actual operating results and the three-year Board approved business plan in both 2015 and 2016. Cash flows for a further five-year period were also extrapolated using a constant growth rate of 2% for each CGU (on the basis that cash flow variabilities were already fully included in the three-year business plan and the calculations are not sensitive to assumptions) which is not considered to exceed the long-term average growth rate for each of the CGUs. Value in use calculations provided sufficient headroom in all CGUs containing goodwill
- The anticipated annual revenue growth included in the LED Lighting cash flow projections for the years 2016 to 2019 has been based on significant growth levels experienced in the last two years, reflecting an expectation of further growth in line with information obtained from external brokers who published an analysis of long-term LED market trends
- The Portable Power and Wiring Accessories growth was assumed to be a constant small margin above inflation in the first three years in line with industry indicators and forecasts from key customers
- A Group pre-tax discount rate of 9.84% (2015: 9.15%) was calculated based on past experience and industry average assumptions to determine weighted average cost of capital based on an assumed market-participant debt/equity position. In establishing the discount factor for each CGU, the Group's pre-tax discount rate was flexed according to CGU geographical spread, customer concentration, expected business change and growth opportunity. The assessment as to impairment is not considered sensitive to discount rate assumptions, as at each reporting date. The pre-tax discount rates applied are as follows:

	2016 %	2015 %
Portable Power	**10.2**	9.5
Wiring Accessories	**11.4**	10.6
LED Lighting	**7.9**	7.4

11 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2016 £000	2015 £000	**2016 £000**	2015 £000	**2016 £000**	2015 £000
Property, plant and equipment	**—**	—	**299**	303	**299**	303
Intangible assets	**—**	—	**510**	510	**510**	510
Losses	**(887)**	—	**—**	—	**(887)**	—
Financial assets and liabilities	**(118)**	(109)	**—**	—	**(118)**	(109)
Other timing differences	**(6)**	—	**—**	—	**(6)**	—
Deferred tax (asset)/liability	**(1,011)**	(109)	**809**	813	**(202)**	704

A deferred tax asset has been recognised against previously carried forward non-trading tax losses of £4,735,358 during the period as it is expected that they can be offset against future profits.

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

	1 January 2016 £000	Recognised in income £000	**31 December 2016 £000**
Property, plant and equipment	303	(4)	**299**
Intangible assets	510	—	**510**
Losses	—	(887)	**(887)**
Financial assets and liabilities	(109)	(9)	**(118)**
Other	—	(6)	**(6)**
	704	(906)	**(202)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2016

11 Deferred tax assets and liabilities continued

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

	1 January 2015 £000	Recognised in income £000	31 December 2015 £000
Property, plant and equipment	(264)	567	303
Intangible assets	277	233	510
Inventories	150	(150)	—
Financial assets and liabilities	(176)	67	(109)
	(13)	717	704

12 Inventories

	2016 £000	2015 £000
Raw materials	**2,776**	2,529
Work in progress	**6,036**	1,242
Finished goods	**29,650**	22,424
	38,462	26,195

The write-down of inventories to net realisable value amounted to £795,000 (2015: £224,000).

13 Trade and other receivables

	2016 £000	2015 £000
Trade receivables	**26,559**	20,431
Prepayments and other receivables	**2,780**	1,394
	29,339	21,825

14 Cash and cash equivalents

	2016 £000	2015 £000
Cash and cash equivalents	**4,145**	4,787

15 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 19.

	2016 £000	2015 £000
Non-current liabilities		
Series A notes 2017 – Eurobond	**—**	6,936
Deep discount bond	**—**	3,202
Bank term loan	**12,000**	12,000
Shareholder loan notes	**—**	2,498
	12,000	24,636
Current liabilities		
Chinese mortgage loan	**—**	5,058
Shareholder loan notes	**247**	—
Secured bank loans	**21,032**	20,904
	21,279	25,962

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	**Face value 2016 £000**	**Carrying amount 2016 £000**	Face value 2015 £000	Carrying amount 2015 £000
Chinese mortgage loans	CNY	6%	2016	**—**	**—**	5,058	5,058
Shareholder loan notes	GBP	10%	2017	**247**	**247**	2,498	2,498
Series A notes 2017 – Eurobond	GBP	10%[1]	2017	**—**	**—**	6,936	6,936
Deep discount bond	GBP	—[1]	2017	**—**	**—**	3,202	3,202
Bank term loan	GBP	2.3% + LIBOR	2017	**12,000**	**12,000**	12,000	12,000
Secured bank loan	GBP	2%	2016[2]	**10,354**	**10,354**	11,712	11,712
Secured bank loan	USD	2%	2016[2]	**10,678**	**10,678**	6,566	6,566
Secured bank loan	CNY	2%	2015	**—**	**—**	2,626	2,626
				33,279[3]	**33,279[3]**	50,598	50,598

1. The Series A notes 2017 – Eurobond and the Deep discount bond consisted of interlinked loan facilities with a blended rate of 6.5%. The Series A notes 2017 – Eurobonds was a listed security in Channel Islands Securities Exchange. Both loans were repaid during the year.
2. The secured bank loan comprises the Group's invoice discounting facility which is given a maturity based on its availability being contingent on the Group holding qualifying receivables. The facility is committed until October 2019.
3. For more information on fair value/carrying value assessment, see note 19.

Bank loans and overdrafts are secured by a fixed and floating charge over the assets of the Group. Bank loans and overdrafts include funds advanced under invoice discounting arrangements from HSBC Finance (UK) Limited of £21,032,159 (2015: £18,277,552) and Industrial and Commercial Bank of China Ltd of £nil (2015: £2,626,316), which are secured by legal charges over the Group's book debts.

16 Other financial liabilities

	2016 £000	2015 £000
Non-current liabilities		
Finance lease liabilities	**145**	126
Current liabilities		
Finance lease liabilities	**84**	117
Financial liabilities held for trading (including derivatives)	**526**	614
	610	731

Finance lease liabilities

Finance lease liabilities are payable as follows:

	2016			2015		
	Minimum lease payments £000	**Interest £000**	**Principal £000**	Minimum lease payments £000	Interest £000	Principal £000
Less than one year	**88**	**4**	**84**	134	17	117
Between one and five years	**159**	**14**	**145**	146	20	126
	247	**18**	**229**	280	37	243

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2016

17 Trade and other payables

	2016 £000	2015 £000
Current liabilities		
Trade payables	**26,995**	23,122
Tax payable	**3,217**	599
Other payables and accrued expenses	**3,060**	1,827
	33,272	25,548

18 Employee benefits

Defined contribution plans

The Group operates a number of defined contribution pension plans.

The total expense relating to these plans in the current year was £288,000 (2015: £218,000).

19 Financial instruments

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 represents the maximum credit exposure. The exposure to credit risk at the reporting date was as follows:

	Carrying amount	
	2016 £000	2015 £000
Trade receivables	**26,559**	20,431
Cash and cash equivalents	**4,145**	4,787
	30,704	25,218

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. In 2016, one customer comprised 33% of sales (2015: 25%).

As at 31 December 2016, the Group had an allowance for impairment of £316,000 (2015: £248,000).

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was as follows.

	Carrying amount	
	2016 £000	2015 £000
Europe	**22,474**	15,463
North America	**364**	336
Rest of world	**3,721**	4,632
	26,559	20,431

The ageing of trade receivables at the reporting date that were not impaired was as follows:

	2016 £000	2015 £000
Neither past due nor impaired	**23,671**	19,260
Past due but not impaired	**1,171**	746
Past due 60 days	**272**	99
Past due 90 days	**208**	142
Past due 120+ days	**1,237**	184
	26,559	20,431

The Group believes that the unimpaired amounts that are past due are collectible, based on historic payment behaviour and extensive analysis of customer credit risk, including underlying customers' credit ratings, when available.

Amounts in the above table include all trade and other receivables at the reporting date that were not impaired and are stated net of rebates and trade discounts offered to customers.

Receivables are written off against the impairment provision when management considers the debt is no longer recoverable.

Cash and cash equivalents

The Group held cash of £4,145,000 at 31 December 2016 (2015: £4,787,000), which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with bank and financial institution counterparties, which are rated A to AA – based on rating agency ratings.

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. The Group entered into a new banking facility during 2015 and, in 2016, following its IPO, was able to repay significant levels of debt. It has access to a number of sources of finance to manage its liquidity risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2016

19 Financial instruments continued

Liquidity risk continued

The following are the contractual maturities of financial liabilities excluding the impact of netting agreements.

31 December 2016	Carrying amount £000	Within 1 year £000	1-2 years £000	2-5 years £000
Non-derivative financial liabilities:				
Secured bank loans	**21,032**	**21,032**	**—**	**—**
Bank term loan	**12,000**	**—**	**—**	**12,000**
Shareholder loan notes	**247**	**247**	**—**	**—**
Trade payables	**26,995**	**26,995**	**—**	**—**
	60,274	**48,274**	**—**	**12,000**
Derivative financial liabilities:				
Interest rate swaps used for hedging	**433**	**433**	**—**	**—**
Forward exchange contracts used for hedging	**93**	**93**	**—**	—
	526	**526**	**—**	**—**

31 December 2015	Carrying amount £000	Within 1 year £000	1-2 years £000	2-5 years £000
Non-derivative financial liabilities:				
Secured bank loans	20,904	20,904	—	—
Series A notes 2017 – Eurobond	6,936	—	6,936	—
Deep discount bond	3,202	—	3,202	—
Bank term loan	12,000	—	—	12,000
Shareholder loan notes	2,498	—	2,498	—
Trade payables	23,122	23,122	—	—
Chinese mortgage loan	5,058	5,058	—	—
	73,720	49,084	12,636	12,000
Derivative financial liabilities:				
Interest rate swaps used for hedging	642	642	—	—
Forward exchange contracts used for hedging	(28)	(28)	—	—
	614	614	—	—

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.

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 foreign currency at spot rates when necessary to address short-term imbalances.

Exposure to currency risk

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

	2016		2015	
	CNY £000	**USD £000**	CNY £000	USD £000
Trade receivables	**1,072**	**14,097**	1,350	11,202
Secured bank loans	**—**	**(10,678)**	(7,684)	(10,108)
Trade payables	**(4,069)**	**(3,668)**	(7,851)	(10,121)
Net statement of financial position exposure	**(2,997)**	**(249)**	(14,185)	(9,027)

The following significant exchange rates were applied during the year:

	Average rate		Reporting date spot rate	
	2016	2015	**2016**	2015
USD	**1.36**	1.52	**1.22**	1.48
CNY	**8.98**	9.61	**8.50**	9.76

Sensitivity analysis

A strengthening/(weakening) of Sterling, as indicated below, against the US Dollar and CNY 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 2015, as indicated below.

	Equity £000	Profit or loss £000
31 December 2016		
USD (10% strengthening)	**(25)**	**1,693**
CNY (10% strengthening)	**(300)**	**(423)**
31 December 2015		
USD (10% strengthening)	(903)	(470)
CNY (10% strengthening)	(1,419)	283

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.

Interest rate risk

The Group adopts a policy of ensuring that at least 50% of its exposure to changes in interest rates on borrowings is on a fixed-rate basis, taking into account assets with exposure to changes in interest rates.

A change of 100 basis points in interest rates at the reporting date 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.

Fair value sensitivity analysis for variable rate instruments is shown in the table below:

	Profit or loss	
	100 bp increase £000	100 bp decrease £000
31 December 2016		
Variable rate instruments	**(294)**	**294**
Interest rate swap	**132**	**(132)**
Cash flow sensitivity (net)	**(162)**	**162**
31 December 2015		
Variable rate instruments	(332)	332
Interest rate swap	118	(118)
Cash flow sensitivity (net)	(214)	214

There were no changes in the Group's approach to capital management during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2016

19 Financial instruments continued

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:

	2016 £000	2015 £000
Assets carried at amortised cost:		
Trade and other receivables	**26,559**	20,431
Cash and cash equivalents	**4,145**	4,787
Financial assets	**30,704**	25,218
Liabilities carried at amortised cost:		
Secured bank loans	**21,032**	20,904
Series A notes 2017 – Eurobond	**—**	6,936
Deep discount bond	**—**	3,202
Bank term loan	**12,000**	12,000
Shareholder loan notes	**247**	2,498
Trade payables	**26,995**	23,122
Chinese mortgage loan	**—**	5,058
Liabilities carried at fair value:		
Forward exchange contracts	**93**	(28)
Interest rate swaps	**433**	642
Financial liabilities	**60,800**	74,334

The table below analyses financial instruments into a fair value hierarchy based on the valuation technique used to determine fair value.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The only Level 2 instruments are forward exchange contracts and interest rate swaps. The movement in the fair value is shown below:

	2016 £000	2015 £000
Foreign exchange contracts	**93**	(28)
Interest rate swaps	**433**	642
	526	614

With the exception of forward exchange contracts and interest rate swaps, the fair values of financial assets and liabilities 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 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 Balance Sheet due to the frequent updating of these funding facilities on a competitive market basis.

20 Commitments

Operating lease commitments – Group

Non-cancellable operating lease rentals are payable as follows:

	Land and buildings		Other	
	2016 £000	2015 £000	**2016 £000**	2015 £000
Within one year	**470**	414	**19**	29
Within two and five years	**1,642**	1,656	**24**	3
In more than five years	**—**	414	**—**	2
	2,112	2,484	**43**	34

The majority of the leases which Group has entered into relate to land and buildings.

21 Related parties

Related party transactions

At 31 December 2016, the Group had the following liabilities owing to EPIC Investments LLP ("EPIC"), which holds 24.30% (2015: 48.89%) of the Group's issued share capital:

- Series A notes 2017 – Eurobond – £nil (2015: £6,935,726)
- Loan facility 2016 – £nil (2015: £3,201,729)

During the year, interest and finance charges accrued on the above liabilities of £544,924 (2015: £723,787). Interest and capital payments of £10,682,379 (2015: £1,958,109) were made in the year.

During the year, the Group incurred monitoring and rechargeable expenses of £75,000 (2015: £100,000) from EPIC Private Equity LLP, adviser to EPIC Investments LLP.

At 31 December 2016, the Company had the following liabilities owing to John Hornby, CEO, who holds 20.77% (2015: 23.07%) of the Company's issued share capital:

- Shareholder loans of £246,832 (2015: £2,498,298)

During the year, interest accrued on the above liabilities of £179,445 (2015: £341,594). Interest and capital payments of £2,431,361 (2015: £1,992,532) were made in the year.

Shareholder loans due to John Hornby, as detailed above, include £nil (2015: £1,492,311) due to Mrs P Hornby, John Hornby's wife. Mrs P Hornby holds 1.43% of the Company's issued share capital.

Transactions with key personnel

The compensation of key management personnel, including the Executive Directors, is included in note 4.

22 Ultimate parent company and controlling party

There is no controlling party.

23 Accounting estimates and judgements

The preparation of the consolidated financial statements, in conformity with IFRSs, requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The principal accounting estimates, assumptions and judgements employed in the preparation of these consolidated Group financial statements which could affect the carrying amounts of assets and liabilities at the balance sheet date are as follows:

Judgements

- Determining whether there are impairment triggers for intangible assets, including goodwill
- Revenue recognition on new revenue streams, should they involve more complexity than simply sale of goods, for example, determining whether or not substantially all the risks and rewards of ownership have passed, or whether there is a financing arrangement
- Determining which research and development activities meet capitalisation criteria
- Determining if any matters or events have triggered a risk of obsolescence for inventory

Accounting estimates

Impairment of goodwill

The determination of whether goodwill and other indefinite life intangible assets should be impaired requires the estimation of future cash flows and growth factors adopted by each CGU. Furthermore, discount rates applied to these cash flows are determined by reference to the markets in which they operate and are risk adjusted to reflect risks and opportunities existing for each CGU. These factors are all affected by prevailing market and economic factors outside the Group's control. Further information on this issue, including the assumptions applied, is included in note 10.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2016

23 Accounting estimates and judgements continued

Accounting estimates continued

Deferred taxation

The Group has recognised deferred tax assets in respect of unutilised losses and other temporary differences arising in certain of the Group's businesses. This requires management to make decisions on the recoverability of such deferred tax assets based on future forecasts of taxable profits. If these forecast profits do not materialise, or there are changes in the tax rates or to the period over which the losses or temporary difference might be recognised, the value of the deferred tax asset will need to be revised in a future period.

Current asset provisions

Judgement is used by management to establish the net realisable value of various elements of working capital, principally inventories and trade receivables. Provisions are established for net realisable value and bad and doubtful debt risks. Provisions are based on the facts available at the time and applied to inventories and aged receivables.

In estimating the net realisable value of inventories, judgement is required in assessing their likely value on realisation taking into account market and technological changes.

Estimation is applied with regard to the collectability of trade receivables in assessing their likely realisation, including the current creditworthiness of each customer, the likely settlement of discount and rebate arrangements and related ageing of past due balances. Specific accounts are assessed in situations where a customer may not be able to meet its financial obligations due to deterioration of its financial condition.

Revenue and related liabilities

Estimation can be required in determining the required adjustment to revenue for rebate and/or discount arrangements. These can have a significant effect on revenue recognised and their estimation can be complex, because the agreement periods are not always coterminous with the Group's year end and the calculation can involve various criteria that need to be assessed.

24 Share capital and reserves

	Group	
	2016 £	2015 £
Allotted, called up and fully paid		
Balance at 1 January	**70,000**	70,000
Shares issued in the period prior to IPO	**400**	—
Shares issued at IPO	**10,000**	—
Balance at 31 December	**80,400**	70,000

Reconciliation of the number of shares in issue

	2016 Number	2015 Number
Number at 1 January	**700,000**	700,000
Shares issued in the period prior to IPO	**4,000**	—
Share subdivision from 10p to 0.05p	**140,096,000**	—
Shares issued at IPO	**20,000,000**	—
Number at 31 December	**160,800,000**	700,000

Reserves

	Share premium account £000	Translation reserve £000	Profit and loss account £000
Balance at 1 January 2016	450	(380)	2,412
Profit for the year	**—**	**—**	**9,657**
Other comprehensive income:			
Foreign currency translation differences	**—**	**1,797**	**—**
Shares issued at IPO	**24,322**	**—**	**—**
Balance at 31 December 2016	**24,772**	**1,417**	**12,069**

COMPANY BALANCE SHEET

at 31 December 2016

	Note	2016 £000	2015 £000
Non-current assets			
Investments	26	**50**	50
Current assets			
Debtors	27	**22,167**	470
Net assets		**22,217**	520
Capital and reserves			
Called up share capital	28	**80**	70
Share premium account	28	**24,772**	450
Profit and loss account	28	**(2,635)**	—
Equity		**22,217**	520

The notes on pages 96 to 98 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 3 April 2017 and were signed on its behalf by

JOHN HORNBY
Chief Executive Officer

DAVID MAIN
Chief Financial Officer

Company registered number: 05254883

NOTES TO THE COMPANY FINANCIAL STATEMENTS

(for the year ended 31 December 2016)

25 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. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied. The presentation currency of these financial statements is Sterling. All amounts in the financial statements have been rounded to the nearest £1,000. 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. Other than the IPO transaction, the Company did not trade.

In the transition to FRS 102 from old UK GAAP, the Company has made no measurement and recognition adjustments.

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 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 following disclosures:

- 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.

Going concern

As highlighted in note 1 to the Group's financial statements, the Group meets its day-to-day working capital requirements through its cash reserves and a number of funding facilities.

The Group's forecasts and projections, show that the Group should be able to operate within the level of funding available.

After making enquiries, the Board has a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Financial Statements.

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 loses 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.

Investments

These are the separate financial statements of the Company. Investments in subsidiaries are carried at cost less impairment.

Share capital

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.

26 Fixed asset investments

Shares in Group undertakings and participating interests:

Cost	Subsidiary undertakings £000
At 1 January 2016 and 31 December 2016	50
Net book value	
At 31 December 2016 and 31 December 2015	**50**

In the opinion of the Directors, the aggregate value of the Company's investment in subsidiary undertakings is not less than the amount included in the Balance Sheet.

The Company holds 100% of the share capital of the following companies, whose principal activities were as follows:

Company	Registered office	Principal activity	% of shares held
Nexus Intermediate Holdings Limited	Luceco Distribution Centre Stafford Park 1, Telford TF3 3BD, UK	Intermediate holding company	100
Nexus Industries Limited	Luceco Distribution Centre Stafford Park 1, Telford TF3 3BD, UK	Electrical accessories importer and distributor	100
BG Electrical Limited	Luceco Distribution Centre Stafford Park 1, Telford TF3 3BD, UK	Electrical accessories importer and distributor	100
Nexus Electrical (Jiaxing) Limited	1,438 Jiachung Road Xiuzhou Industrial Park Jiaxing, Zhejiang 314000, China	Manufacturing company	100
Masterplug International Trading (Shanghai) Co Limited	Room 101D, 1st Floor Market Business Building No. 2001 North Yangao Road Waigaoqiao Free Trade Zone Shanghai, China	Administrative and development office	100
Masterplug Limited	Luceco Distribution Centre Stafford Park 1, Telford TF3 3BD, UK	Dormant	100
BG Electrical Holdings Limited	Luceco Distribution Centre Stafford Park 1, Telford TF3 3BD, UK	Dormant	100
Masterplug Holdings Limited	Luceco Distribution Centre Stafford Park 1, Telford TF3 3BD, UK	Dormant	100
Nexus Industries (Hong Kong) Limited	Unit D, 15th Floor MG Tower 133 Hoi Bun Road, Kwun Tong, Hong Kong	Dormant	100
Luceco Inc	11,050 W Little York Road, Building C1 Houston, Texas, 77041, USA	Administrative and development office	100
Luceco SAS	3 Rue de Courtalin, 77700 Magny Le Hongre, France	Administrative and development office	100
Nexus Industries GmbH	Holstenplatz 20b, 22765 Hamburg, Germany	Administrative and development office	100
Luceco Lighting Limited	Luceco Distribution Centre Stafford Park 1, Telford TF3 3BD, UK	Dormant	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
Nexus Industries Design Limited	1,438 Jiachung Road Xiuzhou Industrial Park Jiaxing, Zhejiang 314000, China	Administrative and development office	100
Luceco Southern Europe SL	c/ Bobinadora 1-5, Local 7, 08302 Mataro Barcelona, Spain	Administration and development office	100
Luceco Middle East FLE	Building 5EB, Office 342, DAFZA PO Box 371128, Dubai	Administration and development office	100

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

(for the year ended 31 December 2016)

26 Fixed asset investments continued

Nexus Intermediate Holdings Limited is the only company which is owned directly. All of the other companies are owned and controlled by virtue of the Company's holding in Nexus Intermediate Holdings Limited.

27 Debtors

	2016 £000	2015 £000
Amounts owed by Group undertakings	**22,167**	470

28 Capital and reserves

	Group	
	2016 £	2015 £
Allotted, called up and fully paid		
Balance at 1 January	**70,000**	70,000
Shares issued in the period prior to IPO	**400**	—
Shares issued at IPO	**10,000**	—
Balance at 31 December	**80,400**	70,000

Reconciliation of the number of shares in issue

	2016 Number	2015 Number
Number at 1 January	**700,000**	700,000
Shares issued in the period prior to IPO	**4,000**	—
Share subdivision from 10p to 0.05p	**140,096,000**	—
Shares issued at IPO	**20,000,000**	—
Number at 31 December	**160,800,000**	700,000

Reserves

	Share premium account £000	Profit and loss account £000
Balance at 1 January 2016	450	—
Shares issued at IPO	**24,322**	**—**
Loss for the year	**—**	**(2,635)**
Balance at 31 December 2016	**24,772**	**(2,635)**

29 Ultimate parent and controlling party

There is no controlling party.

COMPANY INFORMATION

Financial calendar

Ex dividend	4 May 2017
Annual General Meeting	25 May 2017
Dividend payment	2 June 2017
Half year end	30 June 2017
Half year interim management statement	September 2017
Year end	31 December 2017
Full year preliminary statement	April 2018

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 since listing on the London Stock Exchange on 17 October 2016 to 31 December 2016.

Share price (pence)	High	Low	Average	**Financial year end**
2016	196.5	130.0	161.5	**192.0**

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 **Capita Asset Services, The Registry, 34 Beckenham Road, Beckenham BR3 4TU**. Alternatively, shareholders can contact Capita Asset Services on **+44 (0)871 664 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@capita.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.capitashareportal.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 Capita Asset Services.

Electronic communications

Shareholders are able to register to receive communications from Luceco electronically. This service enables shareholders to tailor their communication preferences. Luceco is encouraging shareholders to use this service to elect to receive all communications electronically which enables more secure and prompt communication and allows shareholders to:

- Receive email notification of the publication and availability of statutory documents such as financial results, including annual and half-yearly reports
- Access details of individual shareholdings quickly and securely online
- Amend details (such as address or bank details)
- Choose the way payments are received
- Submit proxy voting instructions for shareholder meetings including the AGM

It also enables shareholders to contribute directly to reducing Luceco's costs and environmental impact through saving paper and reducing unnecessary mailing, transportation and waste.

You can register directly by visiting **www.capitashareportal.com** and following the online instructions. Alternatively, you can access the service via the investor relations section of Luceco's website at **www.lucecoplc.com**

Online shareholder services

Luceco provides a number of services online in the investor relations section of its website at **www.lucecoplc.com**, where shareholders and other interested parties may:

- View and/or download annual and half-year reports
- Check and/or download current or historic share prices
- Check the amounts and dates of historic payments to shareholders
- Use interactive tools to calculate the value of shareholdings
- Chart Luceco ordinary share price changes against indices
- Register to receive email alerts regarding press releases, including regulatory news announcements, annual reports and Company presentations

COMPANY INFORMATION CONTINUED

ShareGift

Luceco supports ShareGift, the share donation charity (registered charity number 1052686). ShareGift was set up so that shareholders who have only a very small number of shares which might be considered uneconomic to sell are able to dispose of them by donating them for the benefit of UK charities. Donated shares are aggregated and sold by ShareGift, the proceeds being passed on to a wide range of UK charities. Donating shares to charity gives rise neither to a gain nor a loss for UK capital gains purposes and UK taxpayers may also be able to claim income tax relief on the value of the donation.

Further information about donating shares to ShareGift is available either from its website at www.sharegift.org, by writing to ShareGift at 17 Carlton House Terrace, London SW1Y 5AH 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)845 703 4599. MPS is an independent organisation which offers a free service to the public.

Warning to shareholders – boiler room scams

Each year in the UK, £1.2 billion 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.

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/scams, 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

Cautionary statement

This Annual Report and Financial Statements has been prepared for the shareholders of Luceco plc, as a body, and no other persons. Its purpose is to assist shareholders of the Company to assess the strategies adopted by the Group, the potential for those strategies to succeed and for no other purpose. The Company, its Directors, employees, agents or advisers do not accept or assume responsibility to any other person to whom this document is shown or into whose hands it may come and any such responsibility or liability is expressly disclaimed.

This Annual Report and Financial Statements contains certain forward-looking statements that are subject to risk factors associated with, amongst other things, the economic and business circumstances occurring from time to time in the countries, sectors and markets in which the Group operates. It is believed that the expectations reflected in these statements are reasonable but they may be affected by a wide range of variables which could cause actual results to differ materially from those currently anticipated.

No assurances can be given that the forward-looking statements in this Strategic Report will be realised. The forward-looking statements reflect the knowledge and information available at the date of preparation of this Strategic Report and the Company undertakes no obligation to update these forward-looking statements. Nothing in this Annual Report and Financial Statements should be constituted as a profit forecast.

Strategic and Directors' Reports

The Strategic Report and the Corporate Governance and Financial Statements form a Directors' Report. Both the Directors' Report and Strategic Report have been drawn up and presented in accordance with English company law and the liabilities of the Directors in connection with those reports shall be subject to the limitations and restrictions provided by such law. In particular, the Directors would be liable to the Company (but not to any third party) if the Strategic Report and/or Directors' Report contain errors as a result of recklessness or knowing misstatement or dishonest concealment of a material fact, but would not otherwise be liable.

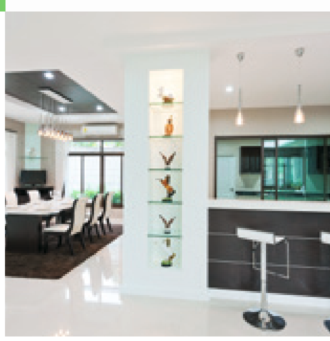
The Strategic Report forms part of the Annual Report and Financial Statements, full copies of which can be obtained free of charge from the Group's website at www.luceco.com or from the Company's registered office.

Designed and produced by
lyonsbennett
www.lyonsbennett.com

FSC
www.fsc.org
MIX
Paper from responsible sources
FSC® C016486

The paper used in this report is produced using virgin wood fibre from well-managed forests with FSC© certification. 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 certified in accordance with the rules of the Forest Stewardship Council.

Printed by CPI Colour, an FSC© and ISO 14001 accredited company, who is committed to all round excellence and improving environmental performance as an important part of this strategy.



Luceco plc

Registered office
Building E Stafford Park 1
Stafford Park
Telford TF3 3BD
www.lucecoplc.com
info@luceco.com

Company number 05254883