30 April 2018

Luceco plc
("Luceco" or the "Group" or the "Company")

2017 FULL YEAR RESULTS

Luceco plc, a manufacturer and distributor of high quality and innovative LED lighting products, wiring accessories and portable power products, today announces its audited results for the year ended 31 December 2017 ('FY 2017').

Financial highlights

Statutory measures
- Group revenue increased by 25.4% to £167.6m (2016: £133.7m). 21.7% on a constant currency[1] basis
- Gross margin 28.9% (2016[2]: 30.3%)
- Operating profit increased by 19.3% to £14.2m (2016[2]: £11.9m)
- Profit for the year increased by 51.5% to £10.0m (2016[2]: £6.6m)
- Cash flow from operations increased from £2.6m to £17.2m
- Basic and fully diluted EPS increased by 34.8% to 6.2 pence per share (2016[2]: 4.6 pence per share)
- Net debt £36.7m (2016: £29.5m)

Alternative performance measures[3]
- Adjusted[3] operating profit of £14.7m (2016[2]: £14.5m)
- Adjusted[3] profit for the year increased by 14.1% to £10.5m (2016[2]: £9.2m)
- Adjusted[3] basic and fully diluted EPS 6.5 pence per share (2016[2]: 6.4 pence per share)

Notes:
1. 2017 translated at 2016 average exchange rates. These were 1.36 for £: US Dollar and 8.98 for £: RMB.
2. Prior year financials restated to correct errors found in previously reported inventory and inter-company balances – see note 1a below
3. The definitions of the adjustments made to the statutory figures can be found in note 1 in the Notes to the Consolidated Financial Statements

Operational and strategic highlights

- Broad-based revenue growth across all product categories
- Continuing investment in higher margin sales opportunities in the UK
- Further investment in International sales presence
- Expansion of product ranges and a strong pipeline of new product launches
- Acquisition of Kingfisher Lighting enhances the Group's product offer and strategic position

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

"The last few months have clearly been a particularly challenging period for the Group but we have learned a number of lessons from this experience and are fully committed to building a stronger platform for future sustainable growth. We are confident in our long-term strategy to expand the Group's product ranges and geographic reach and believe that our profits will return to attractive levels in due course.

The strong revenue growth achieved in 2017 did not generate the profit growth that we had planned. Gross margins had been adversely impacted by movements in currency and commodity prices. We have put in place mitigating actions, which we expect will have a beneficial effect on gross margins in 2018. Our competitive position remains strong and we are confident that the potential margins achievable in our business have not changed. Continued growth in our business should provide resilience to the weak UK consumer environment."

Commenting on the results, Chairman, Giles Brand said:

"I am disappointed by the Group's performance in 2017. It has not, however, shaken our belief in the Group's prospects. We command enviable positions in key markets, underpinned by long-standing customer relationships. We are successfully executing our growth and diversification strategy, our product pipeline is healthier than ever and we have an experienced management team and a committed workforce.

I would like to thank our shareholders for their patience and continued support whilst we take the necessary steps to build a better future for Luceco. The Group's balance sheet remains strong and the Board continues to assess opportunities to invest in the future growth of the business."

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Business summary

Luceco is a rapidly growing manufacturer and distributor of high quality and innovative LED lighting products and wiring accessories for a global customer base.

The Group supplies trade distributors, retailers, wholesalers and project developers with a wide range of products which broadly fall into the following market recognised brands:

- Luceco and Kingfisher Lighting: energy efficient LED lighting products and associated accessories;
- British General (BG): wiring accessories (including switches, sockets), circuit protection and cable management products;
- Masterplug: cable reels, extension leads, surge protection, timers and adaptor products; and
- Ross: television wall mounts, audio visual accessories and other items.

The Luceco and Kingfisher LED lighting brands continue to benefit from the disruptive shift away from mature lighting technologies because of the material advancement in LED technology in recent years. The brand has continued to successfully leverage the Group's existing customer base and low-cost Chinese manufacturing facility. Consequently, it remains well positioned to build on its impressive organic growth trajectory to date.

In the electrical wiring accessories market, Luceco's BG and Masterplug brands have continued to reinforce their market leading positions through further new product development initiatives, expanding into new product adjacencies and gaining market share.

Chairman's Statement

2017 has been a challenging year for Luceco. We delivered strong revenue growth and made good progress in executing the Group's strategy. Despite this progress, we identified in the second half of 2017 that our inventory valuation, which was being incorrectly calculated, was masking underlying deterioration in our gross margins caused by currency movements and commodity price increases. A thorough review of the balance sheet in response to this event has revealed errors in the Group's historic financial information, necessitating a restatement. A more detailed explanation of these matters is included in the Financial Review. Against this corrected baseline, healthy revenue growth overcame margin erosion to leave adjusted operating profits broadly in line with the prior year.

It is pleasing to report that revenues grew by 25.4% driven by excellent progress on a broad front: LED sales grew by 41.1%, UK revenue grew by 21.1% and International sales grew by 51.1%. Strong top line growth reflects earlier steps taken by the management team to diversify the business away from a challenging UK retail environment and toward higher margin opportunities in the UK and overseas. We are undoubtedly better placed strategically because of these actions.

During the year we also completed our first acquisition and I am delighted to welcome Kingfisher Lighting to the Group. Kingfisher Lighting is led by a first-class management team and their hard-won reputation in the UK project lighting business will be a real asset to us in the future. I expect expansion and diversification into attractive new markets to continue and therefore I believe the Group's long-term growth prospects remain as attractive as ever.

We have accelerated planned investment in the Group's finance function. Following the Departure of David Main in February 2018, Matt Webb was appointed as Chief Financial Officer to strengthen the Board. Steps have already been taken to address the issues highlighted by the accounting restatements and I am confident we will see further rapid improvements under Matt's leadership.

Your Board is sorry that our performance has not met the high standards that we have set ourselves and I would like to thank our shareholders for their patience whilst we take the necessary steps now to build a better future for Luceco.

Outlook

The Board expects revenue to grow in 2018, despite a tough UK consumer market and adverse currency rates, as a result of the Group's diversification strategy. We have taken the necessary steps to improve our profit margins and the actions taken will deliver benefits progressively in 2018 and in full in 2019.

We command enviable positions in key markets underpinned by long-standing customer relationships. We are successfully executing our growth and diversification strategy. Our product pipeline is healthier than ever. We have modest net financial debt, a strong and longstanding banking relationship and a supportive lead shareholder. Lastly, and not least, we have an experienced management team and a committed workforce.

Dividend

The Board has taken the difficult decision not to propose a final dividend for the year ended 31 December 2017. The Group had paid an interim dividend during the year of 0.8 pence per share. The Board remains confident in the Group's strategy and will therefore revisit the dividend policy at the half year 2018.

People

Our team is our greatest asset. Nurturing the excellence of our colleagues is key to our success and we continue to invest in their learning and development. The delivery of our revenue growth despite tough trading conditions is a testament to the hard work of the entire Luceco team. I am extremely grateful for their enthusiasm and dedication. My thanks to them and to our shareholders for their ongoing support.

GILES BRAND
Chairman

30 April 2018

Executive Review
Chief Executive Officer's Review

Overview

Group revenue increased by 25.4% to £167.6m (2016: £133.7m) in the year and all product categories showed growth. International sales have increased by 51.1% to £28.7m (2016: £19.0m) whilst UK sales have increased by 21.1% to £138.9m (2016: £114.7m). Ongoing investment in expanded commercial teams, product range improvement and increased manufacturing capacity maintained the high growth rate we experienced for the last several years.

Gross margin in 2017 reduced from last year's 30.3% to 28.9%. The movement was principally due to higher input costs. Raw materials such as copper increased in cost significantly in the second half of 2017 at the same time as the Chinese Renminbi (RMB) appreciated and the US Dollar weakened. These cost pressures will have been experienced by all market participants and hence does not affect our relative competitive position. We are therefore confident of being able to recoup our margins over time.

The decline in our profit margins due to higher input costs and currency movements was masked by accounting errors which only came to light in the second half of the year. This did not allow us adequate time to take mitigating actions via increased market pricing and other activities which would have reduced the impact on our 2017 profit. However, we still managed to deliver profit growth compared to prior year thanks to healthy revenue growth. Reported overheads increased by 19.6% to £34.2m (2016: £28.6m) primarily driven by investment in expanded commercial teams and distribution operations.

I am pleased to welcome Matt Webb as the Group's new Chief Financial Officer. Matt is an excellent new addition to the Board.

The last few months have clearly been a particularly challenging period for the Group but we have learned a number of lessons from this experience and are fully committed to building a stronger platform for future sustainable growth.

Strategy

Our long-term strategy remains unchanged from that set out in our 2016 Annual Report:

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

LED Lighting (Luceco and Kingfisher Lighting)

Our LED Lighting revenues grew to £47.4m (2016: £33.6m) reflecting the ongoing expansion of the group's LED product ranges and investment in commercial teams. In September 2017 we announced the acquisition of Kingfisher Lighting a long-established supplier of outdoor lighting solutions with commercial applications, which accounted for £4.1m of this revenue figure. Organic growth was 30.9%. Revenue at the UK Technical Lighting Projects division grew especially strongly as the Group focused more on technical lighting solutions for commercial environments and less on more commoditised segments such as residential lamps.

We were pleased with Kingfisher Lighting's performance post acquisition in 2017 and believe the business has a strong future as part of the Group. Synergies are available to the Group from cross selling Kingfisher Lighting products with the Luceco sales team and vice-versa and from bringing some current third-party production in-house.

We believe that the higher technical requirement in commercial applications, both within the product itself, and in the selling process increases the barriers to entry and this together with the highly fragmented nature of the end market results in higher pricing power for successful market participants. It is fundamental to the Group's long-term strategy to diversify into such higher quality market segments serving commercial applications.

Wiring Accessories (British General)

Revenues grew to £72.7m (2016: £64.0m) due to range expansion, UK market growth and market share gains. We continued to add value to the category with an expanded range of wall sockets with built in USB charging capabilities, some with the added function of a Wifi signal repeater. We have a strong pipeline of product launches including smart Internet of Things (IoT) enabled accessories and new ranges suitable for European markets which we believe will enable us to continue growing this category (until now our Wiring Accessories have only been suitable for British Standard markets).

Portable Power (Masterplug)

Revenues grew to £41.6m (2016: £31.1m) due to several significant customer wins in the UK and continued growth in International territories. However, the rapid increase in cost of copper raw material in the second half of 2017 had a material impact on the margins of this product category as there is a time lag in passing higher input costs into the market.

Our KPI's reflect the key strategic highlights during the year coupled with our strategy going forwards, which can be seen in the Our Strategy section in the full Annual Report and Accounts. We will continue to review and update our KPIs to reflect the needs of the Company and the dynamic markets in which we operate as the Group continues to grow.

Outlook

2018 will be a year of improvement for our business. Although margins at the beginning of the new financial year were at a lower level than previously anticipated, our competitive position remains strong. We are therefore confident of stronger margins in the second half of 2018 once we have completed the adjustment of our selling prices.

Strong growth in many parts of our business and the annualising of Kingfisher Lighting revenues should be sufficient to offset a weak UK consumer environment (UK consumer facing retail represents about 25% of Group total) so we are forecasting single digit revenue growth compared to 25% year-on-year growth in 2017. This slower growth will enable better control of working capital and will result in higher cash conversion than in recent years where we delivered high growth.

We are confident in our strategy to expand the Group's product ranges and geographic reach and believe that our profits will benefit from this in due course.

Financial review
Overview
The commentary in the financial review uses alternative performance measures, and are identified by the prefix "adjusted", definitions of the measures used are included in note 1.

Revenue by geography	**2017 £m**	2016 £m	Growth
UK	138.9	114.7	21.1%
Europe	9.6	5.9	62.7%
Middle East	6.8	4.9	38.8%
Rest of World:			
Americas	6.4	2.1	205.0%
Asia Pacific	3.9	4.2	(7.1%)
Africa	2.0	1.9	5.3%
	167.6	133.7	25.4%

Revenue has grown by 25.4% (constant currency 21.7%), with double digit growth across all operating geographies except Asia Pacific and Africa where operations are still being developed.

UK revenues have grown strongly, increasing 21.1% during the year to £138.9m (2016: £114.7m). This growth has been driven by significant new business wins, successful new product launches in both the Luceco and BG brand and the continuing expansion of the product range into existing customers.

International revenues have increased 51.1% to £28.7m (2016: £19.0m). New offices, which began trading in Hong Kong and Spain in 2016, have gained momentum during the year.

Reported gross margin for 2017 was 28.9% compared to 30.3% in 2016, a dilution of 140 bps. The decline has been largely due to increased commodity costs and the adverse currency impact arising from the strengthening of the RMB versus the US Dollar, alongside the ongoing weakness in Sterling.

Adjusted overheads have increased by 29.6% to £33.7m (2016: £26.0m) and reflect the growth in sales and marketing costs in both the UK and overseas.

Adjusted operating profit was £14.7m (2016: £14.5m), giving an operating margin of 8.8% (2016: 10.8%). Operating profit on a constant currency basis is £15.5m generating a margin of 9.5%, highlighting the foreign currency headwind experienced by the Group in the year.

Impact of foreign exchange movements

A summary of the Consolidated Income Statement on a constant currency basis is included in the table below. Current year balances have been translated at last year's average exchange rates and demonstrate the impact of the volatility in exchange rates during 2017.

Alternative Performance Measures[1]	2017 reported[2] £m	Constant currency[3] £m	Variance £m
Revenue	167.6	162.7	4.9
Cost of sales	(119.2)	(115.0)	(4.2)
Gross profit	48.4	47.7	0.7
Gross margin %	28.9%	29.3%	(40 bps)
Adjusted[1] operating costs	(33.7)	(32.2)	(1.5)
Adjusted[1] operating profit	14.7	15.5	(0.8)

1. The definitions of the alternative performance measures can be found in note 1 in the Notes to the Consolidated Financial Statements
2. 2017 translated at average exchange rates for the period. These were 1.28 for £: US Dollar and 8.74 for £: RMB.
3. 2017 translated at 2016 average exchange rates. These were 1.36 for £: US Dollar and 8.98 for £: RMB

Sterling was on average weaker against both US Dollar and RMB in 2017 compared to 2016. The average rate for the US Dollar against Sterling decreased from 1.36 in 2016 to 1.28 in 2017. Whilst this increased the Sterling value of the Group's US Dollar-denominated revenue, it also increased the Group's RMB-denominated costs by a greater amount, leaving adjusted operating profit £0.8m lower due to these currency movements. The currency movements had the greatest impact on the business in the second half of 2017. The Group has responded to this foreign exchange loss by expanding its currency hedging programme for 2018 to minimise currency risks in the future.

Prior year restatement

Following the identification of the issues announced in December 2017, the Group conducted a thorough review of its balance sheet and financial processes, completed by the Group's new Chief Financial Officer. The review identified two issues:

1. Inventory was incorrectly valued. Specifically, the amount of overhead absorbed into inventory in accordance with the Group's accounting policy was incorrectly calculated.

2. Inter-company balances were incorrectly reconciled, principally between the Group's manufacturing facility in China and its UK business.

Both issues have now been resolved.

The review revealed that both errors existed in the Group's previously published financial statements. Comparative financial information in this report has therefore been restated in accordance with IAS 8 to correct these errors. Further details on the prior year adjustments are given in note 1a.

The error in the inventory valuation had a further consequence upon the Group's performance in 2017 in that it masked the impact that currency and commodity prices were having on gross margins. Although the rapid increase in commodity costs and the adverse movements in currency exchange rates were identified at the time, their impact on our profits were offset. Steps have been taken to offset these cost pressures and these will deliver progressively during 2018.

Both errors arose from a manual and complex process environment which has been impacted by the Group's recent rapid growth.

Processes have now been changed in response to these events. We have improved our inventory valuation methodology and strengthened the process for agreement of inter-company balances. We have also taken steps to mitigate the impact of future currency exchange rate movements. In short, we will progressively build a high-class finance function commensurate with the Group's long-term potential.

Operating segment review

LED Lighting (Luceco and Kingfisher Lighting)

	2017	2016[1]	Growth %
Revenue	**£47.4m**	£33.6m	41.1
Adjusted[2] operating profit	**£2.3m**	£2.5m	(8.0)
Adjusted[2] operating margin	**4.9%**	7.4%	(250) bps

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. LED Lighting also includes financials for the newly acquired business Kingfisher Lighting, which specialises in exterior LED lighting products. Kingfisher Lighting contributed revenue £4.1m and adjusted operating profit of £0.5m in the above financials.

Adjusted operating profit of LED Lighting has declined by 8% year-on-year and the adjusted operating margin has decreased by 250 basis points. These movements have been driven by foreign exchange movements and continued investment in overheads, most notably expansion of the product development and LED sales teams.

Wiring Accessories (British General)

	2017	2016[1]	Growth %
Revenue	**£72.7m**	£64.0m	13.6
Adjusted[2] operating profit	**£10.3m**	£9.4m	9.6
Adjusted[2] operating margin	**14.2%**	14.7%	(50) bps

Wiring Accessories saw good growth 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.

Portable Power (Masterplug)

	2017	2016[1]	Growth %
Revenue	**£41.6m**	£31.1m	33.8
Adjusted[2] operating profit	**£2.0m**	£2.2m	(9.1)
Adjusted[2] operating margin	**4.8%**	7.1%	(230) bps

The increase in Portable Power revenue is as a result of the annualisation of the new business in the UK, Europe and USA generated 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.

The adjusted operating profit has decreased from £2.2m to £2.0m, a reduction in adjusted operating margin of 230 basis points, mainly due to an increase in the cost of raw materials, most notably copper.

Ross and other

	2017	2016[1]	Growth %
Revenue	**£5.9m**	£5.0m	18.0
Adjusted[2] operating profit	**£0.1m**	£0.4m	(75.0)
Adjusted[2] operating margin	**1.7%**	8.0%	(630) bps

Revenue mainly comprises 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.

Note

1. The reported comparatives have been restated to reflect a prior year adjustment, see note 1a in the Notes to the Consolidated Financial Statements
2. The definitions of the adjustments made to the statutory figures can be found in note 1 in the Notes to the Consolidated Financial Statements

Interest costs

Net finance expense at £1.9m (2016: £2.8m) is considerably lower than the prior year reflecting the favourable full year impact of the Group's refinancing following the IPO in October 2016.

Net debt increased to £36.7m (2016: £29.5m) largely as a result of the acquisition of Kingfisher Lighting for consideration of £9.7m.

Taxation

The amount of taxation payable for the year was £2.3m (2016: £2.5m) representing an effective tax rate of 18.7% (2016: 27.5%).

Balance sheet

Non-current assets

Non-current assets increased during the year by £13.5m to £47.2m (2016: £33.7m):

- Intangible assets increased by £10.8m: £8.9m arising on the Kingfisher Lighting acquisition, consisting of; Customer Relationships £4.1m, Trade name £1.2m and Goodwill £3.6m.
- Property, Plant and Equipment net additions were £6.9m (2016: £6.0m) which includes investment to support improvements and expansion at the Group's manufacturing facility in China and reflects the fair value of assets acquired from Kingfisher Lighting.

Working capital

The Group's working capital is managed by monitoring inventory levels, trade debtors and total creditors.

- Inventory was £44.2m (2016 restated: £35.4m), an increase of £8.8m from last year. Stock days have reduced to 135 days (2016 restated: 138 days). The Group continues to support future growth of geographical territories organically as well as holding sufficient inventories to fulfil the 2018 order book.
- Trade receivables were £33.4m (2016: £26.5m) an increase of 26.0% which is slightly ahead of revenue growth and debtor days were broadly the same as the prior year at 63 (2016: 61) despite the continued overseas expansion and higher proportion of international customers.
- Trade and other payables were £49.6m (2016: £35.4m). Trade payables increased by 34.0% and movement is reflected in the increase in creditor days which rose to 111 days (2016: 106). The Group continues to enjoy good relationships with its suppliers who remain supportive of its wider growth plans.

Net working capital at £28.0m (2016 restated: £26.5m) was broadly comparable to the prior year. Working capital as a percentage of revenue for the year was 16.7% (2016: 19.3%). The acquisition of Kingfisher Lighting contributed £1.2m of working capital.

Cash flow

	Adjusted 2017 £m	**Adjustments[1] £m**	**Reported 2017 £m**	Adjusted 2016 £m	Adjustments[1] £m	Reported 2016 £m
EBITDA[2]	**19.1**	**(0.5)**	**18.6**	17.7	(2.6)	15.1
Operating cash flow	**20.5**	**(0.2)**	**20.3**	6.4	(2.5)	3.9
Tax paid	**(3.1)**		**(3.1)**	(1.3)		(1.3)
Financing inflows	**5.9**		**5.9**	4.2		4.2
Dividends paid	**(1.8)**		**(1.8)**	-	-	-
Capital expenditure net of disposals	**(10.0)**		**(10.0)**	(7.6)		(7.6)
Acquisition of subsidiary	**(9.7)**		**(9.7)**	-	-	-
Net cash in/(out)flow	**1.8**	**(0.2)**	**1.6**	1.7	(2.5)	(0.8)
Cash conversion[3]	**107.3%**		**109.1%**	36.2%		25.8%

1. The definitions of the adjustments made to the statutory figures can be found in note 1 in the Notes to the Consolidated Financial Statements
2. EBITDA is the consolidated earnings before interest, tax, depreciation and amortisation
3. Cash conversion is defined as operating cash flow divided by EBITDA

Reduced working capital relative to revenue yield much improved operating cash conversion of 107.3% (2016 restated: 36.2%)

Dividend
The Board has taken the difficult decision not to propose a final dividend for the year ended 31 December 2017. The Group had paid an interim dividend during the year of 0.8 pence per share. The Board remains confident in the Group's strategy and will therefore revisit the dividend policy at the half year 2018.

Funding and covenants
The Group has committed borrowing facilities in place in the UK comprising a £20m revolving credit facility and a £30m UK invoice financing facility.

Net debt at 31 December 2017 stood at £36.7m, (2016: £29.5m), representing 1.92x adjusted EBITDA.

Going concern
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.

In early 2018 the Group successfully negotiated an extension in the maturity of its RCF to 30 June 2019 and the addition of a £3m overdraft from its relationship bank. It is also in the process of extending the invoicing financing facility provided by HSBC to Kingfisher Lighting and customers in Hong Kong. The Group remains and expects to remain in full compliance with its banking covenants. It therefore expects to continue to have adequate funding liquidity to support its growth goals. The Group's Viability Statement is found within the 2017 Annual Report.

Principal risks and uncertainties

The Group is subject to risk factors both internal and external to its business and has a well-established set of risk management procedures. The following risks and uncertainties are those that the Directors believe could have the most significant impact on the Group's business:

Disruption to operations

Risk	Impact	Mitigation
• 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.	• 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

Input costs

Risk	Impact	Mitigation
• Raw materials represent a significant cost to the Group. The Group faces risks from copper price volatility as well as other key raw materials and is reliant on third parties to supply some of its products and components.	• 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 rapid 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 and supplier 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 • Additional management and reporting of copper prices to the Senior management team to help track the input costs

Loss of market share

Risk	Impact	Mitigation
• 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.	• 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

Concentration of customers

Risk	Impact	Mitigation
• Approximately 83% 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.	• 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 trading or 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 • The Group's funding arrangements include an invoice finance facility applicable to UK customers only. Any downturn in UK sales may reduce funding liquidity.	• 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 • The Group sets credit terms that are commensurate with customer's ability to pay and monitors payment terms closely. • The Group is seeking to reduce its reliance on its invoice finance for future funding.

Financial impact of international operations

Risk	Impact	Mitigation
• With its Chinese operation and FOB sales, the Group is exposed to exchange rate fluctuations of the RMB 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 RMB. • The UK's 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.	• Any weakening of Sterling relative to the US Dollar and RMB, 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	• Currency fluctuations mitigated by hedging policy; pricing action is undertaken when appropriate • Continued international diversification will dilute the impact of currency fluctuations

Regulatory non-compliance

Risk	Impact	Mitigation
• 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.	• 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 Group's transfer pricing arrangements may be potentially challenged by local tax authorities, which could lead to increasing tax liabilities particularly in respect of product movement between the Group's Chinese factory and its sales operations.	• 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 and setting internal transfer prices • The Group has long-standing relationships with its suppliers and the Executive Directors frequently visit their operations •

Pursuit of the acquisition strategy

Risk	Impact	Mitigation
• 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	• 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 (with the appointment of a new CFO Matt Webb in February 2018) in place to ensure that the day-to-day activities of the Group's business are managed effectively

Inadequate integration or leverage of acquired businesses

Risk	Impact	Mitigation
• Misjudging key elements of an acquisition or failing to integrate it in an efficient and timely manner would disrupt existing operation	• Expenses may be incurred, 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	• Detailed integration plan and dedicated integration teams in place prior to acquisition • Regular communication on progress highlighting variations and remedial action taken • Integrate our ERP system to enhance our ability to integrate acquisitions

Forward looking statements

This announcement contains forward-looking statements that are subject to risk factors associated with, among other things, the economic and business circumstances occurring from time to time in the countries, sectors and markets in which the Group operates. It is believed that the expectations reflected in these statements are reasonable but they may be affected by a wide range of variables which could cause actual results to differ materially from those currently anticipated. No assurances can be given that the forward-looking statements in this announcement will be realised.

The forward-looking statements reflect the knowledge and information available at the date of preparation of this announcement and the Company undertakes no obligation to update these forward-looking statements. Nothing in this announcement should be construed as a profit forecast.

Consolidated Income Statement

for the year ended 31 December 2017

	Note	**Adjusted 2017 £m**	**Adjustments[2] £m**	**Reported 2017 £m**	Adjusted 2016 £m	Adjustments[2] £m	Reported[1] 2016 £m
Revenue	2	**167.6**	**-**	**167.6**	133.7	-	133.7
Cost of sales		**(119.2)**	**-**	**(119.2)**	(93.2)	-	(93.2)
Gross profit		**48.4**	**-**	**48.4**	40.5	-	40.5
Distribution expenses		**(12.1)**		**(12.1)**	(11.0)	-	(11.0)
Administrative expenses		**(21.6)**	**(0.5)**	**(22.1)**	(15.0)	(2.6)	(17.6)
Operating profit	3	**14.7**	**(0.5)**	**14.2**	14.5	(2.6)	11.9
Finance income		**0.1**	**-**	**0.1**	0.1	-	0.1
Finance expense		**(2.0)**	**-**	**(2.0)**	(2.9)	-	(2.9)
Net financing expense		**(1.9)**	**-**	**(1.9)**	(2.8)		(2.8)
Profit before tax		**12.8**	**(0.5)**	**12.3**	11.7	(2.6)	9.1
Taxation	4	**(2.3)**	**-**	**(2.3)**	(2.5)	-	(2.5)
Profit for the year		**10.5**	**(0.5)**	**10.0**	9.2	(2.6)	6.6
Earnings per share (pence)							
Basic	5	**6.5p**	**(0.3)p**	**6.2p**	6.4p	(1.8)p	4.6p
Fully Diluted	5	**6.5p**	**(0.3)p**	**6.2p**	6.4p	(1.8)p	4.6p

Notes:

1. The reported comparatives have been restated to reflect a prior year adjustment, see note 1a in the Notes to the Consolidated Financial Statements
2. Definition of the adjustments made to the reported figures can be found in note 1 in the Notes to the Consolidated Financial Statements

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2017

	2017 £m	2016[1] £m
Profit for the year	**10.0**	6.6
Other comprehensive income – amounts that may be reclassified to profit or loss in the future:		
Foreign exchange translation differences – foreign operations	**(0.1)**	1.8
Total comprehensive income for the year	**9.9**	8.4

Note 1: The reported comparatives have been restated to reflect a prior year adjustment, see note 1a in the Notes to the Consolidated Financial Statements

All results are from continuing operations.

The accompanying notes form an integral part of these financial statements.

Consolidated Balance Sheet

at 31 December 2017

	Note	2017 £m	2016[1] £m
Non-current assets			
Property, plant and equipment	7 and 11	**23.5**	20.6
Intangible assets	8	**23.7**	12.9
Deferred tax asset		**-**	0.2
		47.2	33.7
Current assets			
Inventories		**44.2**	35.4
Trade and other receivables		**36.7**	29.3
Cash and cash equivalents		**5.6**	4.1
		86.5	68.8
Total assets		**133.7**	102.5
Current liabilities			
Interest-bearing loans and borrowings		**42.3**	21.6
Trade and other payables		**49.6**	35.4
Other financial liabilities		**0.1**	0.6
		92.0	57.6
Non-current liabilities			
Other interest-bearing loans and borrowings		**-**	12.0
Other financial liabilities		**0.4**	0.1
Deferred tax liability		**1.3**	-
		1.7	12.1
Total liabilities		**93.7**	69.7
Net assets		**40.0**	32.8
Equity attributable to equity holders of the parent			
Share capital		**0.1**	0.1
Share premium		**24.8**	24.8
Translation reserve		**1.3**	1.4
Treasury reserve		**(1.2)**	-
Retained earnings		**15.0**	6.5
Total equity		**40.0**	32.8

Note 1: The reported comparatives have been restated to reflect a prior year adjustment, see note 1a in the Notes to the Consolidated Financial Statements

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2017

	Share capital £m	Share premium £m	Translation reserve £m	Retained Earnings[1] £m	Treasury reserve £m	Total equity £m
Balance at 1 January 2016	0.1	0.5	(0.4)	2.4	-	2.6
Prior year restatement	-	-	-	(2.5)	-	(2.5)
Balance at 1 January 2016 as restated	0.1	0.5	(0.4)	(0.1)	-	0.1
Total comprehensive income						
Profit for the year as restated	-	-	-	6.6	-	6.6
Currency translation differences	-	-	1.8	-	-	1.8
Total comprehensive income[1] for the year	-	-	1.8	6.6	-	8.4
Shares issued in the year	-	24.3	-	-	-	24.3
Balance at 31 December 2016[1]	**0.1**	**24.8**	**1.4**	**6.5**	**-**	**32.8**
Total comprehensive income						
Profit for the year	**-**	**-**	**-**	**10.0**	**-**	**10.0**
Currency translation differences	**-**	**-**	**(0.1)**	**-**	**-**	**(0.1)**
Total comprehensive income for the year	**-**	**-**	**(0.1)**	**10.0**	**-**	**9.9**
Transactions with owners in their capacity as owners:						
Dividends paid	**-**	**-**	**-**	**(1.8)**	**-**	**(1.8)**
Purchase of own shares	**-**	**-**	**-**	**-**	**(1.2)**	**(1.2)**
Share-based payments charge	**-**	**-**	**-**	**0.3**	**-**	**0.3**
Total transactions with owners in their capacity as owners	**-**	**-**	**-**	**(1.5)**	**(1.2)**	**(2.7)**
Balance at 31 December 2017	**0.1**	**24.8**	**1.3**	**15.0**	**(1.2)**	**40.0**

1. The reported comparatives have been restated to reflect a prior year adjustment, see note 1a in the Notes to the Consolidated Financial Statements

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 2017

	Note	**Adjusted 2017 £m**	**Adjustments[2] 2017 £m**	**Reported 2017 £m**	Adjusted 2016[1] £m	Adjustments[2] 2016 £m	Reported 2016[1] £m
Cash flows from operating activities							
Profit for the year		**10.2**	**(0.2)**	**10.0**	9.1	(2.5)	6.6
Adjustments for:							
Depreciation and amortisation		**4.4**	**-**	**4.4**	3.2	-	3.2
Financial derivatives		**(0.7)**	**-**	**(0.7)**		-	
Financial income		**(0.1)**	**-**	**(0.1)**	(0.1)	-	(0.1)
Financial expense		**2.0**	**-**	**2.0**	2.9	-	2.9
Taxation	4	**2.3**	**-**	**2.3**	2.5	-	2.5
Share-based payments charge		**0.3**	**-**	**0.3**	-	-	-
Operating cash flow before movement in working capital		**18.4**	**(0.2)**	**18.2**	17.6	(2.5)	15.1
Increase in trade and other receivables		**(4.4)**	**-**	**(4.4)**	(7.5)	-	(7.5)
Increase in inventories		**(7.8)**	**-**	**(7.8)**	(9.6)	-	(9.6)
Increase in trade and other payables		**14.3**	**-**	**14.3**	5.9	--	5.9
Cash from operations		**20.5**	**(0.2)**	**20.3**	6.4	(2.5)	3.9
Tax paid		**(3.1)**	**-**	**(3.1)**	(1.3)	-	(1.3)
Net cash from operating activities		**17.4**	**(0.2)**	**17.2**	5.1	(2.5)	2.6
Cash flows from investing activities							
Acquisition of property, plant and equipment	7	**(7.2)**	**-**	**(7.2)**	(6.0)	-	(6.0)
Acquisition of subsidiary	11	**(9.7)**	**-**	**(9.7)**	-	-	-
Acquisition of other intangible assets	8	**(3.1)**	**-**	**(3.1)**	(1.6)	-	(1.6)
Disposal of tangible assets		**0.3**	**-**	**0.3**	-	-	-
Net cash used in investing activities		**(19.7)**	**-**	**(19.7)**	(7.6)	-	(7.6)
Cash flows from financing activities							
Proceeds from new loans		**8.7**	**-**	**8.7**	0.1	-	0.1
Interest paid		**(1.9)**	**-**	**(1.9)**	(3.0)	-	(3.0)
Dividends paid		**(1.8)**	**-**	**(1.8)**	-	-	-
Finance lease liabilities		**0.3**	**-**	**0.3**	(17.2)	-	(17.2)
Purchase of treasury shares		**(1.2)**	**-**	**(1.2)**	-	-	-
Net proceeds from share issue		**-**	**-**	**-**	24.3	-	24.3
Net cash from financing activities		**4.1**		**4.1**	4.2	-	4.2
Net increase/(decrease) in cash and cash equivalents		**1.8**	**(0.2)**	**1.6**	1.7	(2.5)	(0.8)
Cash and cash equivalents at 1 January				**4.1**			4.8
Effect of exchange rate fluctuations on cash held				**(0.1)**			0.1
Cash and cash equivalents at 31 December				**5.6**			4.1

Notes

1: The reported comparatives have been restated to reflect a prior year adjustment, see note 1a in the Notes to the Consolidated Financial Statements

2: Definition of the adjustments made to the reported figures can be found in the Notes to the Consolidated Financial Statements

Notes to the Consolidated Financial Statements
for the year ended 31 December 2017

1 Basis of preparation
Luceco plc (the 'Company') is a company incorporated and domiciled in the United Kingdom. These consolidated financial statements for the year ended 31 December 2017 comprise the Company and its subsidiaries (together referred to as the 'Group'). The Group is primarily involved in the manufacturing and distributing of high quality and innovative LED lighting products and wiring accessories to global markets (see note 2).

The financial information is derived from the Group's consolidated financial statements for the year ended 31 December 2017, which have been prepared on the going concern basis in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The financial statements have been prepared on the historical cost basis except for certain financial instruments which are carried at fair value.

The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 December 2017 and 31 December 2016 but is derived from those accounts. Statutory accounts for 2016 have been delivered to the Registrar of Companies, and those for 2017 will be delivered in due course. The Auditors have reported on those accounts; their report was (i) unqualified, (ii) did not include a reference to any matters to which the Auditors drew attention by way of emphasis without qualifying their report and (ii) did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006. The text of the Auditors' report can be found in the Company's full Annual Report and Accounts 2017.

Copies of the Annual Report and Accounts 2017 and the Notice of the 2018 Annual General Meeting are available to view on the Company's website at http://www.luceco.com/investors. They have also been submitted to the National Storage Mechanism and will shortly be available for inspection at http://www.morningstar.co.uk/uk/NSM

Statutory and non-statutory measures of performance
The financial statements contain all the information and disclosures required by the relevant accounting standards and regulatory obligations that apply to the Group.

The Group's performance is assessed using a number of financial measures which are not defined under IFRS (the financial reporting framework applied by the Group). Management uses the adjusted or alternative performance measures (APMs) as a part of their internal financial performance monitoring and when assessing the future impact of operating decisions. The APMs disclose the adjusted performance of the Group excluding specific items. The measures allow a more effective year-on-year comparison and identification of core business trends by removing the impact of items occurring either outside the normal course of operations or as a result of intermittent activities such as a corporate acquisition. The Group separately reports acquisition costs, other exceptional items and other specific items in the Consolidated Income Statement which, in the Director's judgement, need to be disclosed separately by virtue of their nature, size and incidence in order for users of the financial statements to obtain a balanced view of the financial information and the underlying performance of the business.

In following the guidelines on Alternative Performance Measures (APMs) issued by the European Securities and Markets Authorities, the Group has included a Consolidated Income Statement and Consolidated Cash Flow Statement that have both Statutory and Adjusted performance measures.

The measures used in this results announcement are defined in the Annual Report and Financial Statements. The adjustments made are summarised in the table below:

	2017 Adjustments	**Kingfisher Transaction costs**	**Kingfisher Restructuring costs**	2016 IPO[3]
	£m	**£m**	**£m**	£m
Administrative expenses	(0.5)	(0.2)[1]	(0.3)[2]	(2.6)
Operating profit	**(0.5)**	**(0.2)**	**(0.3)**	(2.6)
Profit for the year	**(0.5)**	**(0.2)**	**(0.3)**	(2.6)

Notes:

1. Legal and professional fees incurred in the acquisition of Kingfisher Lighting
2. Redundancy and reorganisation costs following the acquisition of Kingfisher Lighting
3. The Group's IPO took place in October 2016

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:

- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures
- Amendments to IAS 40: Transfers of Investment Property

- Amendments to IFRS 2: Amendments to clarify the classification and measurement of share-based payment transactions
- Amendments to IFRS 9: Prepayment Features with Negative Compensation
- IFRIC 22 – Foreign Currency Transactions and Advance Consideration
- IFRIC 23 – Uncertainty over Income Tax Treatments
- Annual improvements to IFRS 2014—2016 cycle
- Annual improvements to IFRS 2015—2017 cycle

Based on their initial assessments, the Directors anticipate that adoption of these Standards and Interpretations in future periods will not have a material impact on the financial statements of the Group.

Impact on future periods of the adoption of new standards and interpretations
IFRS 9 – Financial Instruments
The new standard introduces a principles-based approach to the classification and measurement of financial instruments, a new impairment model and changes to hedge accounting.
It will be effective from 1 January 2018. The Directors have completed their initial assessment and based on the Group's current financial instruments and hedging strategy estimate that there will be no material effect on the financial statements.

IFRS 15 – Revenue Recognition
IFRS 15 – Revenue from Contracts with Customers, which supersedes IAS 18 – Revenue, will be effective from 1 January 2018. The new standard provides a single model for revenue recognition based on when identified performance obligations are satisfied. The revenue recognition model now focuses on the transfer of control rather than the transfer of risks and rewards.

The Directors have completed an initial assessment of the impact of the new standard. Based on the current operating model the new standard is not expected to have a material effect on revenue recognition, as the point at which revenue is recognised at present is consistent with the passing of control under IFRS 15. The Group plans to adopt IFRS 15 using the cumulative effect method, with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). As a result, the Group will not apply the requirements of IFRS 15 to the comparative period presented.

IFRS 16 – Leases
In January 2016 the IASB issued IFRS 16 – Leases. It was endorsed by the European Union in October 2017 and will be effective from 1 January 2019. This Standard will have a material effect on the Group because the value of the operating leases it has entered into will be included in the balance sheet in future.

The Group has made progress to determine the effect of this new Standard and implement the processes and systems necessary to comply with its requirements. However, given the complexity of the Standard and the volume of leases to which the Group is a party, this exercise has not been completed at the date of these accounts and will be adopted by the Group in January 2019.

Critical accounting judgements and estimates
The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended 31 December 2017.

1a Prior year restatement

A number of material errors have been identified in the Group's previously published financial statements. A quantification of the errors is included in the table below and restated Consolidated Income Statement and Balance Sheet have been included to show the financial impact from the correction of these errors.

At 31 December 2016			
Note	**Total** **£m**	**Inventories** **(1)** **£m**	**Intercompany** **(2)** **£m**
Reduction in inventory	**(3.1)**	(1.8)	(1.3)
Increase in trade payables	**(2.4)**	-	(2.4)
Net assets	**(5.5)**	(1.8)	(3.7)

Notes:

(1) In line with the Group's accounting policy an appropriate share of overheads is included in inventory values. This share was incorrectly calculated at 1 January and 31 December 2016 resulting in an over-valuation of the Group's inventory. The impact at 1 January 2016 was £0.4m, which has been adjusted for in opening reserves. The impact on the Consolidated Income Statement for the year ended 31 December 2016 is an increase to cost of sales of £1.4m.

(2) Balances between subsidiaries were incompletely reconciled and therefore not appropriately eliminated in the Group's consolidated balance sheet. An adjustment to increase trade and other payables by £3.7m is therefore required at 31 December 2016. The reconciliation was also incomplete with respect to inter-company inventory transactions, requiring a balance sheet only adjustment to reduce both inventories and trade payables by £1.3m at 31 December 2016 leaving a net impact on trade payables of £2.4m.

The cumulative impact of the adjustments at 1 January 2016 was £2.1m with respect to balances between subsidiaries and £0.7m at 31 December 2015 with respect to inter-company inventory transactions leaving a £1.4m adjustment to trade payables at 1 January 2016. The impact on the Consolidated Income Statement for the year ended 31 December 2016 is an increase to cost of sales of £1.6m.

No tax effect has been reflected at 31 December 2016 as the ability to claim tax deductions is uncertain.

The impact of the above errors on the financial statements is that net assets at 1 January and 31 December 2016 and profit for the year ended 31 December 2016 was misstated. These errors have been corrected by restatements to the Balance Sheet and Consolidated Income Statement as at and for the year ended 31 December 2016 as detailed below:

Consolidated Balance Sheet

	2016			2015		
	As previously reported £m	Restatement impact £m	**As restated £m**	As previously reported £m	Restatement impact £m	**As restated £m**
Non-current assets						
Property, plant and equipment	20.6	-	**20.6**	15.5		**15.5**
Intangible assets	12.9	-	**12.9**	12.0		**12.0**
Deferred tax asset	0.2	-	**0.2**	-		**-**
	33.7	-	**33.7**	27.5		**27.5**
Current assets						
Inventories	38.5	(3.1)	**35.4**	26.2	(1.1)	**25.1**
Trade and other receivables	29.3	-	**29.3**	21.8		**21.8**
Cash and cash equivalents	4.1	-	**4.1**	4.8		**4.8**
	71.9	(3.1)	**68.8**	52.8	(1.1)	**51.7**
Total assets	105.6	(3.1)	**102.5**	80.3	(1.1)	**79.2**
Current liabilities						
Interest bearing loans and borrowings	(21.6)	-	**(21.6)**	(26.0)		**(26.0)**
Trade and other payables	(33.0)	(2.4)	**(35.4)**	(25.5)	(1.4)	**(26.9)**
Other financial liabilities	(0.6)	-	**(0.6)**	(0.7)	-	**(0.7)**
	(55.2)	(2.4)	**(57.6)**	(52.2)	(1.4)	**(53.6)**
Non-current liabilities	(12.1)	-	**(12.1)**	(25.5)		**(25.5)**
Total liabilities	(67.3)	(2.4)	**(69.7)**	(77.7)	(1.4)	**(79.1)**
Total net assets	38.3	(5.5)	**32.8**	2.6	(2.5)	**0.1**

Consolidated Income Statement

	2016 restatement			2016 reclassification	
	As previously reported	Restatement impact	As restated	Chinese costs to be included in COGS[1]	
	£m	£m	£m	£m	£m
Revenue	133.7	**-**	133.7	-	**133.7**
Cost of sales	(85.9)	(3.0)	(88.9)	(4.3)	**(93.2)**
Gross profit	47.8	(3.0)	44.8	(4.3)	**40.5**
Gross margin %	*35.8%*	-	*33.5%*	-	*30.3%*
Distribution expenses	(11.0)	**-**	(11.0)	-	**(11.0)**
Administrative expenses	(21.9)	**-**	(21.9)	4.3	**(17.6)**
Operating profit	14.9	(3.0)	11.9	-	**11.9**
Net financing expense	(2.8)	**-**	(2.8)	-	**(2.8)**
Profit before taxation	12.1	(3.0)	9.1	-	**9.1**
Taxation	(2.5)	-	(2.5)	-	**(2.5)**
Profit for the year	9.6	(3.0)	6.6	-	**6.6**
Earnings per share (pence)					
Basic and fully diluted	6.7p	(2.1p)	4.6p	-	**4.6p**

Note 1: In 2017 £4.0m of the Chinese manufacturing facility costs were moved from Selling General and Administrative costs where they had historically been reported and included in cost of sales as they represent a direct cost of the goods sold rather than an overhead. The corresponding amount for 2016 was £4.3m which has been reclassified in the table above.

There is no impact from the restatement on the total operating, investing or financing cash flows for the year ended 31 December 2016.

Operating profit in the Operating Segments, note 2, has been restated for the £3.0m cost of sales adjustment and is analysed in the table below.

	As previously reported 2016	Restatement impact	As restated 2016
	£m	£m	£m
Operating profit			
Wiring Accessories	9.2	(1.5)	7.7
Portable Power	2.5	(0.7)	1.8
LED Lighting	2.8	(0.7)	2.1
Ross and other	0.4	(0.1)	0.3
Operating profit	14.9	(3.0)	11.9

The movement on retained earnings is detailed below:

	£m
Balance at 31 December 2015 as previously reported	**2.4**
Prior year adjustment	(2.5)
Balance at 1 January 2016 as restated	**(0.1)**
Reported retained profit for the year ended 31 December 2016	9.6
Prior year adjustment	(3.0)
2016 retained earnings as restated	**6.5**
Dividends paid	(1.8)
Share based payment	0.3
Retained profit for the year ended 31 December 2017	10.0
Balance at 31 December 2017	**15.0**

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. Revenue and Operating profit is reported under IFRS 8 'Operating Segments'.

	Adjusted 2017 £m	**Adjustment[1] £m**	**Reported 2017 £m**	Adjusted 2016 £m	Adjustment[1] £m	2016[2] £m
Revenue						
Wiring Accessories	**72.7**	**-**	**72.7**	64.0	-	64.0
Portable Power	**41.6**	**-**	**41.6**	31.1	-	31.1
LED Lighting	**47.4**	**-**	**47.4**	33.6	-	33.6
Ross and other	**5.9**	**-**	**5.9**	5.0	-	5.0
	167.6		**167.6**	133.7	-	133.7
Operating profit						
Wiring Accessories	**10.3**	**-**	**10.3**	9.4	(1.7)	7.7
Portable Power	**2.0**	**-**	**2.0**	2.2	(0.4)	1.8
LED Lighting	**2.3**	**(0.5)**	**1.8**	2.5	(0.4)	2.1
Ross and other	**0.1**	**-**	**0.1**	0.4	(0.1)	0.3
Operating profit	**14.7**	**(0.5)**	**14.2**	14.5	(2.6)	11.9

Note 1: Definition of the adjustments made to the reported figures can be found in note 1 in the Notes to the Consolidated Financial Statements

2: The reported comparatives have been restated to reflect a prior year adjustment, see note 1a in the Notes to the Consolidated Financial Statements

	2017			2016
	Total £m	**Restructuring costs £m**	**Transaction costs £m**	IPO £m
Wiring Accessories	**-**	**-**	**-**	1.7
Portable Power	**-**	**-**	**-**	0.4
LED Lighting	**0.5**	**0.2**	**0.3**	0.4
Ross and other	**-**	**-**	**-**	0.1
Total	**0.5**	**0.2**	**0.3**	2.6

Revenue by location of customer

	2017 £m	2016 £m
Middle East	**6.8**	4.9
Asia Pacific	**3.9**	4.2
Africa	**2.0**	1.9
Europe	**9.6**	5.9
Americas	**6.4**	2.1
UK	**138.9**	114.7
Total revenue	**167.6**	133.7

3 Expenses recognised in the Consolidated Income Statement

Included in the Consolidated Income Statement are the following:

	2017 £m	2016 £m
Research and development costs expensed as incurred	**1.3**	0.2
Operating lease charges:		
Plant and machinery	**0.1**	0.1
Other assets	**1.1**	0.6
Depreciation of property, plant and equipment	**3.2**	2.5
Amortisation of intangible assets	**1.2**	0.7

Research and development costs expensed as incurred has increased year-on-year largely due to the increase in the R&D team both at the Chinese Development centre and in the UK Technical department.

4 Taxation

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.

UK corporation tax rate was reduced from 20% to 19% with effect from 1 April 2017 and a further reduction to 17% will become effective from 1 April 2020. The movement in tax rates will reduce the Company's future current tax charge accordingly. The deferred tax asset at 31 December 2017 has been calculated based on these rates.

	2017 **£m**	2016 £m
Current tax expense		
Current year – UK	**1.6**	2.7
Current year – overseas	**0.5**	0.6
Adjustment in respect of prior years	**(0.4)**	0.1
Current tax expense	**1.7**	3.4
Deferred tax expense/(credit)		
Origination and reversal of temporary differences	**0.5**	(0.7)
Changes in tax rate	**-**	-
Adjustment in respect of prior years	**0.1**	(0.2)
Deferred tax expense/(credit)	**0.6**	(0.9)
Total tax expense	**2.3**	2.5

	2017 **£m**	2016 £m
Profit for the year (2016 restated)	**10.0**	6.6
Total tax expense	**2.3**	2.5
Profit before taxation	**12.3**	9.1
Tax using the UK corporation tax rate of 19.25% (2016: 20.00%)	**2.3**	1.8
Effect of tax rates in foreign jurisdictions	**0.1**	0.1
Non-deductible expenses	**0.1**	0.4
Research and development credits	**(0.1)**	-
Adjustment in respect of previous periods	**(0.3)**	0.5
Deferred tax asset recognised in respect of tax losses	**-**	(1.2)
Deferred tax not recognised	**0.2**	0.9
Total tax expense	**2.3**	2.5

5 Earnings per share

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

	2017 **£m**	2016[1] £m
Earnings for calculating basic earnings per share	**10.0**	6.6
6Adjusted for:		
Restructuring costs	**0.2**	-
Transaction costs	**0.3**	-
IPO costs	**-**	2.6
Adjusted earnings for calculating adjusted basic earnings per share	**10.5**	9.2

	2017 **Number** **million**	2016 Number million
Weighted average number of ordinary shares – basic and diluted	**160.8**	144.1

	2017 **Pence**	2016[1] Pence
Basic earnings per share	6.2	4.6
Diluted earnings per share	6.2	4.6
Adjusted basic earnings per share	**6.5**	**6.4**
Adjusted diluted earnings per share	**6.5**	**6.4**

Note 1: The reported comparatives have been restated to reflect a prior year adjustment, see note 1a in the Notes to the Consolidated Financial Statements

Basic and diluted EPS calculations for 2016 have been restated for the prior year adjustment.

During the year the Group purchased its own shares to fulfil option awards when they become exercisable, consequently the share options awarded during the year do not have a dilutive effect on the weighted number of ordinary shares. Shares that have been bought back are held in Treasury reserve.

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

6 Dividends

On 2 June 2017 a dividend of £0.5m, 0.3 pence per share, was paid in respect of the year ended 31 December 2016.

In respect of the year ended 31 December 2017, an interim dividend of £1.3m, 0.8 pence per share, was paid to shareholders on 27 October 2017. The Board are not proposing a final dividend for the year ended 31 December 2017. The Board remains confident in the Group's strategy and will therefore revisit the dividend policy at the half year 2018.

	2017	2016
	£m	£m
Interim dividend of 0.8 pence per ordinary share (2016: Nil)	**1.3**	-
Final dividend nil (2016: 0.3 pence)	**-**	0.5

7 Property, plant and equipment

During the year, the Group purchased assets at a cost of £7.2m (2016: £6.0m). Expenditure related to plant and equipment and tooling at the manufacturing facility in China. Assets acquired from Kingfisher totalled £1.4m at cost and had accumulated depreciation £1.2m. Total depreciation for the year was £3.2m. Net Book Value at 31 December 2017 was £23.5m (2016: £20.6m)

The Group has not included any borrowing costs within additions in 2017 (2016: £nil). There were no funds specifically borrowed for the assets and the amount eligible as part of the general debt instruments pool (after applying the appropriate capitalisation rate) is not considered material. There were no disposals during the year.

8 Intangible assets and goodwill

Following the acquisition of Kingfisher Lighting the Group acquired the following intangible assets:

- Customer relationships £4.1m
- Tradename £1.2m
- Goodwill £3.6m (see note 11)

Development expenditure is capitalised and included in intangible assets when it meets the criteria laid out in IAS 38, "Intangible Assets". During the year, the Group incurred internally generated development costs of £3.0m (2016: £1.5m) and externally purchased patents of £0.1m (2016: £0.1m). This amount excludes capitalised borrowing costs. Net Book Value at 31 December 2017 was £23.7m (2016: £12.9m)

There has been no impairment to goodwill following a review since the year ended 31 December 2017. Goodwill has been allocated to cash-generating units and can be referred to in the Group's 2017 Annual Report and Financial Statements.

9 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate and foreign currency risk, see note 19.

	2017	2016
	£m	£m
Non-current liabilities		
Bank term loan	**-**	12.0
	-	12.0
Current liabilities		
Bank term loan	**20.0**	-
Shareholder loan notes	**0.3**	0.6
Secured bank loans	**22.0**	21.0
	42.3	21.6

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 £22.0m (2016: £21.0m), which are secured by legal charges over the Group's book debts.

10 Exchange rates

The following significant exchange rates were applied during the year:

	Average rate		Reporting date spot rate	
	2017	2016	**2017**	2016
USD	**1.28**	1.36	**1.35**	1.22
EUR	**1.17**	1.24	**1.13**	1.17
RMB	**8.74**	8.98	**8.80**	8.50

11 Acquisition of subsidiary

On 18 September, the Group acquired the entire issued share capital of Kingfisher Lighting Limited ("Kingfisher Lighting") from its retiring founder and other minority shareholders for a total cash consideration of £9.7m on a cash free debt free basis. The acquisition was funded through an increase to the Group's existing banking facilities. Kingfisher Lighting is a nationwide UK supplier of exterior lighting products, including road and street LED lighting systems and controls, and high mast LED luminaires, as well as a provider of installation and maintenance services.

For the 3 months ended 31 December 2017, Kingfisher contributed revenue of £4.1m and adjusted operating profit of £0.5m to the Group's results. If the acquisition had occurred on 1 January 2017, management estimates that the impact on consolidated revenue would have been £11.7m and on consolidated operating profit for the year £1.6m. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2017.

The Group incurred acquisition-related costs of £0.5m comprising professional fees £0.3m and redundancy and restructuring costs £0.2m. These costs have been included in 'administrative expenses'.

Goodwill arising from the acquisition has been recognised as follows:

	2017
	£m
Consideration paid	**9.7**
Repayment of Kingfisher Lighting's bank overdraft	**(1.1)**
Net consideration	**8.6**
Transferred to intangible assets	**(5.3)**
Net assets acquired	**(1.4)**
Fair value adjustment	**0.8**
Deferred tax liability	**0.9**
Goodwill	**3.6**

A Group has recognised a deferred tax liability of £0.9m in respect of the £5.3m intangible assets acquired as part of the Kingfisher Lighting acquisition.

The following table summarises the provisional recognised amounts of assets acquired, and liabilities assumed at the date of acquisition:

	Acquired	**Fair value adjustment**	**Fair value**
	£m	**£m**	**£m**
Property, plant and equipment	**0.4**	**(0.2)**	**0.2**
Inventories	**1.3**	**(0.3)**	**1.0**
Trade receivables	**2.9**	**(0.1)**	**2.8**
Loans and borrowings	**(1.1)**	**-**	**(1.1)**
Corporation tax liabilities	**(0.2)**	**-**	**(0.2)**
Contingent liabilities	**(0.1)**	**-**	**(0.1)**
Trade and other payables	**(1.8)**	**(0.2)**	**(2.0)**
Total identifiable net assets acquired	**1.4**	**(0.8)**	**0.6**

12 Related party transactions

During the year a decision was taken to exit from sales to the domestic Chinese market. To effect an orderly transfer and exit, the rights to the Ross trademark and relevant patent (which were carried at nil net book value) were transferred for nil consideration to Jiaxing Ross Trading Limited. Based on a third-party valuation, finished goods inventory was sold for £0.2m, realising a loss on sale of £0.2m to the same entity. Jiaxing Ross Trading Limited was a related party as at the time of the transactions as it was wholly owned by a member of the Group's key management personnel. Since the initial transfer and during the remainder of the year the Group had made sales of

£0.6m including mark up to Jiaxing Ross Trading Limited. During the year Jiaxing Ross Trading Limited was sold on to its largest customer with no gain to any employee of the Group.

At 1 January 2017 £0.6m was owed under shareholder loan notes to John Hornby, CEO. £0.3m was repaid during the year and no interest was received by John Hornby. As at 31 December 2017 £0.3m was payable to him. The loan will be fully repaid during 2018.

13 Annual General Meeting

The 2018 AGM will take place at 11.00am on 19 June 2018 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.

14 Date of Approval of financial information

The preliminary financial information covers the year 1 January 2017 to 31 December 2017 and were approved by the Board on 30 April 2018. A copy of the Annual Report and Financial Statements can be accessed on the Luceco plc investor relations website, www.luceco.com.