LUCECO plc

INTERIM RESULTS H1 2017

STRONG START TO THE YEAR

Welcome to the Luceco plc Half-Year Report 2017

"The momentum reported at the Group's full year results has continued with significant year-on-year growth in revenue and profit. Growth has been driven by strong market share gains within the key brands in the UK and other newer international markets, both of which have been bolstered by ongoing expansion of the product ranges.

Our growth strategy is built upon increasing our market share of the established brands in existing markets via new customer acquisition and the expansion of the product ranges. In addition, we continue to internationalise the product ranges to allow the development of new distribution channels and to invest in our Chinese manufacturing centre to increase our competitive advantage, whilst actively assessing opportunities to acquire new distribution channels via selected M&A activity.

The Board expects that the Group's full year results will be in line with market expectations."

John Hornby, Chief Executive Officer

"With expanding product ranges and ongoing investments in product development, the Group has strengthened its offering in its key markets across the UK, Europe and the Americas and enhanced its ability to grow, thereby delivering shareholder value in the medium to long term."

Giles Brand, Chairman

luceco

BRITISH BG GENERAL

masterplug

ROSS

www.lucecoplc.com

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

"Strong start to the year, with a strong order book for the second half of 2017"

Luceco plc, a manufacturer and distributor of high quality and innovative LED lighting products, wiring accessories and portable power products, today announces its unaudited interim results for the six months ended 30 June 2017 ('H1 2017').

FINANCIAL HIGHLIGHTS

	Unaudited 30 June 2017	Unaudited 30 June 2016	Change	Audited 31 December 2016
Revenue	**£75.3m**	£60.0m	25.5%	£133.8m
Gross profit	**£26.4m**	£21.2m	24.5%	£47.8m
Gross margin	**35.0%**	35.3%	(0.3%)	35.7%
Adjusted operating profit[1]	**£9.0m**	£7.2m	25.0%	£17.6m
Adjusted operating margin[1]	**12.0%**	12.0%	–	13.2%
Operating profit	**£9.0m**	£7.2m	25.0%	£15.0m
Operating margin	**12.0%**	12.0%	–	11.2%
Adjusted profit after tax[1]	**£6.5m**	£4.0m	62.5%	£12.3m
Profit after tax	**£6.5m**	£4.0m	62.5%	£9.7m
Adjusted basic and diluted EPS[2]	**4.0p**	2.8p[3]	42.8%	8.5p
Basic and diluted EPS	**4.0p**	2.8p[3]	42.8%	6.7p
Net Debt	**£26.1m**	£47.9m		£29.4m
Net Debt / adjusted EBITDA[3]	**1.1x**	2.8x		1.4x
DPS	**0.8p**	n/a		0.3p

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, which are in H2 2016
2. Adjusted, unadjusted basic and diluted EPS for 30 June 2016 has been calculated on the revised number of shares in issue as at the IPO
3. Adjusted EBITDA represents the last 12 months' results

OPERATIONAL AND STRATEGIC HIGHLIGHTS

- Strong revenue growth across all product categories
- Consistent operating margins
- Continuing expansion of Chinese manufacturing capacity
- Continuing investment in expanded sales teams at all operations
- Expansion of product ranges and a strong pipeline of new product launches
- Continued growth in international business
- Strong order book

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:

1. **LUCECO**
   Energy-efficient LED lighting products and associated accessories;

2. **BRITISH GENERAL (BG)**
   Wiring accessories (including switches, sockets), circuit protection and cable management products;

3. **MASTERPLUG**
   Cable reels, extension leads, surge protection, timers and adaptor products;

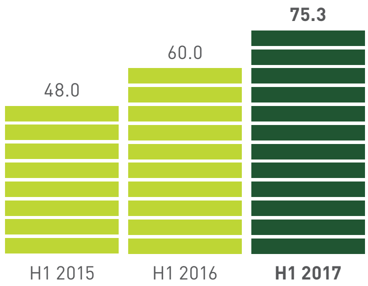
4. **ROSS**
   Television wall mounts, audio-visual accessories and other items.

The Luceco LED lighting brand continues 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.

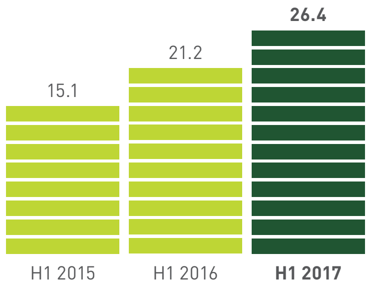
In the electrical wiring accessories market, Luceco's BG and Masterplug brands have continued to reinforce their market leading positions through further new product development initiatives, expanding into new product adjacencies and gaining market share.

EXECUTIVE REVIEW

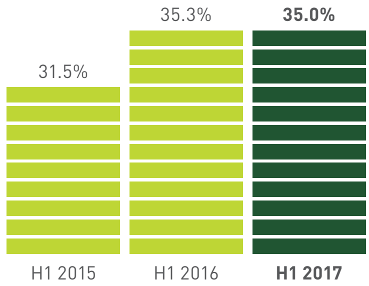
Revenue
(£m)



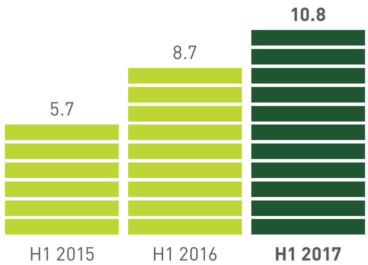
Gross profit
(£m)



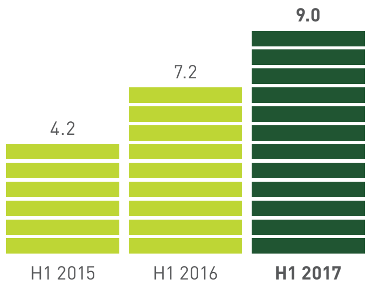
Gross margin
(%)



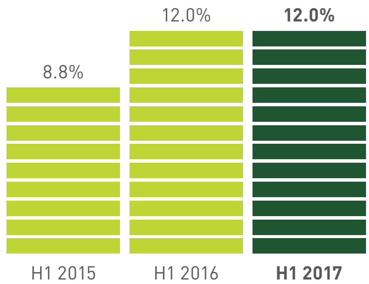
EBITDA
(£m)



Adjusted operating profit
(£m)



Operating margin
(%)



FINANCIAL HIGHLIGHTS

- Revenue increased for the first six months of the year by 25.5% to £75.3m (H1 2016: £60.0m)
- On a constant currency basis, revenue grew by 17.3%
- Operating profit increased by 25.0% to £9.0m (H1 2016: £7.2m)
- Gross margin broadly unchanged at 35.0% (H1 2016: 35.3%)
- Basic and diluted EPS increased 42.8% to 4.0p per share (H1 2016: 2.8p per share)
- Strong balance sheet with net debt of £26.1m (FY 2016: £29.4m)
- Interim dividend declared of 0.8p per share, which represents 20% of profit after taxation for the first six-months (H1 2016: £nil)

STRATEGY

The Group's strategy remains unchanged and the Board remains focused on executing these growth plans. Luceco's growth has resulted from investment in its Chinese facility, product range expansion, and sales and marketing activities both in the UK and internationally. The creation of an increasingly wholly-owned supply chain has enabled the Group to reduce the cost and improve the quality of its products and customer service and allowed ongoing investment in process and product range improvements. The Group will continue to invest in this way to drive further strong organic growth at the same time as actively assessing opportunities to acquire new distribution channels via selected M&A activity.

OUTLOOK

"The momentum reported at the Group's full year results has continued with significant year-on-year growth in revenue and profit. Growth has been driven by strong market share gains within the key brands in the UK and other newer international markets, both of which have been bolstered by ongoing expansion of the product ranges.

Our growth strategy is built upon increasing our market share of the established brands in existing markets via new customer acquisition and the expansion of the product ranges. In addition, we continue to internationalise the product ranges to allow the development of new distribution channels and to invest in our Chinese manufacturing centre to increase our competitive advantage, whilst actively assessing opportunities to acquire new distribution channels via selected M&A activity.

The Board expects that the Group's full year results will be in line with market expectations."

John Hornby, Chief Executive Officer

EXECUTIVE REVIEW

OVERVIEW

The Group continued its strong performance in the first half of the year

During the period, revenue increased by 25.5% to £75.3m (H1 2016: £60.0m), gross profit increased by 24.5% to £26.4m (H1 2016: £21.2m) and operating profit increased by 25.0% to £9.0m (H1 2016: £7.2m). On a constant currency basis, revenue was £70.4m, generating a gross profit of £25.6m and operating profit of £9.0m.

The UK recorded growth in revenue of 22.2% to £62.8m (H1 2016: £51.3m) driven by the full year impact of H2 2016 business wins and increased market penetration.

European revenue increased by 67.6% to £4.1m (H1 2016: £2.5m).

Revenue for the rest of the world increased by 36.1% to £8.4m (H1 2016: £6.2m) , with the USA performing particularly strongly.

Gross margin in H1 2017 dropped slightly to 35.0% (H1 2016: 35.3%) principally due to product sales mix.

Operating profit margin remained at 12.0% (H1 2016: 12.0%), reflecting strong revenue and gross profit growth despite on-going investment in sales and marketing to support the Group's future growth strategy.

SEGMENTAL REVIEW

LED Lighting

LED lighting delivered another period 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 22.4% to £17.0m (H1 2016: £13.9m). 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.

Within the LED segment there was the expected change in product mix with sales of lamps (bulbs) declining, whereas sales of higher-margin luminaires (light fittings) increased by more than 60%.

Wiring Accessories

Wiring Accessories delivered strong performance for the period with revenue growth of 13.6% to £34.9m (H1 2016: £30.7m) largely driven by market share gains through on-going product development and range expansion.

Continued focus on improving the manufacturing process and increased automation at the Chinese facility will enhance quality, reduce cost and increase capacity thereby extending our advantage as UK market leader in this category.

Portable Power

Portable Power revenue in the period increased by 52.2% to £20.2m (H1 2016: £13.3m), as a result of new business wins in the UK, Europe and USA.

Masterplug is the dominant market leader in the UK and had an estimated market share approaching 50%.

NEW PRODUCT INTRODUCTION

New product development and range expansion has been a key driver of our strong growth and continues to be a major focus for the Group.

In H1 2017 there were many successful new product launches especially within the LED luminaire category and the ongoing internationalisation of the Masterplug range. The Group maintains a strong pipeline of new product launches for H2 2017 and beyond.

FINANCIAL REVIEW

OVERVIEW

The Group has made a positive start to the year

Revenue for H1 2017 increased to £75.3m (H1 2016: £60.0m), a growth of 25.5% (constant currency 17.3%)

Revenue by geography	Unaudited 30 June 2017 £000	Unaudited 30 June 2016 £000	Growth	Audited 31 December 2016 £000
UK	**62,757**	51,342	22.2%	114,757
Europe	**4,130**	2,464	67.6%	5,961
Middle East	**2,808**	3,340	(15.9%)	4,874
Americas	**2,511**	904	177.8%	2,075
Asia Pacific	**2,480**	1,267	95.7%	4,177
Africa	**626**	678	(7.7%)	1,909
	75,312	59,995	25.5%	133,753

UK Revenues

have grown strongly, increasing 22.2% during the year to £62.8m (H1 2016: £51.3m). This growth has been driven by the full period impact of significant new business wins in 2016 and successful new product launches in H1 2017 along with continuing market share gains.

International Revenues

have grown by 45.3% to £12.5m (H1 2016: £8.6m) as Luceco's international presence gains momentum and now represents 16.6% of total revenues (H1 2016: 14.3%).

Fixed costs

in H1 2017, which were 23.1% of sales (H1 2016: 23.3% of sales), increased by £3.4m or just 24.1% whilst sales increased by 25.5% compared to H1 2016, thus maintaining the Group's targeted fixed costs ratio. The Group will continue to invest in its resources to support growth in revenue.

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 period was £1.3m (H1 2016: £0.9m), of which £1.2m (H1 2016: £0.8m) was capitalised in line with IFRS accounting standards and consistent with prior periods.

IMPACT OF FOREIGN EXCHANGE MOVEMENTS

A summary of the Condensed Statement of Consolidated Income 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 2017.

	As reported[1] £'m	Constant Currency[2] £'m	Variance £'m	H1 2016 Variance £'m
Revenue	75.3	70.4	4.9	10.4
Cost of sales	(48.9)	(44.8)	(4.1)	(6.0)
Gross profit	**26.4**	**25.6**	**0.8**	**4.4**
Operating costs	(17.4)	(16.6)	(0.8)	(2.6)
Adjusted operating profit[1]	**9.0**	**9.0**	**–**	**1.8**

1. 2017 translated at average exchange rates for the period. These were 1.29 for £:US dollar and 8.70 for £:CNY.
2. 2017 translated at 2016 average exchange rates. These were 1.43 for £:US dollar and 9.38 for £:CNY.

The exchange rate movement in revenue, denominated mainly in US dollars, is almost entirely offset by an opposite movement in cost of sales, denominated primarily in CNY, creating a natural hedge at operating 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 of £0.8m in operating costs 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.

FINANCIAL REVIEW

Continued

LED Lighting

	Unaudited 30 June 2017	Unaudited 30 June 2016	Growth	Audited 31 December 2016
Revenue	**£17.0m**	£13.9m	22.4%	£33.0m
Operating profit	**£1.5m**	£1.0m	48.5%	£2.3m
Operating profit margin	**8.9%**	7.4%	1.5%	7.0%

The strong growth in LED lighting follows the expansion of the product ranges and sales teams and the decision to move more production in-house, thereby aiding competitive pricing and technological know-how. At constant currency, revenue grew by 26.2%. Operating profit of LED products has increased from 7.4% to 8.9% due to a maturing of the investment in the sales teams.

Wiring Accessories

	Unaudited 30 June 2017	Unaudited 30 June 2016	Growth	Audited 31 December 2016
Revenue	**£34.9m**	£30.7m	13.6%	£62.2m
Operating profit	**£5.5m**	£4.9m	12.6%	£11.3m
Operating profit margin	**15.8%**	15.9%	(0.1%)	18.2%

Wiring Accessories accounted for 46.3% of the Group's revenue in the period (H1 2016: 51.2% of the Group's revenue) due to general market share gains. At constant currency, revenue grew by 6.9%.

Portable Power

	Unaudited 30 June 2017	Unaudited 30 June 2016	Growth	Audited 31 December 2016
Revenue	**£20.2m**	£13.3m	52.2%	£33.2m
Operating profit	**£1.6m**	£1.0m	57.8%	£3.4m
Operating profit margin	**7.8%**	7.6%	0.2%	10.2%

The increase in Portable Power revenue is a result of significant new business wins with major customers in the UK, Europe and Americas, following the ongoing internationalisation of the product range. At constant currency, revenue grew by 30.6%.

Ross and other

	Unaudited 30 June 2017	Unaudited 30 June 2016	Growth	Audited 31 December 2016
Revenue	**£3.2m**	£2.1m	51.5%	£5.3m
Operating profit	**£0.3m**	£0.2m	57.0%	£0.6m
Operating profit margin	**10.7%**	10.4%	0.3%	11.3%

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. At constant currency, revenue grew by 33.3%. Operating profit has seen enhanced margins because of the improved product range at competitive prices.

FINANCIAL REVIEW
Continued

Interest costs

Interest costs are lower than the prior period at £0.8m (H1 2016: £1.8m). Following the IPO in October 2016, net debt reduced to £29.4m as at 31 December 2016 from £47.9m the previous year and the interest costs reduced because of the repayment of loans.

BALANCE SHEET

Non-current assets

Luceco continues to increase its investment in product development and capitalises specific people and non-people costs which meet the relevant criteria in-line with the Group's IFRS accounting policies. These costs are then amortised against future volume from the sale of these products/technologies. Product development costs are typically amortised over a 5-year period and are regularly reviewed for any signs of impairment. The net book value of capitalised product development costs as at 30 June 2017 was £3.7m (H1 2016: £2.5m), equivalent to 4.9% of revenue (H1 2016: 4.2%).

In H1 2017, the Group acquired tangible fixed assets amounting to £2.4m (H1 2016: £4.2m) mainly relating to new product tooling, capacity expansion, automation and other process improvements at the Group's manufacturing facility in China.

Working capital

Net working capital has increased by £3.4m compared to 2016, which represents 24.5% of the last twelve months of revenue (H1 2016: 25.7%). Stock stands at £40.0m at 30 June 2017 (H1 2016: £34.3m) represents stock days of 144 (H1 June 2016: 145 days). Debtor days have reduced to 58 days (H1 2016: 68 days). Creditor days have remained consistent at 96 days (H1 2016: 97 days) as the Group undertakes to pay its suppliers in line with agreed credit terms.

CASH FLOW

	Unaudited 30 June 2017 £'m	Unaudited 30 June 2016 £'m	Audited 31 December 2016 £'m
Adjusted operating cash flow before movement in working capital[1]	**10.8**	8.7	20.8
Adjusted cash from operations[1,2]	**10.2**	5.4	6.6
Tax paid	**(0.4)**	(0.2)	(1.3)
Financing cash flows	**(2.7)**	(1.3)	4.2
Dividends paid	**(0.5)**	–	–
Capital expenditure	**(3.6)**	(6.3)	(7.7)
Net cash flow before exceptional IPO costs and exchange rate fluctuations	**3.0**	(2.4)	1.8
Exchange rate fluctuations	**(0.7)**	1.2	0.1
Exceptional IPO costs paid	**–**	–	(2.5)
Net cash flow	**2.3**	(1.2)	(0.6)
Cash conversion[3]	**35.4%**	(30.0%)	(7.2%)

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 which are in H2 2016.
2. Adjusted cash from operations is defined as adjusted EBITDA (or operating cash flow) plus/minus movements in working capital.
3. Cash conversion is defined as net cash flow divided by profit after taxation.

The Group's adjusted cash from operations increased by £4.8m compared to the six months ended 30 June 2016. Net cash flow increased from the year ended 31 December 2016 by £2.9m.

Cash conversion has increased to 35.4% at the period end compared to the previous period cash conversion rate of (30.0%), as the Group continues to effectively manage working capital and improve conversion of its profit to cash.

FINANCIAL REVIEW

Continued

Funding and covenants

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 ended 31 December 2016 and at 30 June 2017, and a maximum £30m invoice discounting facility with HSBC, of which the Group had drawn £20.4m as at 30 June 2017.

Net debt at 30 June 2017 stood at £26.1m, (H1 2016: £47.9m), representing 1.1x adjusted last twelve months' EBITDA and the Group continues to report headroom against its covenant requirements.

Dividend

The Board is pleased to declare an interim dividend of 0.8p per share (H1 2016: nil) payable on 27 October 2017 to shareholders on the register on 22 September 2017. The dividend expense to the Group amounts to £1.3m. The Board confirms that the Company will continue to pursue a dividend policy representing approximately 20% of retained profit after tax.

Going concern

The Group's projections for the next three-year period 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.

Currency movements

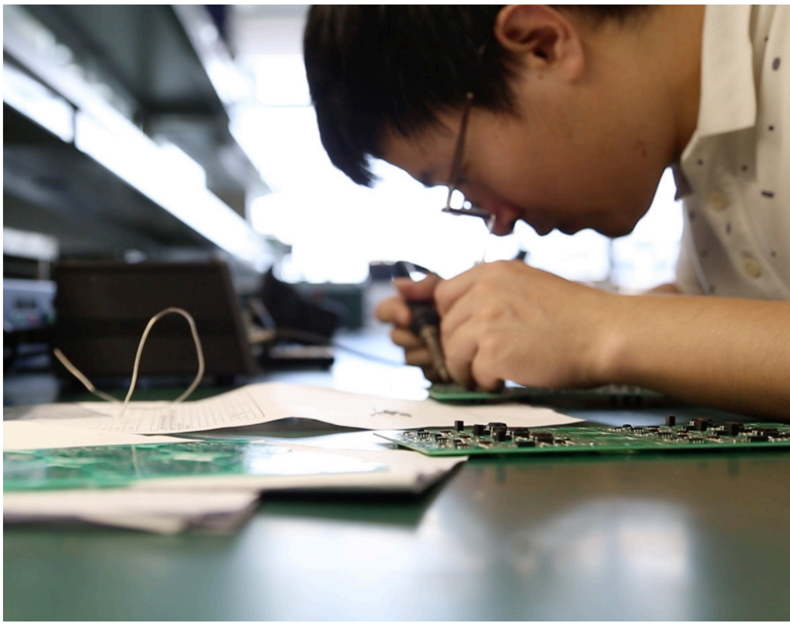
The continuing weakness of Sterling versus the US Dollar has a material effect on the presentation of our financial results. The average rate for the US Dollar against Sterling has moved from 1.43 in first half of 2016 to 1.29 in the first half of 2017. Approximately 52.1% of the Group's revenues are denominated in US Dollars and the translation of these revenues into Sterling for reporting purposes has had a beneficial effect.

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:

- market competitiveness;
- disruption to operations;
- input costs;
- concentration of consumer trends;
- financial impact of international operations; and
- regulatory non-compliance.

For greater detail of these risks, please refer to pages 22 to 25 of the Luceco plc Annual Report and Accounts 2016 – which is available on the Group's website www.luceco.com.



Forward looking statements

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

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

CONDENSED STATEMENT OF CONSOLIDATED INCOME

for the period ended 30 June 2017

	Notes	**Unaudited 30 June 2017 £000**	Unaudited 30 June 2016 £000	Audited 31 December 2016 £000
Revenue	4	**75,312**	59,995	133,753
Cost of sales		**(48,929)**	(38,815)	(85,927)
Gross profit		**26,383**	21,180	47,826
Distribution expenses		**(7,721)**	(6,230)	(11,011)
Administrative expenses before exceptional IPO costs	5	**(9,688)**	(7,796)	(19,170)
Operating profit before exceptional IPO costs		**8,974**	7,154	17,645
Exceptional IPO costs		**–**	–	(2,635)
Administrative expenses		**(9,688)**	(7,796)	(21,805)
Operating profit	4	**8,974**	7,154	15,010
Finance income		**–**	–	82
Finance expenses		**(848)**	(1,816)	(2,893)
Net financing expense		**(848)**	(1,816)	(2,811)
Profit before tax	4	**8,126**	5,338	12,199
Taxation		**(1,623)**	(1,344)	(2,542)
Profit for the period		**6,503**	3,994	9,657
Earnings per share (pence)				
Basic and diluted	7	**4.0p**	2.8p[1]	6.7p
Adjusted earnings per share (pence)				
Basic and diluted	7	**4.0p**	2.8p[1]	8.5p

1. Adjusted and unadjusted basic and diluted EPS for 30 June 2016 has been calculated on the revised number of shares in issue as at the IPO

CONDENSED STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME

for the period ended 30 June 2017

	Unaudited 30 June 2017 £000	Unaudited 30 June 2016 £000	Audited 31 December 2016 £000
Profit for the period	**6,503**	3,994	9,657
Other comprehensive income – amounts that may be reclassified to profit or loss in the future:			
Foreign exchange translation differences – foreign operations	**(1,754)**	670	1,797
Total comprehensive income for the period	**4,749**	4,664	11,454

All results are from continuing operations.

The notes on pages 9-19 are an integral part of these condensed consolidated interim financial statements.

CONDENSED STATEMENT OF CONSOLIDATED FINANCIAL POSITION

at 30 June 2017

	Notes	Unaudited 30 June 2017 £000	Unaudited 30 June 2016 £000	Audited 31 December 2016 £000
Non-current assets				
Property, plant and equipment	9	**21,031**	19,308	20,598
Intangible assets	10	**13,695**	12,357	12,898
Deferred tax asset		**127**	–	202
		34,853	31,665	33,698
Current assets				
Inventories		**39,955**	34,257	38,462
Trade and other receivables		**29,311**	29,690	29,339
Cash and cash equivalents		**6,385**	3,589	4,145
		75,651	67,536	71,946
Total assets		**110,504**	99,201	105,644
Current liabilities				
Interest-bearing loans and borrowings	11	**20,359**	29,081	21,279
Trade and other payables		**35,075**	36,440	33,272
Other financial liabilities		**289**	1,026	610
		55,723	66,547	55,161
Non-current liabilities				
Other interest-bearing loans and borrowings	11	**12,000**	24,603	12,000
Other financial liabilities		**148**	74	145
Deferred tax liability		**–**	761	–
		12,148	25,438	12,145
Total liabilities		**67,871**	91,985	67,306
Net assets		**42,633**	7,216	38,338
Equity attributable to equity holders of the parent				
Share capital		**80**	70	80
Share premium		**24,772**	450	24,772
Translation reserve		**(337)**	290	1,417
Retained earnings		**18,118**	6,406	12,069
Total equity		**42,633**	7,216	38,338

CONDENSED STATEMENT OF CONSOLIDATED CHANGES IN EQUITY

for the period ended 30 June 2017

	Share capital £000	Share premium £000	Translation reserve £000	Retained earnings £000	Total equity £000
Balance at 1 January 2016	70	450	(380)	2,412	2,552
Total comprehensive income					
Profit for the period	–	–	–	3,994	3,994
Other comprehensive loss	–	–	670	–	670
Total comprehensive income for the period	–	–	670	3,994	4,664
Balance at 30 June 2016	**70**	**450**	**290**	**6,406**	**7,216**

	Share capital £000	Share premium £000	Translation reserve £000	Retained earnings £000	Total equity £000
Balance at 1 January 2017	80	24,772	1,417	12,069	38,338
Total comprehensive income					
Profit for the period	–	–	–	6,503	6,503
Other comprehensive loss	–	–	(1,754)	–	(1,754)
Total comprehensive income for the period	–	–	(1,754)	6,503	4,749
Transactions with owners in their capacity as owners:					
Dividends paid	–	–	–	(482)	(482)
Share-based payments charge	–	–	–	28	28
Total transactions with owners in their capacity as owners	**–**	**–**	**–**	**(454)**	**(454)**
Balance at 30 June 2017	**80**	**24,772**	**(337)**	**18,118**	**42,633**

CONDENSED STATEMENT OF CONSOLIDATED CASH FLOW

for the period ended 30 June 2017

	Notes	Unaudited 30 June 2017 £000	Unaudited 30 June 2016 £000	Audited 31 December 2016 £000
Cash flows from operating activities				
Profit for the period		**6,503**	3,994	9,657
Adjustments for:				
Depreciation and amortisation	5	**1,838**	1,507	3,198
Financial income		**–**	–	(82)
Financial expense		**848**	1,816	2,893
Taxation		**1,623**	1,344	2,542
Share-based payments charge		**28**	–	–
Operating cash flow before movement in working capital		**10,840**	8,661	18,208
Exceptional IPO costs		**–**	–	2,635
Operating cash flow before movement in working capital and exceptional IPO costs		**10,840**	8,661	20,843
Movement in trade and other receivables		**24**	(7,801)	(7,514)
Movement in inventories		**(1,493)**	(8,062)	(12,267)
Movement in trade and other payables		**867**	12,595	5,555
Cash from operations		**10,238**	5,393	6,617
Exceptional IPO costs paid		**–**	–	(2,567)
Adjusted operating cash flow		**10,238**	5,393	4,050
Tax paid		**(378)**	(211)	(1,348)
Net cash from operating activities		**9,860**	5,182	2,702
Cash flows from investing activities				
Acquisition of property, plant and equipment	9	**(2,441)**	(5,622)	(6,018)
Acquisition of other intangible assets	10	**(1,241)**	(685)	(1,688)
Net cash used in investing activities		**(3,682)**	(6,307)	(7,706)
Cash flows from financing activities				
Proceeds from new loans		**–**	250	128
Repayment of interest-bearing loans and borrowings		**(673)**	–	–
Dividends paid		**(482)**	–	–
Interest paid		**(848)**	(1,524)	(3,005)
Repayment of borrowings		**(1,157)**	–	(17,213)
Payment of finance lease liabilities		**(82)**	(32)	(14)
Net proceeds from share issue		**–**	–	24,332
Net cash from financing activities		**(3,242)**	(1,306)	4,228
Net increase/(decrease) in cash and cash equivalents		**2,936**	(2,431)	(776)
Cash and cash equivalents at 1 January		**4,145**	4,787	4,787
Effect of exchange rate fluctuations		**(696)**	1,233	134
Cash and cash equivalents at 30 June		**6,385**	3,589	4,145

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

for the period ended 30 June 2017

1. Reporting entity

Luceco plc (the 'Company') is a company incorporated and domiciled in the United Kingdom. These condensed consolidated interim financial statements ('interim financial statements') as at and for the six months ended 30 June 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 4).

2. Basis of preparation

The annual financial statements of Luceco plc are prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) interpretations as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRS. The condensed consolidated set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union.

The accounting policies adopted in the preparation of the condensed consolidated interim financial information are consistent with those followed in the preparation of the Group's financial statements for the year ended 31 December 2016. A new accounting policy has been adopted for the six-month period ended 30 June 2017 with regards share-based payments charge and is stated below.

This condensed consolidated interim financial information does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2016 were approved by the Board of Directors and have been delivered to the Registrar of Companies. The audit report on those accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain any statement under section 498(2) or (3) of the Companies Act 2006.

This condensed consolidated interim financial information has been reviewed, not audited.

Share-based payment transactions

The Group issues equity-settled share options to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant by reference to the fair value of the equity instruments granted. The fair value determined at the grant date of equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of instruments that will eventually vest with a corresponding adjustment to equity. Options under the new LTIP 2017 award that were granted during the period have been valued using the Monte Carlo model (given the increased uncertainty around the potential vesting of share options). The expected life used in the model has been adjusted, based on management's best estimate, for the effect of non-transferability, exercise restrictions, and behavioural considerations.

Non-vesting and market vesting conditions are considered when estimating the fair value of the option at grant date. Service and non-market vesting conditions are considered by adjusting the number of options expected to vest at each reporting date.

Options over the Company's shares granted to employees of subsidiaries are recognised as a capital contribution by the Company to the subsidiaries.

Cancelled or settled options are accounted for as an acceleration of vesting. The unrecognised grant date fair value is recognised in profit or loss in the year that the options are cancelled or settled.

Where the terms of the options are modified and the modification increases the fair value or number of equity instruments granted measured immediately before and after the modification, the incremental fair value is spread over the remaining vesting period.

Risks and uncertainties

An outline of the key risks and uncertainties faced by the Group is described in the 2016 financial statements, including exposure to foreign exchange rate fluctuation, the weakness of Sterling relative to the US Dollar and the Euro and the US Dollar to the Chinese Renminbi. Risk is an inherent part of doing business and with the strong global position of the Group, together with the expected underlying profitability of the core business in the full year, this leads the Directors to believe that the Group is well placed to manage the key risks it faces.

New standards, amendments and interpretations

The Group did not apply the following standards and interpretations that have not yet been adopted by the European Union as of June 30, 2017 or that were not mandatory for January 1, 2017:

Standards adopted by the European Union:

- IFRS 15: Revenue from contracts with customers

Standards not adopted by the European Union:

- IFRS 16 – Leases
- Amendments to IAS 7: Statement of Cash Flows – Disclosure Initiative
- Annual improvements to IFRSs 2014-2016 Cycle (December 2016)
- IFRIC 23 – Uncertainty over Income Tax Treatments
- IFRIC 22 – Foreign Currency Transactions and Advance Consideration
- Amendments to IFRS 2: Share-based payments, Classification and Measurement
- Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses

Finally, the standards applied by the Group as of June 30, 2017 are consistent with the IFRS standards issued by the International Accounting Standards board (IASB).

The Group is currently assessing the potential effect on the Group's consolidated financial statements of the standards not yet applicable. At this stage of the analysis, the Group does not expect the impact on its consolidated statements to be material, except for IFRS 15 (effective 2018) and IFRS 16 (effective 2019) for which main effect would be, in 2019, the inclusion of lease commitments for operating leases into financial debt.

Regarding IFRS 15, no significant impact is expected with regards to current practice, for transactional and services revenue. Regarding long-term contracts, analyses are currently being performed to assess the potential accounting impacts. At this stage of the analysis, the Group does not expect any significant impacts.

3. Critical accounting judgements and estimates

The preparation of the condensed interim 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 condensed interim 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 2016.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

for the period ended 30 June 2017 (Continued)

4. 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.

	Unaudited 30 June 2017 £000	Unaudited 30 June 2016 £000	Audited 31 December 2016 £000
Revenue			
Wiring Accessories	**34,890**	30,706	62,172
Portable Power	**20,207**	13,280	33,236
LED Lighting	**16,981**	13,874	33,037
Ross and other	**3,234**	2,135	5,308
	75,312	59,995	133,753
Operating profit before exceptional IPO costs			
Wiring Accessories	**5,526**	4,908	11,277
Portable Power	**1,586**	1,005	3,448
LED Lighting	**1,515**	1,020	2,285
Ross and other	**347**	221	635
	8,974	7,154	17,645
Exceptional IPO costs	**–**	–	(2,635)
Operating profit	**8,974**	7,154	15,010
Finance income	**–**	–	82
Finance expense	**(848)**	(1,816)	(2,893)
Profit before tax	**8,126**	5,338	12,199
Taxation	**(1,623)**	(1,344)	(2,542)
Profit after tax	**6,503**	3,994	9,657
Revenue by location of customer			
UK	**62,757**	51,342	114,757
Europe	**4,130**	2,464	5,961
Middle East	**2,808**	3,340	4,874
Americas	**2,511**	904	2,075
Asia Pacific	**2,480**	1,267	4,177
Africa	**626**	678	1,909
	75,312	59,995	133,753

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

for the period ended 30 June 2017 (Continued)

5. Expenses recognised in the Condensed Statement of Consolidated Income

Included in the Condensed Statement of Consolidated Income are the following:

	Unaudited 30 June 2017 £000	Unaudited 30 June 2016 £000	Audited 31 December 2016 £000
Research and development costs expensed as incurred	**180**	50	193
Operating lease charges:			
Plant and machinery	**57**	40	115
Other assets	**505**	207	564
Depreciation of property, plant and equipment	**1,394**	1,206	2,435
Amortisation of intangible assets	**444**	301	763

Research and development costs expensed as incurred has almost tripled from H1 2016 largely due to the increase in the R&D team both at the Chinese Development centre and in the UK Technical department.

6. Taxation

The effective tax rate is 19.0 % for H1 2017 (H1 2016 effective tax rate of 25.2%). The reduction in the tax rate is because of effective tax planning conducted in the second half of the year in 2016 to utilise previously trapped losses and the benefit for the Group of favourable tax rates in some international countries versus the UK and China.

7. Earnings per share

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

	Unaudited 30 June 2017 £000	Unaudited 30 June 2016 £000	Audited 31 December 2016 £000
Earnings for calculating basic and diluted earnings per share	**6,503**	3,994	9,657
Adjusted for:			
Exceptional IPO costs	**–**	–	2,635
Earnings for calculating adjusted basic and diluted earnings per share	**6,503**	3,994	12,292
	Number 000	Number 000	Number 000
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**160,800**	140,000	144,123
Weighted average number of ordinary shares in issue	**160,800**	140,000	144,123
	2017 Pence	2016 Pence	2016 Pence
Basic and diluted earnings per share	**4.0**	2.8	6.7
Basic and diluted adjusted earnings per share	**4.0**	2.8	8.5

Basic and diluted EPS is calculated by dividing the earnings attributable to ordinary owners of the parent by the weighted average number of shares outstanding during the period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

for the period ended 30 June 2017 (Continued)

8. Dividends

The Company did not pay a dividend during the period ended 30 June 2016. In respect of the year ended 31 December 2016, the directors recommended the payment of a final dividend of 0.3 pence per share payable on 2 June 2017 to shareholders on the register on 5 May 2017. This dividend was approved by shareholders at the Annual General Meeting on 25 May 2017. The total 2016 dividend paid was 0.3 pence per share which cost approximately £482,000. The Directors have proposed an interim dividend of 0.8 pence per ordinary share, representing 20% of profit after tax for the period, at a cost to the Company of £1.3m.

9. Property, plant and equipment

Aquisitions and disposals

During the six months ended 30 June 2017, the Group acquired assets with a cost of £2.4m (six months ended 30 June 2016: £5.6m, full year ended 31 December 2016: £6.0m) mainly relating to test equipment to increase the range of tests the Group's technical team can perform in house to provide greater certainty to passing and to accelerate product certification timescales. The Group has not included any borrowing costs within additions in H1 2017 (H1 2016: £nil, FY 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 period.

10. Intangible assets and goodwill

Intangible assets comprise development expenditure capitalised when it meets the criteria laid out in IAS 38, "Intangible Assets". During the six months ended 30 June 2017, the Group incurred internally generated development costs of £1.2m (six months ended 30 June 2016: £0.7m, full year ended 31 December 2016: £1.7m) and externally purchased patents of £0.1m (six months ended 30 June 2016: £0.1m, full year ended 31 December 2016: £0.2m). This amount excludes capitalised borrowing costs.

There has been no impairment to goodwill following a review since the year ended 31 December 2016. Goodwill has been allocated to cash-generating units, or Group of CGU's, and can be referred to on pages 84 to 85 of the Group's 2016 Annual Report.

11. Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate and foreign currency risk, please refer to pages 88 to 92 of the Group's Annual Report for the financial year ended 2016.

	Unaudited 30 June 2017 £000	Unaudited 30 June 2016 £000	Audited 31 December 2016 £000
Non-current liabilities			
Bank term loan	12,000	12,000	12,000
Shareholder loan notes	–	2,467	–
Deep discount bond	–	3,202	–
Eurobond	–	6,934	–
	12,000	24,603	12,000
Current liabilities			
Shareholder loan notes	–	–	247
Chinese mortgage loan	–	6,729	–
Secured bank loans	20,359	22,352	21,032
	20,359	29,081	21,279

The Shareholder loan notes as at 30 June 2016 of £2.5m within non-current liabilities, related to amounts owing to John Hornby, CEO. Post the IPO, the balance outstanding at the year ended 2016 was £0.2m, which was fully repaid during H1 2017.

Secured bank loans are secured by a fixed and floating charge over the assets of the Group. They include funds advanced under invoice discounting arrangements from HSBC Finance (UK) Limited of £20.4m (six months ended 30 June 2016: £20.7m, full year ended 31 December 2016: £21.0m) and Industrial and Commercial Bank of China Ltd of £nil (six months ended 30 June 2016: £1.7m, full year ended 31 December 2016: £nil), which are secured by legal charges over the Group's book debts.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

for the period ended 30 June 2017 (Continued)

12. 2017 long-term incentive plan ("LTIP")

The share-based payments charge of £28,000 (H1 2016: £nil) included in the Condensed Statement of Consolidated Income within administrative expenses is attributable to the 2017 LTIP nominal cost options.

Awards have been granted to the Chief Executive Officer and the Chief Financial Officer and other key management personnel within the Group, under the Luceco 2017 Performance Share Plan ("PSP"), which was approved by shareholders at the Company's AGM held on 25 May 2017.

The following awards have been granted awards in the form of nominal cost options over the number of ordinary shares of 0.05 pence in the Company under the terms of the PSP, as set out on pages 52 to 58 within the 2016 Annual Report:

Board Directors	Role	Number of shares awarded
John Hornby	Chief Executive Officer	145,331
David Main	Chief Financial Officer	72,665

Each award has a linked tax qualifying option over 12,457 shares at an exercise price of £2.408. On exercise, the number of shares under the nominal cost option will be reduced proportionally to take account of the exercise of the tax qualifying option such that the individual will not receive a greater number of shares than is subject to the nominal cost option.

The awards will vest subject to the satisfaction of performance conditions measuring the Company's earnings per share ("EPS") and total shareholder return ("TSR") performance. The extent to which awards will vest will depend on the extent to which the performance conditions are satisfied over the performance period, which runs from 1 January 2017 to 31 December 2019. No consideration was paid for any of the awards.

Options under the 2017 award have been valued using the Monte Carlo model (given the increased uncertainty around potential vesting) with the following assumptions:

Directors' and Employee share options LTIP award 2017	2017
3-day average share price before options were issued (pence)	238.50
Average expected volatility	34%
Expected life	3 years
Risk free rate	0.08%

13. Exchange rates

Average exchange rates are summarised below:

	Unaudited 30 June 2017 £	Unaudited 30 June 2016 £	Audited 31 December 2016 £
Average for the period			
US Dollar: Chinese Renminbi	**$6.79**	$6.54	$6.64
GBP Sterling: US Dollar	**1.29**	1.43	1.36
GBP Sterling: Chinese Renminbi	**8.70**	9.38	8.98
GBP Sterling: Euro	**1.13**	1.28	1.22
GBP Sterling: Arab Emirates Dirham	**4.62**	5.26	4.98
GBP Sterling: Mexican Peso	**23.13**	25.91	25.26

14. Financial risk management and financial instruments

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

These financial statements do not include all financial risk management information and disclosures required in the annual financial statements which should therefore be read in conjunction with the Group's financial statements for the year ended 31 December 2016. There have been no changes to the risk management policies since the year ended 31 December 2016.

The Group's bankers perform the valuations of financial derivatives for financial reporting purposes.

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)

There are no Level 1 instruments. The only Level 2 instruments are forward exchange contracts and interest rate swaps.

	Unaudited 30 June 2017 £000	Unaudited 30 June 2016 £000	Audited 31 December 2016 £000
Foreign exchange contracts	**46**	277	93
Interest rate swaps	**243**	622	433
	289	899	526

Except for forward exchange contracts and interest rate swaps, the fair values of financial assets and liabilities are considered the same as the carrying amounts for the Group.

15. Related party transactions

During the period a decision was taken to exit from sales to the domestic Chinese market. This market had not been a priority for the Group and was one in which the Group had struggled to compete on price, given the focus on UK and European standards of quality in the Group's product range. In order to give effect to 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 £0.240m, realising a loss on sale of £0.217m to the same entity. Jiaxing Ross Trading Limited is a related party as at the time of the transactions it was wholly owned by a member of the Group's key management personnel. Since the initial transfer and during the remainder of the period, the Group has made sales of £0.57m including mark up to Jiaxing Ross Trading Limited.

During the period Jiaxing Ross Trading Limited was sold on to its largest customer with no gain to any employee of the Group.

16. Date of Approval of financial information

The interim financial information covers the period 1 January 2017 to 30 June 2017 and were approved by the Board on 8 September 2017. Further copies of the interim financial information can be accessed on the Luceco plc investor relations website, www.luceco.com.

RESPONSIBILITY STATEMENT

We confirm to the best of our knowledge:

- the consolidated set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU;
- the Interim Executive Review includes a fair review of the information, required by DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and
- the interim results include a fair view of the information required by DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

At the date of this statement, the Directors are those listed in the Group's 2016 Annual Report.

Approved by the Board on the 8th September 2017 and signed on its behalf.

JOHN HORNBY
Chief Executive Officer

DAVID MAIN
Chief Financial Officer

ADDITIONAL INFORMATION

Financial calendar	
Ex-interim dividend	22 September 2017
Interim dividend payment	27 October 2017
Half year end	30 June 2017
Half year interim management statement	11 September 2017
Year end	31 December 2017
Full year preliminary statement	March 2018

Further enquiries

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