Luceco UK Limited (formerly Nexus Industries Limited)

Annual Report and Financial Statements

Registered number 02255270

For the year ended 31 December 2019

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Strategic Report

Business review

Fair review of the business

The Company is part of the Luceco plc Group, which is headed up by its ultimate parent company Luceco plc (hereafter referred to as 'the Group'). The results for the Company show a profit before tax of £7.5m *(2018 £0.2m)* for the year and sales of £83.0m *(2018: £76.6m)*.

The increase in sales was driven by an 11% increase in the wiring operating segment and 15% in LED.

The Company commands enviable positions in key markets underpinned by long-standing customer relationships. The Company is successfully executing the Group's growth and diversification strategy and the product pipeline is healthier than ever.

On 1 January 2020, the Company acquired the trade and assets of BG Electrical Limited, a fellow subsidiary of the Luceco plc group.

Key performance indicators (KPIs)

Sales, EBITDA and cash flow compared to budget are the KPIs upon which management is focused.

Sales increased by 8.4% from 2018. Operating margins have increased to 12.4% compared to 3.9% in 2018 as a result of both cost efficiencies from our factory and a stronger product mix.

The results for the year and financial position of the Company are as shown on pages 8 and 9. The key financial highlights of the Company were as follows:

	2019	2018	2017
	£m	£m	£m
Sales	**83.0**	76.6	94.7
Operating profit	**10.3**	3.0	14.8
Net assets	**23.4**	37.1	36.4
Net debt	**(52.7)**	(54.1)	(44.4)

The monitoring of accounts receivable and payable ensures that the business effectively controls its working capital.

At a local level the attention to recording continuous improvement in working practices and product innovation will enable the company to attain additional business.

Principal risks and uncertainties

The Company and 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 Company's business:

- Disruption to operating activities
- Technology, information systems
- Business relationships
- Team members - key employees
- Strategy - acquisitions
- Macroeconomic, political and environment
- Legal and regulatory
- Finance and treasury

Further detail on the principal risks and uncertainties can be found on pages 45-50 of the 2019 Annual Report and Financial Statements.

The Company and Group's risk management policies are established to identify and analyse the risks faced by the Company and Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, both under normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. It has access to a number of sources of finance to manage its liquidity risk.

Strategic Report *(continued)*

Interest rate risk

The Group is exposed to cash flow interest rate risk on floating rate bank loans and overdrafts. The Group adopts a policy of ensuring that at least 50% of its exposure to changes in interest rates on borrowings is on a fixed rate basis, taking into account assets with exposure to changes in interest rates.

Foreign currency risk

The Group's principal foreign currency exposures arise from the purchase of overseas sourced products and sales in USD. The Group's policy is to ensure that its net exposure is kept to an acceptable level by buying or selling foreign currency forward using derivative financial instruments when necessary to address short-term imbalances.

Employees

Employee consultation and involvement

The company recognises that training and free flow of communications are the key elements in involving all employees, to get the best out of them at all levels in the business and in making those improvements in performance which will advance its international competitiveness.

Frequent briefings continue to enable employees to understand more about the business and about the essential part they have to play in its success. Incentive schemes are in place to encourage involvement in the company's performance.

Employment of disabled persons

Where individuals become disabled whilst in the company's employment, every reasonable effort is made to provide opportunity for continued employment within the potential aptitude and ability of the person concerned and to provide such facilities, including any appropriate training, as may be necessary for that purpose.

In dealing with applications for employment and the training, career development and promotion of existing employees, efforts are made to ensure that a disabled individual's potential aptitude and ability are considered both without prejudice and as constructively as possible in relation to the opportunities available

Section 172(1) Statement

The Directors confirm that they have acted in a way that they consider, in good faith, to be most likely to promote the success of Luceco UK Limited for the benefit of its members as a whole, and in doing so have had regard, amongst other matters, to the matters set out in s172(1) of the Companies Act 2006 ("s172 Matters"). The Directors take account of what is important to our key stakeholders to maximise value and secure long-term success. Our key stakeholders are customers, employees, suppliers, shareholders, funding providers and local communities. We detail in our Group Annual Report how each of these stakeholders have been considered. With regard for s172 Matters in respect of the year, the Company Secretary sets out the s172 Matters in all Board meeting packs to ensure these are front of mind, and the Directors are reminded of their duty under s172(1) at the start of each Board meeting. Consideration of the broader s172 Matters forms an integral part of Board discussion; the Directors as a matter of course have regard to the need to maintain a reputation for high standards of business conduct, the need to act fairly between shareholders, and the long-term consequences of their decisions. These considerations are referenced in meeting papers as relevant and discussions thereof recorded in the meeting minutes.

Whilst Directors engage directly with stakeholders on certain topics, stakeholder considerations on the whole are brought to the Board's attention through reports and presentations from the Executive Directors and senior management. This is an integral element of regular Board reporting and, in the case of certain stakeholders such as the workforce, may be discussed as a separate agenda item. As a result of these processes, the Directors have the necessary oversight of the Luceco UK Limited engagement with stakeholders to enable them to discharge their duty under s172(1) in the course of their decision-making. Moreover, the Directors have concluded that the Company's key stakeholders are appropriate and that the methods of engagement for each are proportionate and effective. The Company's key stakeholders and methods of engagement will be kept under review and reported on each year.

By order of the board

M Webb
Director

Building E
Stafford Park 1
Telford
Shropshire
TF3 3BD
22 December 2020

Directors' Report

The directors present their directors' report and financial statements for the year ended 31 December 2019. On 17 December 2019 the Company changed its name from Nexus Industries Limited to Luceco UK Limited.

Principal activities

The principal activity of the Company is the import of electrical accessories for sale to the retail and trade sectors, principally in the United Kingdom.

Dividends

During the year, the Company paid £20.0m of dividends to its parent company *(2018:£Nil)*.

Directors

The directors who held office during the year and subsequently were as follows:

J Hornby
M Webb

Going concern

The directors acknowledge the net assets position at the year end of £23.4m and have prepared detailed financial forecasts at Group and Company level for a period not less than 12 months from the date of approval of these financial statements. The forecasts show that the Group is capable of operating within the bank facilities expected to be available, passing its financial covenants and meeting its liabilities as they fall due for payment. Accordingly they have adopted the going concern basis of preparation.

Our going concern assessment has modelled the impact of various scenarios associated with the Group's principal risks. The Group's principal risks include the future impact of COVID-19, which the Board has considered in detail. Our assessment has been appropriately informed by our experience of the virus to date, particularly in setting forecast assumptions. COVID's impact thus far has been considerably less severe than that assumed when we performed our going concern assessment for the 2019 Annual Report. Our assessment has taken into consideration the overall level of Group borrowings and covenant requirements, the flexibility of the Group to react to changing market conditions and ability to appropriately manage any business risks. The conclusion of this work is that the Group has sufficient headroom in its banking covenants and facilities in all of the scenarios considered to continue to fund itself and operate.

In view of this, the Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. They therefore continue to adopt the going concern basis in preparing these financial statements.

As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so. In forming their conclusion, the directors have made appropriate inquiries of the parent group as to its latest results and financial position , including the impact that Covid-19 is having on the operations of the parent group, and have not identified any matters which impact its conclusions regarding the ability of the company to continue as a going concern. Consequently, the directors are confident that the company has sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board

M Webb
Director
Building E
Stafford Park 1
Telford
Shropshire
TF3 3BD

22 December 2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

a) select suitable accounting policies and then apply them consistently;
b) make judgments and estimates that are reasonable and prudent;
c) state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
d) assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
e) use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LUCECO UK LIMITED (FORMERLY NEXUS INDUSTRIES LIMITED)

Opinion

We have audited the financial statements of Luceco UK Limited (Formerly Nexus Industries Limited) ("the company") for the year ended 31 December 2019 which comprise the Profit and Loss account and Statement of Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including *FRS 101 Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

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

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LUCECO UK LIMITED (FORMERLY NEXUS INDUSTRIES LIMITED)(continued)

Directors' responsibilities

As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

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

22 December 2020

Profit and Loss Account and Statement of Other Comprehensive Income

for the year ended 31 December 2019

	Note	2019 £000	2018 £000
Turnover	2	**82,981**	76,598
Cost of sales		**(54,048)**	(55,459)
Gross profit		**28,933**	21,139
Distribution costs		**(3,027)**	(4,992)
Administrative expenses		**(15,618)**	(13,131)
Operating profit	3	**10,288**	3,016
Net interest payable and similar charges	6	**(2,763)**	(2,867)
Profit before taxation		**7,525**	149
Taxation	7	**(1,191)**	786
Profit for the financial year, being comprehensive income for the year		**6,334**	935

All results are from continuing operations.

The accompanying notes on pages 11 to 22 form an integral part of these financial statements.

Balance Sheet
at 31 December 2019

	Note	2019 £000	2019 £000	2018 £000	2018 £000
Fixed assets					
Intangible assets	*8*		3,045		3,239
Tangible assets	*9*		1,230		1,827
Right of use assets	*9*		414		-
			4,689		5,066
Current assets					
Stocks	*10*	2,295		2,541	
Debtors	*11*	73,032		86,724	
Cash at bank and in hand		1,081		1,221	
		76,408		90,486	
Creditors: Amounts falling due within one year	*13*	(32,107)		(37,496)	
Net current assets			44,301		52,990
Total assets less current liabilities			48,990		58,056
Creditors: Amounts falling due after more than one year	*14*		(25,546)		(20,946)
Net assets			23,444		37,110
Capital and reserves					
Called up share capital	*16*		1		620
Share premium account			-		25,518
Other reserves			-		150
Profit and loss account			23,443		10,822
Shareholders' funds			23,444		37,110

The accompanying notes on pages 11 to 22 form an integral part of these financial statements.

These financial statements were approved by the board of directors on 22 December 2020 and were signed on its behalf by:

M Webb
Director

Company registered number: 02255270

Statement of Changes in Equity
for the year ended 31 December 2019

	Share capital £000	Share premium £000	Other reserves £000	Retained earnings £000	Total equity £000
Balance at 1 January 2018	620	25,518	150	10,107	36,395
Adjustment on initial application of IFRS 9, net of tax	-	-	-	(220)	(220)
Restated balance at 1 January 2018	620	25,518	150	9,887	36,175
Profit for the year	-	-	-	935	935
Balance at 31 December 2018	620	25,518	150	10,822	37,110
Balance at 1 January 2019	620	25,518	150	10,822	37,110
Profit for the year	-	-	-	6,334	6,334
Capital reduction*	(619)	(25,518)	(150)	26,287	-
Transactions with owners:					
Dividends	-	-	-	(20,000)	(20,000)
Balance at 31 December 2019	1	-	-	23,443	23,444

*On 17 December 2019, by special resolution, the share capital of the Company was reduced by the cancellation of 618,838 issued ordinary shares of £1 each and the cancellation of the amount standing to the credit of each of the share premium account and capital redemption reserve and the transfer of such sums to the profit and loss account.

The accompanying notes on pages 11 to 22 form an integral part of these financial statements.

Notes
(forming part of the financial statements)

1 Accounting policies

Luceco UK Limited (the "Company") is a company incorporated in the UK and registered in England and Wales, at Building E, Stafford Park 1, Telford, Shropshire TF3 3BD and domiciled in the UK.

The Company is exempt by virtue of Section 400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework ("FRS 101").* The amendments to FRS 101 (2014/15 Cycle) issued in July 2015 and effective immediately have been applied.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company's ultimate parent undertaking, Luceco plc includes the Company in its consolidated financial statements. The consolidated financial statements of Luceco plc are prepared in accordance with International Financial Reporting Standards as adopted by the EU and are available to the public and may be obtained from Luceco Distribution Centre, Stafford Park 1, Telford, Staffordshire, United Kingdom.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets and intangible assets;
- Disclosures in respect of transactions with wholly owned subsidiaries ;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel; and
- Disclosures of transactions with a management entity that provides key management personnel services to the company.

As the consolidated financial statements of the ultimate parent undertaking include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IAS 36 *Impairment of assets* in respect of the impairment of goodwill and indefinite life intangible assets;
- Certain disclosures required by IFRS 3 *Business Combinations* in respect of business combinations undertaken by the Company;
- Certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures* .

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

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

Notes *(continued)*

1 Accounting policies *(continued)*

1.1 Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments. Non-current assets and disposal groups held for sale are stated at the lower of previous carrying amount and fair value less costs to sell.

1.2 Going concern

The directors have prepared detailed financial forecasts at Group and Company level for a period not less than 12 months from the date of approval of these financial statements. The forecasts show that the Group is capable of operating within the bank facilities expected to be available, passing its financial covenants and meeting its liabilities as they fall due for payment. Accordingly they have adopted the going concern basis of preparation.

Our going concern assessment has modelled the impact of various scenarios associated with the Group's principal risks. The Group's principal risks include the future impact of COVID-19, which the Board has considered in detail. Our assessment has been appropriately informed by our experience of the virus to date, particularly in setting forecast assumptions. COVID's impact thus far has been considerably less severe than that assumed when we performed our going concern assessment for the 2019 Annual Report.

Our assessment has taken into consideration the overall level of Group borrowings and covenant requirements, the flexibility of the Group to react to changing market conditions and ability to appropriately manage any business risks. The conclusion of this work is that the Group has sufficient headroom in its banking covenants and facilities in all of the scenarios (including the severe but plausible scenario that revenue reduces by 15% for 6 months) considered to continue to fund itself and operate. In view of this, the Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. They therefore continue to adopt the going concern basis in preparing these financial statements.

As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so. In forming their conclusion, the directors have made appropriate inquiries of the parent group as to its latest results and financial position , including the impact that Covid-19 is having on the operations of the parent group, and have not identified any matters which impact its conclusions regarding the ability of the company to continue as a going concern. Consequently, the directors are confident that the company has sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

1.3 Turnover

Revenue is recognised when revenue and associated costs can be measured reliably, and future economic benefits are probable and when the risks and rewards of ownership have been transferred to the customer. Freight on Board ("FOB") sales are recognised on receipt of the goods by the customer's freight forwarders. Revenue is measured at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, net of rebates and settlement discounts, VAT and other sales related taxes.

Revenue recognition requires the estimation of rebates that will be provided in respect of sales which have been made before the balance sheet date. The Company has rebate arrangements in place, which take the form of volume rebates, trade discounts, marketing support, catalogue support and contributions to various costs incurred by our customers. The majority of the rebates incurred by the Company are directly attributable to revenue however there are some rebates that are not e.g. generic marketing and catalogue support. The policy is designed to specify which rebate types are to be reported as a deduction from revenue and which are to be reported within commercial overhead. The following are costs that are not attributable to revenue:

- Marketing support: if the contribution we are making is for general marketing it is not specific to our product or products
- Catalogue support: if the contribution we are making is towards the overall cost of catalogue production, it is not specific to our products
- Fixed rebates: Where a customer receives a fixed rebate with no conditions attached
- New store openings

1.4 Tangible fixed assets and depreciation

Items of property, plant and equipment are measured at cost less accumulated depreciation. Cost includes expenditure that is directly attributed to the acquisition of the asset. Depreciation is provided on tangible fixed assets so as to write off the cost or valuation, less any estimated residual value, over their expected useful economic life as follows:

Short leasehold land and buildings	Straight line basis over lease term (10 years)
Plant and machinery	10% - 40% of cost per annum
Fixtures and fittings and equipment	10% - 33.3% of cost per annum
Motor vehicles	25% of cost per annum

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the income statement.

Subsequent costs, including major inspections, are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that economic benefits associated with the item will flow to the company and the cost can be measured reliably.

The carrying amount of any replaced component is derecognised. Major components are treated as separate assets where they have significantly different patterns of consumption of economic benefits and are depreciated separately over their useful life.

Repairs, maintenance and minor inspection costs are expensed as incurred.

1.5 Research and development

Expenditure on research activities is recognised in the profit and loss account as an expense as incurred.

An internally-generated intangible asset arising from the development of new and enhanced products is recognised only if all of the following conditions are met:

- An asset is created that can be identified (such as product designs and new processes)
- It is probable that the asset created will generate future economic benefits
- The costs of developing this asset can be measured reliably
- The Company has the intention to complete the asset and the ability and intention to use or sell it
- The product or process is technically and commercially feasible, and
- Sufficient resources are available to complete the development and to either sell or use the asset

Where no internally-generated intangible asset can be recognised, the expenditure is recognised as an expense in the period in which it is incurred.

The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads and capitalised borrowing costs. Other development expenditure is recognised in the profit and loss account as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

1.6 Amortisation

Amortisation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Capitalised development costs	5 years

Notes *(continued)*

1 Accounting policies *(continued)*

1.7 Stock

Stock is stated at the lower of cost and net realisable value. Cost includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured inventories cost includes an appropriate share of overheads based on normal operating capacity.

Provision is made for slow moving and obsolete stock by comparing the stock holding against the product sales for the financial year and applying a provision to reflect the discount required to sell the product or to rework it into a different product.

1.8 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

1.9 Leases

With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. Variable lease payments which do not depend on an index or a rate are excluded from the initial measurement of the lease liability and asset. The Company classifies its right-of-use assets in a consistent manner to its property, plant and equipment. Leases of vehicles and IT equipment are generally limited to a lease term of 3 to 5 years. Leases of property generally have a lease term ranging from 3 to 7 years. Lease payments are generally fixed other than for property leases where rentals are linked to annual changes in an index (either RPI or CPI).

1.10 Financial instruments

Classification of financial instruments issued by the Company

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

(a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and

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

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

Notes *(continued)*

1 Accounting policies *(continued)*

***1.10 Financial instruments** (continued)*

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

Trade and other debtors

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other creditors

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Interest-bearing borrowings

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

Derivative financial instruments

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

1.11 **Employee benefits**

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

1 Accounting policies *(continued)*

1.12 Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

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

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

1.13 Provisions

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

1.14 Expenses

Cost allocation

The parent company (Luceco plc) operates a cost methodology across the Group to allocate costs into the Company that provides a fair view of the underlying costs attributable to the Company and thereby providing a better insight into the business performance at a management level across the Group.

Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Interest receivable and Interest payable

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset. Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

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

1 **Accounting policies** *(continued)*

1.15 ***Taxation***

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

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

1.16 ***Intra-group financial instruments***

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

2 Turnover

An analysis of turnover by geographical location is given below:

	2019	2018
	£000	£000
UK	79,538	71,121
Europe	3,366	92
Rest of world	77	5,385
	82,981	76,598

An analysis of turnover by operating segment is given below:

	2019	2018
	£000	£000
Wiring accessories	41,926	37,918
Portable power	27,762	26,957
LED	11,873	10,315
Other	1,420	1,408
	82,981	76,598

Notes *(continued)*

3 Expenses and auditor's remuneration

	2019	2018
Included in profit and loss are the following:	**£000**	£000
Amortisation	**1,231**	836
Depreciation of tangible assets	**631**	555
Operating leases:		
Plant and machinery	**2**	1
Other assets	**38**	27
Auditor's remuneration		
Audit of these financial statements	**10**	9
Non-audit services – taxation services	**-**	-

4 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2019	2018
Management and administration	**59**	55
Sales and distribution	**117**	113
	176	168

The aggregate payroll costs of these persons were as follows:

	2019	2018
	£000	£000
Wages and salaries	**8,526**	7,618
Social security costs	**900**	816
Other pension costs	**594**	195
	10,020	8,629

5 Directors' remuneration

The directors' remuneration for the year was as follows:

	2019	2018
	£000	£000
Remuneration (including benefits in kind)	**1,337**	976
Company contributions paid to money purchase schemes	**16**	11
The emoluments of the highest paid director	**726**	504

The directors perform qualifying services to the Luceco plc Group as a whole. As a result, no apportionment of time is deemed appropriate and, as such, total remuneration is disclosed.

Notes *(continued)*

6 Finance income and expense

	2019 £000	2018 £000
Finance income		
Net gain on financial instruments	-	368
Finance expense		
Interest on bank borrowings, overdraft and trade facilities	1,240	1,344
Other interest payable	545	390
Intercompany interest	-	1,088
Hire purchase interest	59	45
Net loss on financial instruments	919	-
Net finance expense	2,763	2,867

7 Taxation

Analysis of charge in period

	2019 £000	2018 £000
UK corporation tax		
Current tax on profit for the year	1,337	60
Adjustment in respect of previous years	(19)	(1,007)
Total current tax	1,318	(947)
Deferred tax		
Adjustment in respect of previous years	(33)	72
Origination and reversal of timing differences	(94)	89
Total deferred tax (see note 12)	(127)	161
Tax on profit	1,191	(786)

Factors affecting the tax charge for the current period

The tax charge for the period is lower *(2018: lower)* than the standard rate of corporation tax in the UK of 19% *(2018: 19%)*. The differences are explained below:

	2019 £000	2018 £000
Tax reconciliation		
Profit before tax	7,525	149
Current tax at 19% *(2018: 19%)*	1,430	28
Effects of:		
Non-deductible expenses	199	128
Group relief claimed	(218)	-
Adjustments in respect of previous years	(52)	(917)
Difference in tax rates	1	(10)
Tax exempt income	(64)	-
Reallocation of pension deduction	(21)	-
Fixed asset differences	5	-
Deferred tax asset not previously recognised	(89)	(15)
Total tax credit/(expense)	1,191	(786)

Factors that may affect future current and total tax charges

UK corporation tax rate in 2019 was 19%. In the budget on 11 March 2020 it was announced that the rate applicable from 1 April 2020 would remain at 19.0%. As the finance bill has yet to be passed, the previous substantively enacted rate of 17% for 2020 was used in calculating deferred tax at 31 December 2019.

Notes *(continued)*

8 Intangible assets

	Development costs £000
Cost	
At beginning of year	5,671
Other acquisitions – internally developed	1,037
At end of year	6,708
Amortisation	
At beginning of year	2,432
Amortisation for the year	1,231
At end of year	3,663
Net book value	
At 31 December 2019	**3,045**
At 31 December 2018	3,239

9 Tangible fixed assets

	Short leasehold land and buildings £000	Plant and machinery £000	Fixtures & fittings £000	Motor vehicles £000	Total £000
Cost					
At beginning of year	63	3,093	543	64	3,763
Transfer to right of use assets	-	(815)	-	(63)	(878)
Additions	4	474	-	-	478
Disposals	-	(198)	- -	1.22	(199)
At end of year	67	2,554	543	-	3,164
Depreciation					
At beginning of year	58	1,274	541	63	1,936
Transfer to right of use assets	-	(315)	-	(64)	(379)
Charge for the year	1	499	1	-	501
Disposals	-	(125)	-	0.78	(124)
At end of year	59	1,333	542	-	1,934
Net book value					
At 31 December 2019	**8**	**1,221**	**1**	**-**	**1,230**
At 31 December 2018	5	1,819	2	1	1,827

Right of Use Assets

	Plant and machinery £000	Motor vehicles £000	Total £000
Cost			
At beginning of year	-	-	-
Transfer cost of right of use assets	815	63	878
Additions	42	-	42
Disposals	-	(42)	(42)
At end of year	857	21	878
Depreciation			
At beginning of year	-	-	-
Transfer accumulated depreciation of right of use assets	315	63	378
Charge for the year	129	1	130
Disposals	-	(44)	(44)
At end of year	444	20	464
Net book value			
At 31 December 2019	**413**	**1**	**414**
At 31 December 2018	-	-	-

Notes *(continued)*

10 Stocks

	2019 £000	2018 £000
Finished goods and goods for resale	2,295	2,541

The write-down of stocks to net realisable value amounted to £0.3m *(2018: £1.6m)*.

11 Debtors

	2019 £000	2018 £000
Trade debtors	17,727	13,194
Amounts owed by group undertakings	54,801	72,736
Other financial assets (see note 15)	-	617
Corporation tax	257	-
Other taxes and social security	121	-
Prepayments and accrued income	126	177
	73,032	86,724

Amounts owed by Group undertakings carry no interest and are payable on demand.

12 Deferred tax (liability)/asset

The movement in the deferred tax liability in the year is as follows:

	2019 £000
At beginning of year	(532)
Deferred tax credit to the profit and loss account (note 7)	127
At end of year	(405)

Analysis of deferred tax (liability)/asset

	2019 £000	2018 £000
Difference between accumulated depreciation and amortisation and capital allowances	(405)	(532)
	(405)	(532)

13 Creditors: amounts falling due within one year

	2019 £000	2018 £000
Bank overdraft	2,449	-
Secured bank loan	2,590	6,647
Obligations under finance lease and hire purchase contracts	161	123
Trade creditors	1,726	2,105
Amounts owed to group undertakings	23,469	28,176
Other financial liabilities (see note 15)	303	
Other taxes and social security	-	252
Accruals and deferred income	1,409	193
	32,107	37,496

Bank loans and overdrafts were secured by a fixed and floating charge over the assets of the company and by cross guarantees granted by its parent and fellow subsidiary undertakings.

Amounts owed to Group undertakings are payable on demand and carry no interest.

Notes *(continued)*

14 Creditors: amounts falling due after more than one year

	2019 £000	2018 £000
Revolving credit facility	24,851	20,000
Obligations under finance lease and hire purchase contracts	290	414
Deferred tax	405	532
	25,546	20,946

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	Face value 2019 £000	Carrying amount 2019 £000	Face value 2018 £000	Carrying amount 2018 £000
Revolving credit facility*	GBP	1.75% + LIBOR	2021*	24,851	24,851	20,000	20,000
Secured bank loan**	GBP	1.75% + BASE	2021**	2,590	2,590	3,793	3,793
Secured bank loan**	USD	1.75% + BASE	2021**	-	-	2,854	2,854
Amounts owed to group undertakings	GBP	-	On demand	23,469	23,469	28,176	28,176
				50,910	50,910	54,823	54,823

*The Group re-financed its debt facilities during the year, with the maturity being extended to 31 December 2021.

** The secured bank loan comprises the Group's invoice discounting facility which is given a maturity based on its availability being contingent on the Group holding qualifying receivables. The facility is committed until 31 December 2021.

15 Financial instruments

The fair value of financial assets and liabilities are considered to be the same as the carrying amounts.
The table below analyses financial instruments into a fair value hierarchy based upon the valuation techniques used to determine fair value as disclosed in Note 19 on page 138 of the Group Accounts. The only Level 2 instruments are forward exchange contracts.

	2019 £000	2018 £000
Foreign exchange contracts	(303)	617
	(303)	617

16 Called up share capital

	2019 £000	2018 £000
Allotted, called up and fully paid		
Balance at 1 January	620	620
Share capital reduction	(619)	-
Balance at 31 December of Ordinary shares of £1 each	1	620

Reconciliation of the number of shares in issue

	Number	Number
Number at 1 January	619,838	619,838
Share capital reduction	(618,838)	-
Balance at 31 December of £1 each	1,000	619,838

Notes *(continued)*

17 Pension schemes

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £442,914 *(2018: £195,147)*.

Contributions totalling £Nil *(2018: £Nil)* were payable to the schemes at the end of the year.

18 Commitments

	2019	2018
	£000	£000
Finance leases		
Finance leases are payable as follows:		
In one year	161	124
Between one and two years	157	120
Over two years	134	293
	452	537

19 Ultimate parent and controlling party

The immediate parent company is Luceco Holdings Limited, a company registered in England and Wales. The ultimate parent company is Luceco plc, a company also registered in England and Wales. There is no ultimate controlling party. The registered address of both companies is Building E, Stafford Park 7, Stafford Park, Telford, Shropshire, TF3 3BD.

20 Accounting estimates and judgements

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

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The principal accounting estimates, assumptions and judgements employed in the preparation of these financial statements which could affect the carrying amounts of assets and liabilities at the balance sheet dates are as follows:

Judgements

- Determining which research and development activities meet capitalisation criteria; The Company has to make key judgements around various aspects of the accounting standard (IAS 38 Intangible Assets) in relation to every single R&D project to determine if the R&D activity can be capitalised. Specific examples of the judgements that have to be made regarding R&D are: the technical feasibility and completion of R&D activity, determining if the R&D activity will generate probable future economic benefits and be used, the availability of resource (technical and otherwise) to complete the development and the ability to reliably measure the expenditure during the development phase.

Significant estimates

- Amortisation of intangible assets; when research and development activity is capitalised, its useful economic life is assessed at that point in time. Technology in LED lighting, in particular, has been advancing rapidly. Due to this advancement in technology the Company is estimating the useful economic life at the point in time but this could accelerate if the technology advances.
- Inventory valuation; the Company's valuation of inventory is impacted by the inventory provision. The Company establishes its provision as a specific, estimated percentage of inventory cost.

21 Events after the balance sheet date

On 1 January 2020, the Company acquired the trade and assets of BG Electrical Limited, a fellow subsidiary of the Luceco plc group.

In 2020 the Company has extended the maturity date of its debt facilities from 31 December 2021 to 31 March 2023 on similar terms to the existing arrangements.