W. Lucy & Co. Ltd.

2014 Annual Report & Accounts

Registered office

W. Lucy & Co. Ltd.

Eagle Works

Walton Well Road

Oxford

OX2 6EE

www.lucygroup.com

Contents

Financial Highlights

Turnover

£160.9m

£152.1m in 2013

Rental income

£6.5m

£6.2m in 2013

Operating profit

£18.8m

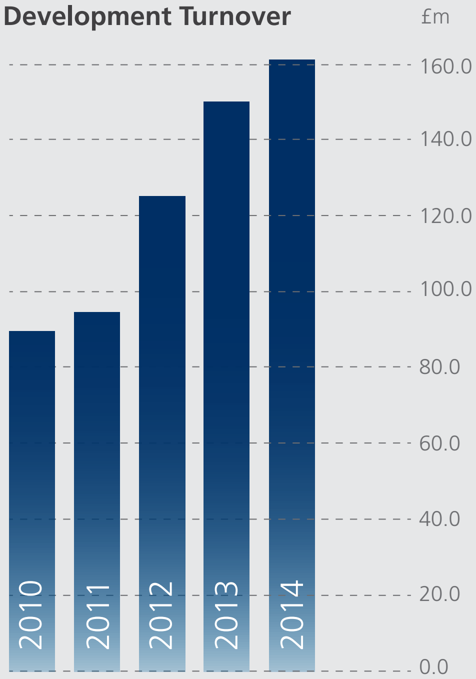
£21.1m in 2013

Profit before tax

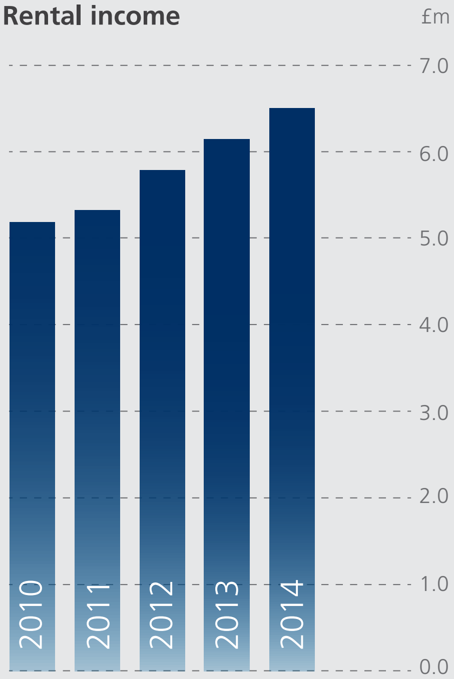
£16.8m

£14.9m in 2013

Manufacturing & Development Turnover



Rental income



Total recognised gain relating to the year

£17.9m

£14.5m in 2013

Shareholders' funds

£152.2m

£135.7m in 2013

Earnings per share

3,154p

2,560p in 2013

Recognised gain per share for the year

3,633p

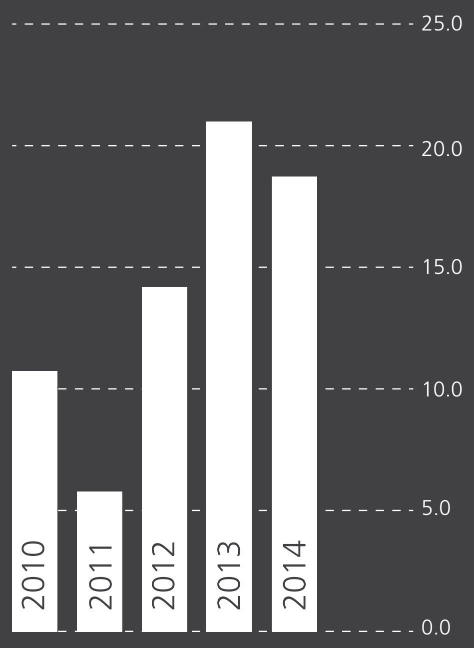
2,946p in 2013

Dividends per share (paid and proposed)

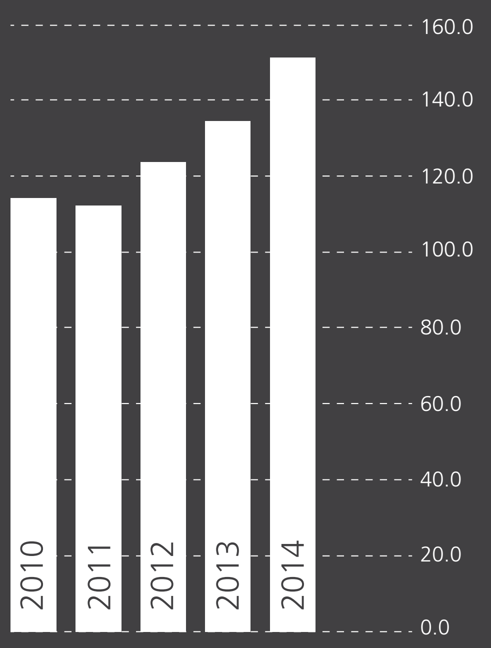
286p

302p in 2013

Operating profit £m



Shareholders' funds £m



Strategic Report

Strategy

Lucy Group is focused on delivering shareholder value over the long-term via four distinct business units: Lucy Electric, Lucy Zodion, Lucy Castings and Lucy Real Estate. A balanced risk profile, encompassing a strong underlying asset base, coupled with targeted investment in these diversified businesses, provides investors with stability and opportunity.

Business development and performance for the year

The Group achieved a strong set of results in 2014, with sales growth of 6%, building on last year's record results. In Lucy Real Estate, rental income increased by 5% to £6.5 million. Group profit before tax increased by 13% to £16.8 million, despite restructuring and startup costs of £2.7 million to reposition the business for future growth.

One of the Group's core strategic objectives is to deliver sales growth, both organically and through acquisition of complementary businesses in order to create long-term value for the benefit of our stakeholders. There were no new acquisitions during the year, but there was continued activity to target strategically important opportunities aligned to the Board's objective of broadening our product portfolio and maintaining growth.

Intangible assets, including brand, reputation and corporate identity, are a key component of the Group's success and, following a strategic review earlier in the year, it was decided to re-brand Lucy Switchgear to Lucy Electric, in order to increase awareness of the business' product offering and future direction.

Strategic investment across the Group's business portfolio saw capital expenditure remain high during the year, at £10.8 million, reflecting an intensive phase for the Group towards attainment of its long-term objectives. The Group's investment property portfolio was valued at £110.8 million at the end of the year, an increase of £8.4 million primarily reflecting reduced yields and increased rents.

Increasing international sales and manufacturing networks continues to be a major component of this investment strategy, and Lucy Electric in particular made strides towards broadening the global customer base in 2014. During the year, we opened a sales office in Bangkok and a manufacturing facility in the Rayong province of Thailand, which will enable us to take advantage of the significant commercial opportunities in the Far East region.

Further progress was made during the year on the integration of Truscanian into our Lucy Castings business, and a number of important investments were made in plant, machinery and buildings. The management team was also strengthened to provide a strong foundation for growth.

Investment in our street lighting business continued in 2014 and, in December, Lucy Zodion acquired the freehold land and building of their Sowerby Bridge site, with a view to making further improvements in office, production and warehousing facilities.

In June 2014, Christopher Levick retired from W Lucy after 26 years of service. During his time as CEO of Lucy Electric, Chris played an important role in transforming this business, which today is recognised in its markets as a leading engineering organisation. John Griffiths joined the Company in May and, following Chris' departure, became CEO of Lucy Electric. In September, Madeline Laxton joined the Board as an Executive Director and remains the Group's Company Secretary.

The Group also made good progress on a number of financial and operational priorities during the year and achieved a total recognised gain for the year of £17.9 million (2013: £14.5 million).

Market conditions strengthened during the last quarter of the year, leading to a £4.2 million increase in working capital. Despite this increase, there was a Group free cash inflow of £4.6 million and net debt decreased by £2.7 million during the year. The Group's investment property portfolio was valued at £110.8 million at the end of the year.

Financial position

At 31 December 2014, the Group had committed bank facilities of £26.8 million, while actual borrowings were £14.3 million. Gearing decreased to 9% (2013: 11%) and interest costs were covered 53 times (2013: 35 times). The Group had net debt of £0.2 million compared to £2.8 million last year. Shareholders' funds increased by 12% in the year to £152.2 million.

Outlook

The Group's strategy remains unchanged and the Board continues to invest in property plant and equipment, product development and sales coverage to support long-term growth.

As economic conditions gradually improve across the Group's markets and our international reach expands, the Board is confident of achieving further progress towards our strategic objectives. With sustained investment in established and emerging markets, recognised brands, proven products and a substantial property portfolio providing a stable income stream, we are positioned well for further growth.

Principal risks and uncertainties

The section on principal risks and uncertainties is elsewhere in this report.

Richard Dick
Executive Chairman
5 March 2015

Report of the Directors

Financial Results

The Directors present their report on the affairs of the Group, together with the audited accounts for the year ended 31 December 2014.

Sales and rental income

The Group achieved record sales for the year of £160.9 million, representing growth of 6% from last year. Sales increased in each of the Group's businesses, which were largely from traditional markets supported by an important and increasing exposure to emerging markets. The investment over recent years both in our UK and international sales channels and in our product portfolio has proved successful.

Group rental income increased by 5% from £6.2 million to £6.5 million, due to higher rents, the full year effect of the nine apartments in Headington, Oxford acquired last year, and the on-going refurbishment programme.

Gross margin and costs

Gross margins at 32.8% decreased by 1.4 percentage points compared to last year, through both a changing customer and product mix and from establishing increased manufacturing capacity. The Group continues to drive improvements in its operational performance supported by good cost control and relatively benign commodity prices.

Development expenditure increased by 46% to £5.7 million reflecting the Group's investment in engineering activities in the UK and the establishment by Lucy Electric of an engineering centre in India. This centre will be a source of skilled engineers and will support Lucy Electric's ambitious product introduction plans. Increased administration costs reflect the increased size and complexity of the Group.

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Profitability

Group operating profit decreased by 13% to £18.1 million, whilst the Group's share of operating profits in CG Lucy Switchgear Ltd., its joint venture company, more than doubled to £0.7 million. Operating profit decreased from £21.1 million to £18.8 million producing a 12% return on sales. Exceptional costs of £2.7 million (2013: £6.4 million) represented startup, restructuring and impairment costs associated with the transformation of the Group's businesses. Startup costs are for Lucy Electric to establish its manufacturing unit in Thailand and restructuring costs reflect changes to improve the business model in Lucy Electric and Lucy Castings. Impairment costs relate to lower market valuations for Lucy Castings' Oldbury site and Lucy Zodion's Sowerby Bridge site following strategic investment during the year.

Group profit on ordinary activities before tax was £16.8 million (2013: £14.9 million) and profit after tax was £15.5 million (2013: £12.6 million).

Recognised gains and losses

The Group's Statement of Recognised Gains and Losses (STRGL) included a £7.3 million gain on the revaluation of the Group's investment properties, which was due to both reduced yields and increased rents from both a strong Oxford residential property market and effective management of the portfolio. An actuarial loss after tax of £5.6 million was sustained on the Group's Final Salary Pension Scheme largely due to a significant reduction in bond yields, which significantly increases the present day value of the Scheme's liabilities. A strengthening of the US Dollar and ongoing hedging activities resulted in a foreign currency gain on net investments in the Group's overseas subsidiary companies of £0.6 million. The net result was a recognised gain relating to the year of £17.9 million (2013: £14.5 million).


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Directors

01 - Richard Dick
02 - John Godfrey
03 - Pippa Latham & Robert Dick
04 - Jonathan Finch-Dick
05 - Gary Ashton
06 - Madeline Laxton


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Report of the Directors

Cash flow

The Group had a free cash inflow of £4.6 million and had net debt of £0.2 million at the end of the year, compared to a free cash inflow of £8.7 million and net debt of £2.8 million last year.

Operating cash flow was an inflow of £16.0 million compared to £20.2 million last year, due to an operating profit of £18.1 million and depreciation and amortisation of £4.8 million, largely offset by increased working capital of £4.2 million and additional special contributions of £1.1 million to the Final Salary Pension Scheme. The higher working capital includes increased debtors and stock of £7.7 million and £2.1 million respectively and lower provisions of £0.9 million partly offset by an increase in creditors of £6.5 million.

Corporation Tax payments of £1.6 million (2013: £1.5 million) were made during the year.

Capital expenditure and financial investment of £10.8 million was an increase on last year's figure of £9.1 million. The significant expenditure in Lucy Electric was £3.2 million to establish a manufacturing unit in Thailand. Lucy Zodion acquired its Sowerby Bridge site for £1.1 million, and Lucy Castings completed the redevelopment of its Oldbury site at a cost of £1.3 million. In Lucy Real Estate, the major item of expenditure was £0.4 million for the purchase of a flat in Walton Street, Oxford.

Dividends

The Board recommends a final dividend of 105p per share which, taken together with the 2014 interim dividend, gives a payment of 186p per share (2013: 177p), representing a 5% increase for the year. This dividend will be payable on 7 May 2015 to shareholders on the register on 31 March 2015. In November 2014, a special dividend of 100p per share (2013: 125p) was paid to shareholders. The following chart presents dividends paid and proposed and dividend performance (excluding special dividends) compared with the retail price index over the last ten years:

Freehold Land and Buildings

The Group's investment properties are included in the balance sheet at open market value, as determined by the Directors after taking professional advice.

Properties that are occupied by the Group for its trading purposes are included in the balance sheet at book value, and the Directors are of the opinion that the market value of these properties is similar to their book value.

Future Developments

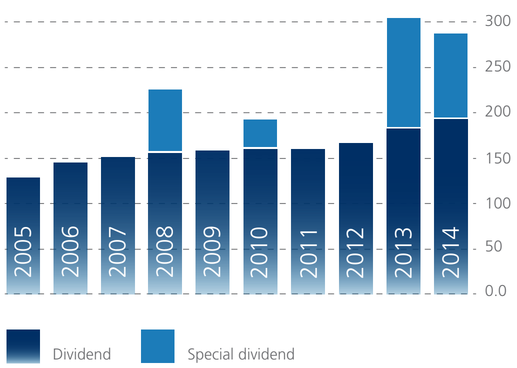
No significant events have occurred since the year end.

Employee Policies

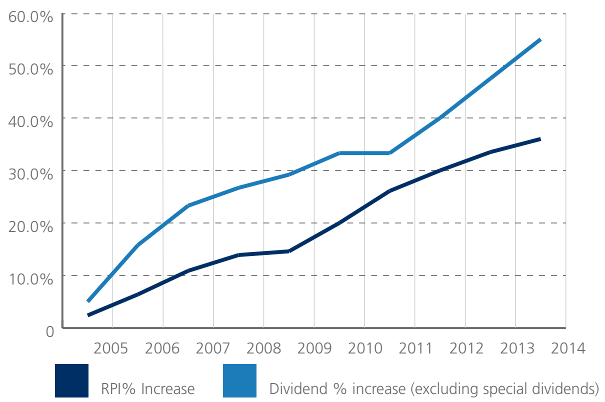
The Group values the commitment of its employees and has maintained its practice of communicating with employees regarding the development of the business. In the UK, communication forums are attended by elected employee representatives and Senior Group Management on a number of occasions throughout the year.

Employment policies are designed to respect employees' human rights, ensure equal opportunity and promote diversity. Employees are actively encouraged to undertake relevant training and to develop their careers. Staff appraisals are also conducted with individual employees. The Group remains supportive of the employment and advancement of disabled persons.

Dividend payments



RPI vs Dividend YoY Growth



Pensions

In the United Kingdom, the Group operates a pension scheme providing benefits based on final pensionable pay for eligible employees who joined on or before 10 April 2002. The most recent triennial valuation of this scheme was performed as at 6 April 2014. As a consequence of this valuation, the Company undertook to increase its contributions from 17.3% to 19.7% of pensionable salaries from 1 January 2015 and to make a lump sum payment of £1.0 million by 31 December 2014 to clear the deficit.

A separate FRS 17 pension valuation was performed at the end of the year for Group accounting purposes. This valuation showed that the Group's pension liability increased during the year by £4.6 million to £8.7 million. This increase in the FRS 17 deficit was largely due to a significant reduction in bond yields in the second half of the year, partly offset by lower inflation and an additional special contribution of £1.0 million from the Company. The related deferred tax asset increased by £0.9 million, resulting in a net pension liability of £6.9 million. The amount of the deficit is sensitive to changes in the main financial assumptions, particularly the rate used to discount the liabilities (the discount rate). A change in the discount rate of 0.1% would increase/ decrease the FRS 17 deficit by £0.9 million.

A Stakeholder Pension Scheme managed by AEGON Scottish Equitable was available for eligible UK employees and was replaced by the Lucy Group Personal Pension Plan during the year. This was established with Sterling ISA Managers Limited, trading as Zurich Money4Life™, as the provider. The Group has complied with the auto-enrolment laws in Part 1 of the Pensions Act 2008. In the overseas businesses, Lucy Electric India (Private) Limited operates a defined benefit plan for certain staff, managed by the Life Insurance Corporation of India, Lucy Asia Pacific SDN BHD contributes to the Employees' Provident Fund (EPF), the national defined contribution plan in Malaysia and Lucy Electric (Thailand) Limited contributes to a defined contribution scheme managed by TISCO Asset Management Co. Ltd. In the U.A.E. and Saudi Arabia unfunded plans are made available for eligible employees.

Health and Safety

The Group is committed to health and safety best practice as an integral part of its business activities. Good health and safety management safeguards our employees and those who may be affected by our activities and supports the Group in achieving its business objectives.

Environment

The Group recognises that it has a responsibility to manage the impact of its businesses on the environment, both now and in the future. Key areas of focus continue to be:

- development of energy saving products
- energy use and emissions from its occupied premises and its property portfolio
- energy use from manufacturing processes
- waste created in manufacturing, warehousing and offices

The Group seeks to reduce its carbon footprint by reducing energy consumption throughout its operations, minimising and recycling waste and reducing packaging in its products.

Directors

The present membership of the Board is set out below:

C. R. Dick	**Executive Chairman**
G. D. Ashton	**Group Finance Director**
M. Laxton	**Executive Director**
R. I. Dick	**Non - Executive Director**
J. Godfrey	**Non - Executive Director**
P. A. J. Latham	**Non - Executive Director**
J. C. Finch-Dick	**Non - Executive Director**

Mr. C. R. Levick retired as an Executive Director on 30 June 2014 after 26 years service with the Company Ms. M. Laxton was appointed as an Executive Director on 23 September 2014 and, in accordance with Article 79 of the Company's Articles of Association, offers herself for election at the Annual General Meeting. All other Directors served throughout the year.

Mr. J.C. Finch-Dick retires in accordance with the terms of his service contract and will offer himself for re-election at the Annual General Meeting.

Directors' interests

The interests of the Directors in the shares of the company are shown below:

Ordinary shares	At 31 December 2014	At 31 December 2013
C. R. Dick	**11,888**	11,888
G. D. Ashton	**3,800**	3,800
M. Laxton	**50**	–
R. I. Dick	**7,540**	7,540
J. Godfrey	**900**	900
J. C. Finch-Dick	**2,461**	2,461

Mr. C.R. Dick, Mr. R.I. Dick and Mr. J.C. Finch-Dick are shareholders in WL Shareholding Limited, the Company's holding company.

Corporate Governance

The section on Corporate Governance is elsewhere in this report. The Board sets the tone for the way in which the Group operates and is committed to running the business in a responsible way. The Board considers current performance, strategy and acquisitions, risk management and internal controls throughout the year. The executive management disseminates the values and standards of the Board throughout the Group.

Research and Development

The Group's policy is to invest in innovation and development at a level that ensures it retains and enhances its market position.

‘Stockport Council was amongst the first customers to use Lucy Zodion’s Vizion management system – which uses wireless technology to monitor and control street lighting remotely – to manage its lighting. On completion around 3,000 Central Management Nodes will have been fitted to selected street lights in and around the streets of Stockport. These Nodes communicate with a Collector, which then feeds data gathered into the Vizion system’.

Report of the Directors

Treasury

The Group operates a centralised treasury function which is responsible for managing liquidity, interest, commodity and foreign currency risks. As part of its strategy for the management of these risks, the Group uses financial derivatives. In accordance with Group treasury policy, financial derivatives are not entered into for speculative purposes.

- **Liquidity risk**

  The Group manages its cash and borrowing requirements centrally to minimise net interest expense within risk parameters set by the Board whilst ensuring the Group has sufficient liquid resources to meet the operating needs for the Group's businesses.

- **Interest rate risk**

  Interest rate risk arises on the Group's borrowings and is addressed by taking out forward cover up to a maximum of 60% of total borrowings for periods of up to five years. This does not eliminate the risk but provides some certainty.

- **Commodity risk**

  Commodity cost risk arises on base metals used in the Group's electrical businesses. This risk is addressed, wherever possible, by increasing customer prices through contract variation clauses or by entering into financial instruments on commodities when this is considered to be the most efficient way of protecting against price movements.

- **Foreign currency risk**

  Foreign currency transaction risks typically arise because the Group's sales in Euros, Thai Baht and in currencies linked to the US Dollar are greater than its purchases in such currencies. The Group's policy is to substantially hedge its forecasted net currency exposure using forward currency contracts and options, in order to protect forecast gross margins one year ahead. US Dollars are used as a proxy for hedging exotic currencies pegged to the US Dollar, such as SARs and AEDs, because a liquid financial derivative market is available. In addition, negotiations with suppliers continue and will result in matching of currencies to allow increased netting of currency flows.

  Translation exposure to currency movements in overseas net assets are hedged using foreign currency loans, forward currency contracts and options.

- **Donations**

  Total charitable donations during the year were £51.9k (2013: £69.4k). These comprised £49.3k for community projects (2013: £36.0k), £0.3k for educational projects (2013: £33.0k) and £2.3k for other projects (2013: £0.4k). No political contributions were made (2013: Nil).

Close Company Provisions

The Company is a close company within the meaning of the Income and Corporation Taxes Act 1988.

Disclosure of Information to Auditors

In so far as the Directors are aware:

- there is no relevant audit information (information needed by the Company's Auditors in connection with preparing their report) of which the Company's Auditors are unaware, and;
- the Directors have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

Auditors

Wenn Townsend have expressed their willingness to continue in office as Auditors of the Company and a resolution proposing their re-appointment will be put to the members at the Annual General Meeting.

By order of the Board

Madeline Laxton
Company Secretary
5 March 2015

Statement of Principal Risks and Uncertainties

The assessment and management of risk is the responsibility of the Board, and the development and execution of a comprehensive and robust system of risk management is a high priority. The Board receives regular reports covering risks and mitigating actions arising from external and corporate factors.

Key business risks are currently identified as follows:

Risk and Impact	Mitigation
Group strategy development and implementation	
There is a risk that the Group strategy does not deliver sustainable business growth and profits.	The Board reviews business strategy on a regular basis to determine how sales and profit budgets can be achieved or bettered and business operations made more efficient. The process involves the setting of annual budgets and longer term financial plans to identify ways in which the Group can increase shareholder value. Critical to these processes are the consideration of the wider political, economic and industry specific trends that affect the Group's businesses.
Treasury and financial risk management	
The main risk for the Group is the availability of funds to meet business needs. Higher debt levels would result in an increase in the proportion of cash flow dedicated to servicing debt and potentially increase its exposure to interest rate fluctuations. The geographic spread of the Group means that its financial results can be affected by movements in foreign exchange rates.	The Group has a significant proportion of its borrowing denominated in US Dollars to mitigate the risk of movements in foreign exchange rates. The Group operates a centralised treasury function which is responsible for managing its liquidity, interest and foreign currency risks. The Group's treasury policy allows the use of derivative products provided they are not entered into for speculative purposes.
Credit risk and liquidity	
The Group is exposed to credit risk from its business customers and key suppliers whose services are essential to the business and also face credit risk.	Credit risk procedures are in place and are regularly reviewed. The Group's risk assessment procedures for key suppliers enable it to identify alternatives and develop contingency plans in the event that any of these suppliers fail. The Group has adequate medium term financing in place to support its business operations for the foreseeable future.

Risk and Impact	Mitigation
People	
The expertise, commitment and support of Group employees are central to continued business success. Ensuring the Group maintains the right mix of skills, knowledge and experience to support a high performing organisational culture is a key ongoing challenge for the business.	The Group continually seeks to supplement existing capabilities by both attracting new talent and by developing employee skills. The Group's apprentice and graduate schemes are a key example of how these challenges are being met.
Product design	
The success of the Group depends on providing high quality products that meet our customers' needs. There are always inherent risks in the introduction of new technologies and the entry into new markets.	Executive Directors and Senior Management continually review product development programmes to ensure as far as possible, that they will successfully meet business objectives and customer requirements.
Key suppliers and supply chain management	
The Group relies on its supplier base to deliver products on time and to the standard it specifies.	The Group continually seeks ways to develop and extend its supplier base so as to reduce any over-reliance on particular suppliers of products and services and to improve the competitiveness of its product offering.
IT systems and business continuity	
The Group is dependent upon the continued availability and integrity of its computer systems. Each of its businesses must record and process a substantial volume of data accurately and quickly. The Group expects that its systems will require continuous enhancements and ongoing investment to prevent obsolescence and maintain responsiveness to business needs.	The Group continues to review and develop its disaster recovery and business continuity plans. A Senior Executive is responsible for the IT systems and has a suitably qualified team in support. Critical areas are subject to testing and include rapid recovery as well as sound data back-up procedures.
Subcontractors, licence agreements and joint ventures	
When entering new markets, the Group has used subcontractors, licences and joint ventures with local partners. This provides the Group with local knowledge, expertise and better market access. With these benefits comes the risk that the interests of the parties will not always remain aligned. This can lead to business disruption, dispute and ultimately litigation.	The Group seeks to ensure that Group companies are not over-reliant on any one subcontractor, partner or joint venture party. The Group also undertakes financial monitoring of subcontractors and partners and endeavours to maintain a dialogue with them in order to identify any issue or cause for concern.
Pensions	
In addition the Group has to fund its defined benefit pension scheme and ensure that sufficient contributions are made to meet outstanding liabilities as they fall due.	The Company reviews the options regarding the actions it can take to mitigate its long-term risk and consults professional advisers as necessary.

Corporate Governance

Guiding Principle

The Board recognises that sound corporate governance principles help to safeguard the business and its long-term success by embedding best practice in transparency, internal control and risk management across the Group's businesses, and engendering trust between the management and our stakeholders.

The Board of Directors

The Board of Directors has a duty to promote the long-term success of the Company for its shareholders. It is responsible for major policy decisions and setting the Group's strategy, whilst delegating more detailed matters to its Committees and the Executive Directors. The Board is responsible for the Group's system of internal control and for monitoring implementation of its policies.

Internal Control and Risk Management

The system of internal control is designed to manage rather than eliminate risk of failure to achieve business objectives, and can only provide reasonable, not absolute, assurance against material mis-statement or loss. The Board holds regular meetings where it approves major decisions, including significant items of capital expenditure, investments, treasury and dividend policy. The Board is responsible for approving annual Group budgets. Performance against budget is reported to the Board and substantial variances investigated. Forecasts of each quarter are prepared and reviewed by the Board. In addition, open and frequent discussions are held and a considerable amount of information is provided to Non-Executive Directors.

The Company has a formal Whistleblowing Policy in place through which employees can raise genuine concerns of possible wrongdoing in confidence, to the Company Secretary.

Board Committees

The Board has an Audit Committee and a Remuneration Committee with formal written terms of reference which are reviewed regularly. Each Committee is comprised of Non-Executive Directors and the Company Secretary advises and acts as Secretary to the Committees according to the terms of reference for each Committee.

The Audit Committee comprises three Non-Executive Directors and meets on at least two occasions per year and consults with external Auditors and Senior Management. The Committee considers the effectiveness of the risk management process, and significant risk issues are reported to the Board for consideration. The Committee also considers financial reporting and reviews the Group's accounting policies relating thereto. In particular, major accounting issues of a subjective nature are discussed by the Committee.

The Remuneration Committee comprises three Non-Executive Directors and the Executive Chairman. The Committee's objective is to review and set a competitive level of remuneration for the Executive Directors.

External Auditors

Wenn Townsend have reported to the Audit Committee that, in their professional judgement, they are independent within the meaning of regulatory and professional requirements, and the objectivity of the audit engagement partner and audit staff is not impaired. The Audit Committee has reviewed this statement and concurs with its conclusion.

Directors' Responsibilities

The Directors are responsible for preparing 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, the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and Applicable Law). 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 the profit or loss of the Company for that period.

In preparing these financial statements the Directors are required to:

- select appropriate accounting policies and apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and, hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Relations with Shareholders

The Board acknowledges that its primary role is to represent and promote the interests of shareholders. The Board is accountable to shareholders for the performance and activities of the Group.

The Board communicates with its shareholders in respect of the Group's business activities through its Annual Report and Accounts, and half-yearly announcement. The Company makes effective use of its AGM, and shareholders attending in person or via web link have an opportunity to ask questions or represent their views at the meeting.

Going Concern

The Directors report that, having reviewed current performance and forecasts, the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason they have continued to adopt the going concern basis in preparing the accounts.

By order of the Board,

Madeline Laxton
Company Secretary
5 March 2015

Lucy Group

Built on strong foundations

A privately owned international Group with four distinct divisions, the Lucy Group spans sixteen different locations in eight countries and employs over 1,200 people. Our mission is to deliver intelligent solutions to customers and become the leader in each of the markets we serve. Underpinning our success are innovation, excellence, and commitment to quality in everything we do.

Another record year

Record sales of £161m marked out 2014 as another strong year for the Lucy Group. Building on the success of 2013, the Group benefited from improving market conditions in the UK and overseas, with sales growth of 6%. Operating profit was £18.8m, and shareholders' funds at the end of the year exceeded £150m.

As the recovery in the UK economy gathered pace, an improving home market helped drive sales growth in 2014, whilst continued exposure to the Middle East and emerging markets continued to provide significant growth opportunities for the longer term.

Our core values

Our core values of innovation and excellence underpin everything we do. To this end, we remain committed to investing in product development and production capability. Levels of capital investment during the year therefore remained high, at £10.8m as we continued building a robust, sustainable business for the long-term benefit of our stakeholders.

October 2014 saw the opening of a new manufacturing facility in Thailand which provides Lucy Electric with the production capacity required to capitalise on sales opportunities in the Far East.

Investing in people

Our success or failure comes down to the strength of our people, and investment in human capital continued during the year. We continued to strengthen our future skills base by expanding our apprenticeship scheme and graduate intake, whilst our board was strengthened by the appointment of Ms. Madeline Laxton as an Executive Director. She remains the Group's Company Secretary.

Information technology

A programme of investment in the Group's IT infrastructure continued during the year, with a series of major IT software projects initiated in each of the Group's businesses with the objective of delivering efficiencies and improvements in performance.

Shareholders' funds exceed

£150 million

THE SUNDAY TIMES TOP TRACK 250 2014

Top Track 250

The Company was named as one of the UK's leading mid-market private companies during the year, achieving a ranking at number 224 in the Sunday Times Top Track 250 index. Based on sales performance, the Top Track 250 is an established, authoritative yardstick which marks success in the non-listed sector.

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Lucy Electric

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Rebranding

The Lucy Switchgear business underwent a re-branding exercise during the year, to become Lucy Electric. More versatile and representative of our offering, the new global brand better informs customers of our product and service capabilities. Initial customer feedback has been very positive.

A newly designed website at www.lucyelectric.com was also launched during the year.

Creating **success through investment**

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Lucy Electric

Engineering intelligent solutions

Serving an international customer base from sales and manufacturing facilities around the world, Lucy Electric has a long-held and enviable reputation in the power distribution industry. From a global engineering centre in Thame, Oxfordshire, Lucy Electric designs and supplies intelligent solutions and services for electrical distribution systems.

Delivering sustainable growth

Building on the success of 2013, sales at Lucy Electric continued to grow in 2014. Whilst the rate of growth slowed over previous years, the focus on expanding Lucy Electric's geographical spread moved up a gear, with the opening of a new sales office in Bangkok to bolster our international network and improve responsiveness to latent demand in the region.

The last quarter of 2014 saw another milestone in our commitment to investing in manufacturing capability, as Lucy Electric opened its dedicated manufacturing facility in Thailand. The grand opening in October attracted strong interest from key regional customers and industry stakeholders providing a strong platform to further build our expertise and reputation in the region.

Investment in innovation

Innovation has always been at the core of Lucy Electric's vision and it continued to be a priority in 2014. This year saw the establishment of an additional engineering centre in India, boosting the pace of product innovation and supporting our global design and engineering centre in Thame, Oxfordshire. Research and development expenditure increased by 46% over the year and will accelerate further in 2015, as a full year's contribution from the engineering centre in India is realised.

Intelligent solutions

We are committed advocates of intelligent solutions to electricity distribution challenges and active in the field of Smart Grid technology. In some of our less developed overseas markets this customer-focused philosophy continues to drive Lucy Electric's success and industry reputation. In May, we installed Kenya's first 11Kv distribution automation system, which has reduced average customer interruptions from 2 hours to 20 seconds and is one example amongst many of Lucy Electric helping to facilitate intelligent electrical networks for the benefit of both customers and national infrastructures.

People

Success pivots on the commitment of our employees and their engagement, empowerment and development is of paramount importance to Lucy Electric's mission. To this end, we conducted an employee satisfaction survey across Lucy Electric in September 2014. With a response rate of 82%, the survey revealed 80% of respondents to be 'engaged' with the business in their day-to-day working lives, answering positively on a number of key satisfaction indicators such as customer focus, team working and management style.

2014 was also a year of change at the top, as Chris Levick retired from his post as Chief Executive Officer in June, after 26 years of service. The Board would like to extend their gratitude for his outstanding contribution to the business.

In May 2014, John Griffiths joined Lucy Electric as its new CEO. An electrical engineer by profession, John also brings with him a wealth of business experience, having held several senior management posts within the electrical engineering industry.

01 - John Griffiths, CEO of Lucy Electric appointed May 2014

02 - Customer product demonstration

03 - Thailand manufacturing unit

04 - Apprentice training

05 - Demonstration of Smart Grid

Lucy Zodion

Leading the way in lighting

Lucy Zodion is an innovator in the specialist field of energy efficient street lighting control products designed to reduce the energy consumption and carbon footprints of its customers.

A leader in its niche market, Lucy Zodion designs and manufactures street lighting equipment including photocells, LED drivers, electronic ballasts and control equipment. Lucy Zodion facilitates bespoke, environmentally focused solutions to customers for whom cost and efficiency is paramount, with a focus on delivering the most durable and sustainable solutions.

Steady performance

The environment in 2014 remained tough, with continued government spending cuts still being felt in a difficult market. Despite the conditions, Lucy Zodion made steady progress and delivered sales growth over the year. As market sentiment and the industry outlook improves, the newly integrated business remains well placed to respond to growing demand.

Investment in energy efficient solutions

With a focus on cost reduction and minimising environmental impact, energy efficiency continues to be the watchword across the street lighting industry. The same philosophy lies at the heart of Lucy Zodion's strategy. Amongst our product offerings, Vizion central management systems and correcting part-night photocells (which adjust for changing light and night patterns) have helped deliver tighter control of street lighting networks and drive efficiency for our customers.

Alongside these core products, the industry has seen a shift towards more energy efficient LED street lighting, and our response has been to develop a range of energy efficient LED drivers. 2015 will see continued investment in design and engineering capabilities as Lucy Zodion strengthens its offering in this area.

New markets, new locations

Lucy Zodion's strategy of expansion into non-highway business sectors gathered momentum during the year as it was awarded approved supplier certification through the UK rail industry's pre-qualification scheme, which is used extensively by buyer organisations in the rail industry when awarding supply contracts. During the year, a UK Sales and Commercial Manager was also appointed to help spearhead our growth strategy in the rail sector.

Following sustained growth in the pre-wired pillars business, in March 2014 we moved our feeder pillar manufacturing team to a new facility in Milton Keynes. With enhanced links to local suppliers, the new facility will allow shorter lead times and benefit our growing customer base. We also acquired the freehold to Lucy Zodion's site in Sowerby Bridge, West Yorkshire, which will enable the expansion of its office and manufacturing facilities.

As part of redevelopment work at the Llanwern Steel Works, a new link road connecting a newly built housing estate was created. Lucy Zodion supplied products for the street lighting infrastructure for this link road.

01

02

Innovative **solutions for energy reduction**

03

04

01 - Sowerby Bridge Site

02 - Electrical testing

03 - Final assembly

04 - Finished product awaiting packaging

Lucy Castings

01 - Richard Dick opening Lucy Castings' Oldbury site

02 - Redeveloped office building, Oldbury

03 - Copper based centrifugal casting

04 - Production discussion

Investing **for the future**

Lucy Castings

Over 200 years of expertise

The Group can trace its roots to the early 1800s as an iron foundry in Jericho, Oxford. More than 200 years later, specialist metal castings remain a core component of its business portfolio. Lucy Castings provides specialist aluminium, iron and copper-based castings, fusing traditional craftsmanship with the latest technology to deliver bespoke solutions to its customers.

Investment delivers results

Lucy Castings began to reap the benefits of its investment strategy in 2014, with year-on-year growth achieved via a mix of organic sales and the inclusion of full-year sales from Truscanian, following the acquisition of the West Midlands based aluminium castings business in 2013.

An integrated approach

Investment in both our aluminium and iron and copper-based castings businesses, together re-branded in 2013 under the Lucy Castings banner, continued apace during 2014. In November 2014, we completed the re-development of the Truscanian Foundries site in Oldbury, West Midlands, at a cost of £1.3m. The expansion and upgrading of existing operational facilities entailing the refurbishment of existing office buildings and the completion of a new 558 square metre fettling building, have increased production capacity and efficiency.

We also embarked on a substantial investment programme in new plant and machinery, and as part of the integration of Sandawana and Truscanian, are implementing a new software application to digitally capture operational data, enhance management information flows and improve decision-making.

People

Even in Lucy Castings' steadfastly industrial environment, people development remains a core thread running through the business. As part of our commitment to continuous development, we introduced training in lean manufacturing processes during the year, helping to bring greater efficiency to the production process and further engage employees in the reduction of waste and improvement of product quality.

There was also significant change in the management of Lucy Castings during the year, as Ray Jackson retired as Managing Director of Sandawana Castings after 25 years of service. During his tenure, Ray transformed Sandawana into a modern, growing iron foundry.

Craig Grant joined as CEO of Lucy Castings in May 2014. An experienced professional from the foundry industry, Craig is well placed to build on the platform for growth already established. Craig has already started strengthening the management team in order to take on the challenge of running a multi-site manufacturing business.

Lucy Real Estate

Building value over the long-term

Three separate income streams define the Lucy Real Estate business. Lucy Properties, one of Oxford's largest private residential landlords, has built a strong reputation by providing quality residential accommodation. The dedicated property development division, Lucy Developments, specialises in the construction of quality energy efficient homes, at carefully selected sites in Oxfordshire. Lucy Block Management provides bespoke services to residents' management companies.

Our strategy

To be a leader in the Oxford residential property market, delivering sustainable long-term returns to our stakeholders from sales, rents and fee income. The business reflects the changing dynamics of the residential property market in Oxford. We will use our core skills (investing, letting, management and development) and our agility to take advantage of the opportunities presented by these changes.

Our core business

To provide quality residential property in Oxford, to undertake development of quality homes in Oxfordshire and provide bespoke services to residents' management companies. The business will continue to actively acquire assets while they remain available and provide appropriate levels of return.

Our long-term vision

To be the leading landlord of high quality residential property in Oxford that enables people to increase their housing choices. This entails a strong recognised brand that will help people move seamlessly both from location to location and through different price points.

Improving financial returns

Lucy Real Estate enjoyed another strong year, with pre-tax profit ahead of last year. Climbing residential property values also led to an increase in the value of our property portfolio to £110.8m.

Lucy Properties' rental income reached £6.5m per annum and the on-going programme of investment in the refurbishment and upgrading of the property portfolio continued during 2014. This year also saw modest investment in expanding the portfolio with the strategic acquisition of a flat in Walton Street, Oxford.

Developing strong foundations

Maximising the returns available in Oxford's competitive residential property market remains a priority of the Lucy Real Estate strategy.

Lucy Developments had a busy year, completing the sales of its Upland Park Road development and the construction and sale of its Wolvercote development. It has three sites under construction, comprising 25 properties, with onward sales expected to complete in 2015 and 2016.

Lucy Developments continues to seek out further growth through new development opportunities.

01 - Pond Farm development

02 - Lucy branded maintenance vehicle

03 - Completed Wolvercote, Oxford development

04 - Property letting team

05 - Surveying at Cumnor Hill development

06 - Routine repairs by the maintenance team


01

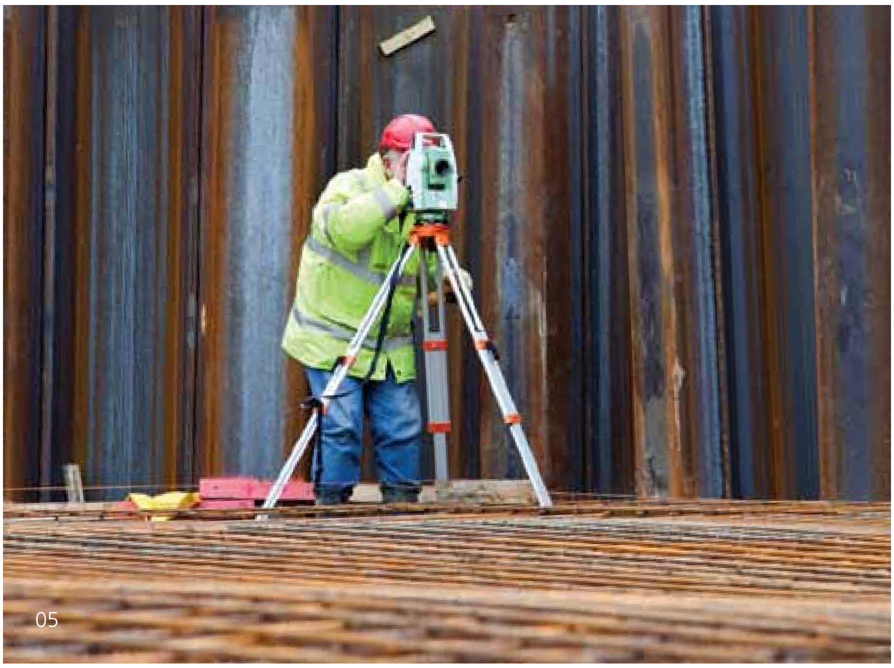

02

Building **sustainable long-term returns**


03


04

Lucy Real Estate


05


06

Independent Auditors' Report to the Shareholders of W. Lucy & Co. Ltd.

We have audited the financial statements of W. Lucy & Co. Ltd. for the year ended 31 December 2014 which comprise the Group profit and loss account, the Group and Parent Company balance sheets, the Group cash flow statement, the Group statement of total recognised gains and losses, the Group and Parent Company reconciliation of movements in shareholders' funds and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of Directors and Auditors

As explained more fully in the Directors' responsibilities statement set out on page 17, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2014, and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us 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 Parent Company 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 of the information and explanations we require for our audit.

Anthony Haines BSc, FCA (Senior Statutory Auditor)
For and on behalf of Wenn Townsend
Chartered Accountants and Statutory Auditors
30 St. Giles
Oxford
OX1 3LE

5 March 2015

Consolidated Profit and Loss Account

For the year ended 31st December, 2014

	Note	2014 £000	2013 £000
Turnover: Group and share of joint venture		169,376	157,098
Less: share of joint venture turnover		(8,458)	(5,041)
Group Turnover	3	**160,918**	**152,057**
Cost of sales		(108,161)	(100,021)
Gross profit		**52,757**	**52,036**
Selling and distribution		(24,631)	(24,072)
Administration		(7,878)	(6,568)
Research and development		(5,664)	(3,889)
Other operating income		3,550	3,296
Group operating profit	4	**18,134**	**20,803**
Share of operating profit in joint venture		654	265
Operating profit		**18,788**	**21,068**
Profit on fixed assets	5	23	124
Exceptional items	8	(2,737)	(6,389)
Profit on ordinary activities before interest		**16,074**	**14,803**
Investment income	9	1,052	527
Interest payable and similar charges	10	(325)	(476)
Profit on ordinary activities before taxation		**16,801**	**14,854**
Tax charge on profit on ordinary activities	11	(1,282)	(2,258)
Profit on ordinary activities after taxation		**15,519**	**12,596**
Dividends	32	(1,382)	(1,461)
Retained profit for the year		**14,137**	**11,135**
Earnings per share	12	3,154p	2,560p

All of the profit for the above two financial periods has arisen from continuing activities.

Consolidated Statement of Total Recognised Gains and Losses

For the year ended 31st December, 2014

	2014	2013
	£000	£000
Profit for the year after tax	15,519	12,596
Revaluation of investment properties	7,320	2,620
Translation differences on foreign currency net investments	626	(329)
Actuarial loss net of taxation relating to the pension scheme	(5,589)	(394)
Total recognised gain since last report	**17,876**	**14,493**

Consolidated Balance Sheet

As at 31st December, 2014

	Note	2014 £000	2014 £000	2013 £000	2013 £000
Fixed Assets					
Tangible assets	13		138,292		126,217
Intangible assets	14		2,443		2,474
Investment in joint venture					
Share of gross assets		4,154		3,292	
Share of gross liabilities		(1,894)		(1,551)	
	15		2,260		1,741
Other investments	15		1,064		1,069
			144,059		**131,501**
Current Assets					
Stocks	16	26,216		24,124	
Debtors	17	35,558		27,867	
Investments	18	36		22	
Cash at bank and in hand		14,139		13,387	
		75,949		**65,400**	
Creditors					
Amounts falling due within one year	19	(35,217)		(29,593)	
Net current assets			40,732		35,807
Total assets less current liabilities			**184,791**		**167,308**
Creditors					
Amounts falling due after more than one year	20		(15,883)		(17,297)
Provisions for liabilities and charges	22		(9,808)		(11,054)
Net assets before post-retirement liability			**159,100**		**138,957**
Post-retirement liability	23		(6,938)		(3,283)
Net assets			**152,162**		**135,674**
Capital and reserves					
Share capital	24		492		492
Capital reserves	25		69		161
Currency revaluation reserve	25		1,439		813
Revaluation reserve	25		73,401		66,081
General reserve	25		10,000		10,000
Profit and loss account	26		66,761		58,127
Shareholders' funds	27		**152,162**		**135,674**

Approved by the Board of Directors on 5 March 2015 and signed on its behalf.

C. R. Dick
Executive Chairman

G. D. Ashton
Group Finance Director

Company Balance Sheet

As at 31st December, 2014

	Note	2014 £000	2014 £000	2013 £000	2013 £000
Fixed Assets					
Tangible assets	13		116,679		108,562
Investments	15		43,962		26,747
			160,641		**135,309**
Current Assets					
Debtors	17	5,035		7,151	
Investments	18	36		22	
		5,071		**7,173**	
Creditors					
Amounts falling due within one year	19	(10,179)		(7,713)	
Net current liabilities			(5,108)		(540)
Total assets less current liabilities			**155,533**		**134,769**
Creditors					
Amounts falling due after more than one year	20		(13,783)		(15,686)
Provisions for liabilities and charges	22		(6,021)		(7,766)
Net assets before post-retirement liability			**135,729**		**111,317**
Post-retirement liability	23		(6,938)		(3,283)
Net assets			**128,791**		**108,034**
Capital and reserves					
Share capital	24		492		492
Capital reserve	25		31		31
Currency revaluation reserve	25		(1,021)		1,101
Revaluation reserve	25		72,206		64,886
General reserve	25		10,000		10,000
Profit and loss account	26		47,083		31,524
Shareholders' funds	**27**		**128,791**		**108,034**

Approved by the Board of Directors on 5 March 2015 and signed on its behalf.

C. R. Dick
Executive Chairman

G. D. Ashton
Group Finance Director

Consolidated Cash Flow

For the year ended 31st December, 2014

	Note	2014 £000	2013 £000
Net cash inflow from operating activities	29	15,952	20,245
Returns on investment and servicing of finance	30	610	39
Taxation		(1,605)	(1,502)
Capital expenditure and financial investment	30	(10,395)	(9,085)
Purchase of subsidiary undertaking		-	(1,000)
Cash inflow		**4,562**	**8,697**
Equity dividends paid	32	(1,382)	(1,461)
Cash inflow / (outflow) before use of liquid resources and financing		**3,180**	**7,236**
Financing activities			
Loans		(2,428)	(4,246)
Net increase in cash for the period		752	2,990

Lucy Electric Apprentices – CAD training

Principal Accounting Policies

Basis of preparation

The accounts are presented in £ sterling and rounded in thousands.

They are prepared on a going concern basis as referred to in the Corporate Governance Statement on page 17. The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards adjusted to include the valuation of the Group's investment properties.

Details of changes to accounting policies made during the year are given in note 1 to the accounts.

Basis of consolidation

The Company is domiciled in England. All subsidiary accounts are made up to 31st December and are included in the consolidated accounts. The joint venture has a year end of 31st March and the accounts for the year to 31st December are included in the consolidated accounts. The Group accounts for the year comprise the consolidated accounts of the company and its subsidiaries and are prepared in accordance with United Kingdom Generally Accepted Accounting Practice ('UK GAAP').

Goodwill and other intangibles

Goodwill arising on acquisition prior to 31st December 1998 has been written off to consolidated reserves. The cumulative amount of positive goodwill written off is £630,200. On disposal of a business, the gain or loss on disposal includes the goodwill previously written off on acquisition. Following the introduction of FRS 10, the Group chose not to restate goodwill that had been eliminated against reserves. Goodwill arising on acquisitions after 1st January 1999 has been capitalised and, under UK GAAP, is amortised on a straight line basis over its estimated useful life, with a maximum of 20 years.

Other intangible assets are stated at cost less accumulated amortisation. The costs of acquired intangible assets are their purchase cost together with any incidental costs of acquisition. Amortisation is calculated to write off the cost of the asset on a straight line basis at the following annual rate:

Licences 10%

Amortisation is disclosed in other operating expenses in the profit and loss account. The residual value, if significant, is reassessed annually.

Impairment

The carrying amount of the Group's goodwill is reviewed annually to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the profit and loss account.

Investments in subsidiary undertakings

Investments in subsidiary undertakings including long term loans are included in the balance sheet of the company at the lower of cost and the expected recoverable amount. Any impairment is recognised in the profit and loss account.

Investments in joint ventures

Investments in entities other than subsidiary undertakings in which the Group shares joint control of the entity are treated as joint ventures.

Translation of foreign currency

Overseas companies' profits, losses and cash flows are translated at average exchange rates for the year, and assets and liabilities at rates ruling at the balance sheet date. Exchange differences arising on foreign currency net investments are taken to reserves. Exchange differences arising in the normal course of trading are taken to the profit and loss account.

Financial instruments

Gains and losses on hedging instruments are not recognised in the profit and loss account until the exchange movement on the item being hedged is recognised.

Hedge of net investment in overseas companies

The portion of the gain or loss on an instrument used to hedge a net investment in an overseas company that is determined to be an effective hedge is recognised directly in equity. The ineffective portion is recognised immediately in the profit and loss account.

Turnover

Turnover represents the sale of goods and services and is stated net of sales taxes.

Operating expense classification

Cost of sales comprises material, labour, manufacturing and service expenses, sub-contracted services, installation, commissioning, warranty and rectification costs.

Selling and distribution expenses include logistics, information systems, contract engineering, selling and marketing expenses.

Research and development expenditure comprises all product design and development costs.

Administration expenses comprise finance, legal and human resources expenses together with the costs of each business General Manager and the board.

Research and development

Expenditure on research and development is written off in the year in which it is incurred.

Pensions

In the United Kingdom the Group operates a pension scheme providing benefits based on final pensionable pay for eligible employees who joined on or before 10th April 2002. The scheme is administered by trustees and the funds are independent of the Group's finances. The pension cost of the defined benefit scheme is charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the Group. A stakeholder scheme managed by AEGON Scottish Equitable was available for eligible UK employees and was replaced by the Lucy Group Personal Pension Plan during the year with Sterling ISA Managers Limited, trading as Zurich Money4Life™, as the provider. The pension cost of these schemes is charged as incurred.

Employee benefits are provided elsewhere in the Group through defined benefit schemes in accordance with local labour laws. In the U.A.E. and Saudi Arabia unfunded end of service plans are made available for eligible employees and in India contributions are made to a fund administered and managed by the Life Insurance Company of India. In Malaysia contributions are made to the Employees' Provident Fund (EPF), the national defined contribution plan, and in Thailand to a defined contribution scheme managed by TISCO Asset Management Co. Ltd.

Distinction between investment and trading properties

The Group considers the intention at the outset when each property is acquired in order to classify the property as either an investment or a trading property. Where the intention is to hold the property for its long-term rental yield and/or capital appreciation, the property is classified as an investment property. Where the intention is to either develop or trade the property it is classified as a trading property.

Principal Accounting Policies

Investment properties

Investment properties are valued annually and are included in the financial statements at open market value on an existing use basis. The directors arrive at this valuation after taking appropriate professional advice as to the relevant bases. The aggregate surplus or deficit is transferred to revaluation reserve. No depreciation is provided in respect of investment properties. Freehold land is valued annually and included in the financial statements at open market value. Prior to completion investment properties under construction are included in the financial statements at cost.

In complying with SSAP 19 "Accounting for Investment Properties" the company has departed from the requirements of the Companies Act 2006 for all properties with finite lives to be depreciated. This departure, which is generally accepted practice for companies owning investment properties, is necessary in the opinion of the directors for these financial statements to show a true and fair view in accordance with the applicable accounting standards. The effect of depreciation is one of the factors reflected in the valuation of the investment properties, but the amount so attributable cannot be separately identified or quantified.

Finance costs

Interest costs that are directly attributable to the development of investment properties are capitalised as part of the cost of those assets.

Depreciation

No depreciation is charged on freehold land and investment properties. Other fixed assets are depreciated on a straight-line basis to residual value at the following annual rates:

Freehold buildings	Straight line over expected useful life
Leasehold premises	Term of lease, not exceeding 50 years
Plant and equipment	6.7 - 25%
Fixtures and fittings	10 - 33%
Computer equipment	25%
Computer software costs	33%
Motor vehicles	25%

Investments

Investments are stated at cost subject to review for impairment.

Stocks

Stocks are valued at the lower of cost and net realisable value. Work in progress, including long term contracts, and goods for resale include attributable overheads. Net realisable value is the estimated selling price reduced by all costs of completion, marketing and distribution.

Residential trading properties are carried in the balance sheet at the lower of cost and net realisable value. In assessing net realisable value the Group uses valuations carried out by its own in-house surveying team.

Net debt

Net debt comprises cash and liquid resources less borrowings. Cash comprises cash in hand and held with qualifying financial institutions in current accounts or overnight deposits net of overdrafts with qualifying financial institutions. Liquid resources include term deposits with qualifying financial institutions and are classified as investments under current assets. Borrowings represent term loans, revolving multicurrency loan facilities and finance leases from qualifying financial institutions classed as liabilities.

Tax

Corporation Tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected tax payable on the taxable income 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 using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The amount of deferred tax provided is calculated using tax rates enacted or substantively enacted at the balance sheet date and expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which these temporary differences can be utilised.

Leases

The Group has no material assets held under finance leases. Operating lease rentals are charged to the profit and loss account on a straight line basis over the course of the lease period.

Notes to the Accounts

1. Accounting policies and presentation

There are no significant changes in accounting policies and financial reporting standards in this year's accounts.

2. Profit for the financial year

The Company has not presented its profit and loss account as permitted by Section 408 of the Companies Act 2006. The Group profit for the year after taxation includes a profit of £22.5m (2013: £12.2m) which is dealt with in the financial statements of the Company. The Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with its subsidiaries.

3. Analysis of turnover and profit between activities and markets

The total turnover of the Group was £160.9m (2013: £152.1m) of which £9.6m (2013: £9.5m) related to UK exports. In the opinion of the Directors it would be prejudicial to the interests of the Group to disclose a detailed analysis of turnover or profit.

4. Operating profit

	2014	2013
a) Operating profit is stated after charging :	£000	£000
Depreciation of tangible fixed assets	4,409	4,058
Amortisation of goodwill	353	348
Operating lease rentals		
• Plant & machinery	475	499
• Land & buildings	1,197	982
Research and development	5,664	3,889
Directors' remuneration (see note 7)	1,121	917
Auditors' remuneration (see note 4c)	121	103
Hire of plant	15	7
Gain/(loss) on translation of foreign currency	120	(350)
b) Operating profit is stated after crediting:		
Rental income	6,537	6,159
Less related expenses	(3,228)	(3,235)
	3,309	2,924

4. Operating profit (continued)

	2014	2013
c) Auditors' remuneration	£000	£000
Audit of these financial statements	25	18
Amounts received by auditors and subsidiary auditors in respect of:		
Audit of financial statements of subsidiaries	84	71
Other services	12	14
	121	**103**
Fees in respect of and borne by the W Lucy Pension Scheme	4	4

5. Profit on fixed assets

	£000	£000
Profit in disposal of tangible assets	18	16
Profit on disposal of investments	5	108
	23	**124**

6. Staff costs

(including directors' remuneration)

	£000	£000
Wages and salaries	27,497	23,101
Social security costs	1,754	1,507
Pension costs	1,762	1,300
	31,013	**25,908**

The average number of employees during the year was 1,214 (2013: 1,090) of which 119 were administrative (2013: 102).

Notes to the Accounts

7. Emoluments of directors

	2014	2013
	£000	£000
Emoluments, excluding pension contributions, of Directors of the Company	1,121	917
Emoluments of highest paid director	348	354
Pension contribution	41	39
	389	**393**

The Group does not operate share option or other long term incentive schemes for the Directors.
Three Directors who served during the year are members of the defined benefit section of the W Lucy Pension Scheme; the Group made no contributions (2013: £9,557) to a supplementary defined contribution scheme in respect of these Directors.
One Director had defined contributions made to the Lucy Group Personal Pension Plan of £4,167 (2013: Nil) with Sterling ISA Managers Limited, trading as Zurich Money4Life™.
At the year end the highest paid Director had accrued pension benefits within the defined benefit section of the W Lucy Pension Scheme which, excluding the value of benefits arising from additional voluntary contributions, would entitle him to a pension of £160,461 p.a. at normal pension age (2013: £146,295).

8. Exceptional items

	£000	£000
Start-up costs	1,363	1,592
Restructuring and reorganisation costs	1,374	4,797
	2,737	**6,389**

9. Investment income

	£000	£000
Pension finance income	657	416
Income from investments	20	22
Other interest receivable	139	77
Exchange gain on overseas assets	119	-
Other income	117	12
	1,052	**527**

10. Interest payable and similar charges

	£000	£000
Bank interest	325	475
Exchange loss on overseas assets	–	1
	325	476

11. Tax on profit on ordinary activities

	2014	2013
	£000	£000
UK Corporation Tax at 21.5% (2013: 23.25%)	1,159	1,660
(Over) / under provision in previous years	(494)	146
Group current tax	665	1,806
Share of joint venture tax	212	86
Foreign tax	269	174
Total current tax	**1,146**	**2,066**
Deferred tax:		
Capital allowances	207	243
Other timing differences and allowances	(71)	(93)
Effect of decreased tax rate on opening liability	-	42
Total deferred taxation	136	192
Total tax on profit on ordinary activities	**1,282**	**2,258**

The difference between the total current tax shown above and the amount calculated by applying the standard rate of UK Corporation Tax to the profit before tax is as follows:

	2014	2013
Profit on ordinary activities before tax	16,801	14,854
Less: share of joint venture tax	(212)	(86)
Group profit on ordinary activities before tax	**16,589**	**14,768**
Tax charge at average UK Corporation Tax rate of 21.5% (2013: 23.25%)	3,567	3,434
Adjustments in respect of prior years	(494)	145
Effect of change in non-allowable general provisions	387	(21)
Net effect of differing UK tax rates	-	(1)
Net effect of differing overseas tax rates	(2,000)	(3,986)
Other non-allowable expenses	293	2,041
Depreciation in excess of capital allowances	107	127
Other	(714)	327
Group current tax charge for the period	**1,146**	**2,066**
Total deferred taxation		
Included in debtors (note 17)	207	454
Included in provisions for liabilities (note 22)	(140)	(100)
	67	**354**

Notes to the Accounts

12. Earnings per share

	2014	2013
	£000	£000
Profit on ordinary activities after taxation	15,519	12,596
Weighted average number of shares (000s)	492	492
Earnings per share	3,154p	2,560p

13. Tangible fixed assets

Group	Freehold land and buildings	Plant and equipment	Fixtures and fittings	Motor vehicles	Total
Cost or valuation	£000	£000	£000	£000	£000
At 1st January, 2014	118,297	20,795	14,580	1,362	155,034
Currency valuation adjustment	239	671	319	7	1,236
Restated opening balance	118,536	21,466	14,899	1,369	156,270
Additions	3,673	3,083	3,195	560	10,511
Disposals	-	(734)	(927)	(126)	(1,787)
Impairment	(1,246)	-	-	-	(1,246)
Revaluation	7,320	-	(429)	-	6,891
At 31st December, 2014	**128,283**	**23,815**	**16,738**	**1,803**	**170,639**
Depreciation					
At 1st January, 2014	4,621	13,040	10,296	860	28,817
Currency valuation adjustment	112	293	106	3	514
Restated opening balance	4,733	13,333	10,402	863	29,331
Charge for year	553	1,916	1,657	283	4,409
Disposals	-	(514)	(750)	(120)	(1,384)
Impairment	(9)	-	-	-	(9)
At 31st December, 2014	**5,277**	**14,735**	**11,309**	**1,026**	**32,347**
Net book value					
At 31st December, 2014	**123,006**	**9,080**	**5,429**	**777**	**138,292**
At 31st December, 2013	113,676	7,755	4,284	502	126,217

The net book value of land and buildings at 31st December 2014 comprises land of £2,208k and buildings of £120,888k.

13. Tangible fixed assets (continued)

Company	Freehold land and buildings	Plant and equipment	Fixtures and fittings	Motor vehicles	Total
Cost or valuation	£000	£000	£000	£000	£000
At 1st January, 2014	109,115	-	7,198	138	116,451
Additions	1,102	-	417	130	1,649
Disposals	-	-	(10)	(17)	(27)
Revaluation	7,320	-	-	-	7,320
At 31st December, 2014	**117,537**	**-**	**7,605**	**251**	**125,393**
Depreciation					
At 1st January, 2014	2,102	-	5,704	83	7,889
Charge for year	107	-	698	47	852
Disposals	-	-	(10)	(17)	(27)
At 31st December, 2014	**2,209**	**-**	**6,392**	**113**	**8,714**
Net book value					
At 31st December, 2014	**115,328**	**-**	**1,213**	**138**	**116,679**
At 31st December, 2013	107,013	-	1,494	55	108,562

The net book value of land at 31st December 2014 was £792k and buildings £114,536k.

Group and Company freehold land and buildings include investment properties valued by the Directors, after taking professional advice, at £110.8m for the Group (2013: £102.4m) and £110.4m for the Company (2013: £102.0m). These assets are not subject to a charge for depreciation.

Revalued freehold land and buildings at historic cost

	Group	**Company**
	£000	£000
Cost	37,425	38,183
Accumulated depreciation	-	-
Net book value at 31st December, 2014	**37,425**	**38,183**
Net book value at 31st December, 2013	36,621	37,380

Notes to the Accounts

14. Intangible fixed assets

Group

	Licences	Goodwill	Total
Cost or valuation	£000	£000	£000
At 1st January, 2014	180	3,287	3,467
Additions	322	-	322
Disposals	-	-	-
At 31st December, 2014	**502**	**3,287**	**3,789**
Amortisation			
At 1st January, 2014	66	927	993
Charge for year	23	330	353
Disposals	-	-	-
At 31st December, 2014	**89**	**1,257**	**1,346**
Net book value			
At 31st December, 2014	**413**	**2,030**	**2,443**
At 31st December, 2013	114	2,360	2,474

15. Fixed asset investments

Group	Quoted equity investments	Joint venture	Total
At 1st January, 2014	1,069	1,741	2,810
Currency valuation adjustment	-	77	77
Restated opening balance	1,069	1,818	2,887
Profits retained for the year	-	442	442
Additions	42	-	42
Disposals	(47)	-	(47)
At 31st December, 2014	**1,064**	**2,260**	**3,324**

Company	Quoted equity investments £000	Joint venture £000	Group undertakings £000	Loans to Group undertakings £000	Total £000
At 1st January, 2014	1,069	121	13,540	12,017	26,747
Currency valuation adjustment	-	-	-	898	898
Restated opening balance	1,069	121	13,540	12,915	27,645
Additions	42	-	2,229	18,776	21,047
Disposals	(47)	-	-	-	(47)
Repayments / loan waivers	-	-	-	(4,601)	(4,601)
Write back of investments	-	-	3,102	-	3,102
Reserve for loss on investments	-	-	(3,184)	-	(3,184)
At 31st December, 2014	**1,064**	**121**	**15,687**	**27,090**	**43,962**

The market value of the quoted equity investments at 31st December 2014 was £1.4m (2013: £1.3m)

Notes to the Accounts

15. Fixed asset investments (continued)

The analysis of fixed asset investments in joint ventures and Group undertakings is shown below:

	2014		2013	
Joint venture	**Group**	**Company**	**Group**	**Company**
	£000	£000	£000	£000
CG Lucy Switchgear Limited	2,260	121	1,819	121

Group undertakings	2014	2013
	£000	£000
Lucy Electric UK Limited	7,416	5,326
Lucy Electric India (Private) Limited	3,514	2,922
Lucy Zodion Limited	1,250	1,250
Lucy Electric (EMS) Limited	1,032	388
Lucy Switchgear FZE	534	534
Lucy Electric South Africa (Pty) Limited	420	-
Truscanian Foundries Limited	343	-
Truscanian Limited	321	1,110
Lucy Electric Beijing Company Limited	283	188
Lucy Switchgear Arabia Limited	210	210
Lucy Block Management Limited	200	200
Lucy Middle East FZE	174	174
Hall Estates (Birmingham) Limited	174	-
Power Connectors Limited	15	15
Sandawana Castings Limited	10	10
Lucy Developments Limited	1	1
Lucy Asia Pacific SDN BHD	-	115
Lucy Electric (Thailand) Limited	-	1,307
	15,897	**13,750**

Lucy Electric (EMS) Limited own 90% and Lucy Switchgear FZE 10% of the share capital of Lucy Switchgear Arabia Limited.

16. Stocks

	2014		2013	
	Group	Company	Group	Company
	£000	£000	£000	£000
Raw materials and components	8,817	-	6,791	-
Work in progress	1,922	-	1,760	-
Finished goods	11,413	-	11,033	-
Development land and buildings:				
Land	754	-	2,604	-
Developments in progress	3,310	-	763	-
Finished properties for sale	-	-	1,173	-
	26,216	**-**	**24,124**	**-**

17. Debtors

	2014		2013	
	Group	Company	Group	Company
	£000	£000	£000	£000
Trade debtors	27,447	9	19,284	9
Amounts owed by Group undertakings	-	2,155	-	2,171
Rent debtors	119	56	80	52
Amounts recoverable on long term contracts	1,639	-	817	-
Corporation Tax receivable	369	-	148	-
Prepayments and accrued income	2,811	383	4,744	2,626
Other debtors	343	-	49	2
Amounts falling due within one year	32,728	2,603	25,122	4,860
Amounts falling due after one year				
Deferred tax asset	207	-	454	-
Other debtors	2,623	2,432	2,291	2,291
Amounts falling due after one year	2,830	2,432	2,745	2,291
	35,558	**5,035**	**27,867**	**7,151**

Notes to the Accounts

18. Investments – current assets

	2014		2013	
	Group	Company	Group	Company
	£000	£000	£000	£000
Bank deposits	36	36	22	22

19. Creditors – amounts falling due within one year

	2014		2013	
	Group	Company	Group	Company
	£000	£000	£000	£000
Bank overdrafts	-	2,089	-	3,692
Trade creditors	15,765	166	10,096	125
Amounts owed to Group undertakings	-	4,548	-	433
Corporation Tax payable	711	193	1,100	364
Social security and other taxes	455	136	460	118
Accruals and deferred income	14,138	1,728	14,262	1,705
Loans repayable within one year	556	556	556	556
Other creditors	3,592	763	3,119	720
	35,217	**10,179**	**29,593**	**7,713**

20. Creditors – amounts falling due after more than one year

	2014		2013	
	Group	Company	Group	Company
	£000	£000	£000	£000
Loans repayable after more than one year	13,783	13,783	15,686	15,686
Other creditors	2,100	-	1,611	-
	15,883	**13,783**	**17,297**	**15,686**

Other creditors represents a statutory gratuity payable to U.A.E. and Saudi Arabia based employees on leaving the company.

21. Loans

The Group's committed loan facilities at the year end were £26.8m, and these were utilised as follows:

Facilities	Repayable	2014 £000
Revolving facilities		
Secured £18m revolving multi-currency loan at 1.65% above LIBOR	6th March 2017	12,935
Secured £8m revolving multi-currency loan at 1.61% above LIBOR	23rd May 2018	-
Term facilities		
Unsecured £5m multi-currency loan at 1.00% above LIBOR/Base rate	6th June 2006 to 6th Aug 2016	816
Exchange loss on foreign currency borrowings		588
		14,339

Security

The two revolving loan facilities are secured against specific freehold properties valued at £35.4m in 2013.

Loan drawdown and interest

The amount of loan drawdown at 31st December 2014 was £14.3m, split as follows:

	2014 £000
Sterling £6.8m loans at variable rates of interest	6,817
US Dollar $4.0m loans at variable rates of interest	2,553
Thai Baht THB255m loans at variable rates of interest	4,969
	14,339

Loans repayable

	2014 Group £000	2014 Company £000	2013 Group £000	2013 Company £000
In more than one but no more than two years	260	260	556	556
In more than two but no more than five years	13,523	13,523	15,130	15,130
More than five years	-	-	-	-
	13,783	**13,783**	**15,686**	**15,686**

Notes to the Accounts

22. Provision for liabilities and charges

Group	Deferred tax	Restructuring costs	Start-up and acquisition costs	Warranty provision	Other	Total
	£000	£000	£000	£000	£000	£000
At 1st January, 2014	100	6,927	1,155	2,706	166	11,054
Provided in year	40	2,582	2,834	687	349	6,492
Released in year	-	(1,513)	(1,155)	(30)	-	(2,698)
Charge in year	-	(1,943)	(2,834)	(194)	(69)	(5,040)
At 31st December, 2014	**140**	**6,053**	**-**	**3,169**	**446**	**9,808**

Company	Deferred tax	Restructuring costs	Start-up and acquisition costs	Warranty provision	Other	Total
	£000	£000	£000	£000	£000	£000
At 1st January, 2014	100	6,278	1,155	67	166	7,766
Provided in year	25	1,167	-	30	349	1,571
Released in year	-	(1,493)	(1,155)	(30)	-	(2,678)
Charge in year	-	(569)	-	-	(69)	(638)
At 31st December, 2014	**125**	**5,383**	**-**	**67**	**446**	**6,021**

Analysis of deferred taxation

	2014		2013	
	Group	Company	Group	Company
	£000	£000	£000	£000
Capital gain on Walton Meadow	528	528	634	634
Capital allowances	(467)	(483)	(597)	(597)
Other timing differences and allowances	79	80	63	63
	140	**125**	**100**	**100**

23. Pensions

The Company operates a defined benefit pension scheme called the W Lucy Pension Scheme. In addition the Company operates unfunded unapproved retirement benefit arrangements for certain employees. The details below relate to the costs and liabilities of the W Lucy Pension Scheme and the unfunded unapproved retirement benefit arrangements in aggregate, and to the assets of the W Lucy Pension Scheme; together these arrangements are referred to as the "Scheme" for the purposes of this note. The value of the liabilities as at 31st December 2014 in respect of the unfunded unapproved retirement benefit arrangements was approximately £1,048k (2013:£400k).

The following disclosures exclude any allowance for defined contribution schemes operated by the Company.

In line with the Schedule of Contributions dated 19th December 2014, agreed as part of the 6th April 2011 actuarial valuation, the Company expects to contribute £553k to the Scheme during the year to 31st December 2015.

The principal assumptions used to calculate Scheme liabilities include:

Assumptions	**2014**	2013
Discount rate	3.6%	4.6%
Inflation assumption (RPI)	2.8%	3.0%
Inflation assumption (CPI)	2.0%	2.1%
Pension increases (RPI max 5%)	2.7%	3.0%
Pension increases (RPI max 2.5%)	2.1%	2.5%
Pension increases (CPI max 3%)	1.8%	2.1%
Revaluation in deferment	2.8%	3.0%
Salary increases	3.5%	3.5%
Post retirement mortality assumption	112% S2PXA CMI 2013 (1.00%)	100% S1PXA CMI 2010 (0.75%)
Tax-free cash	Members are assumed to take 15% of their pension as tax free cash	Members are assumed to take 15% of their pension as tax free cash

Under the adopted mortality tables, the future life expectancy at age 65 is as follows:

Life expectancy at age 65	Years	Years
Male currently aged 45	22.6	22.9
Female currently aged 45	24.7	25.2
Male currently aged 65	21.3	21.9
Female currently aged 65	23.2	24.0
Long-term expected rate of return on the Scheme's assets net of expenses*	6.1%	6.4%

* Note: this expected rate of return on assets will not be used in next year's disclosures due to changes in the accounting standards.

Notes to the Accounts

23. Pensions (continued)

	2014
Assets	
The major categories of assets as a percentage of total assets are as follows:	
Equities	55%
Bonds	21%
Gilts	5%
Absolute/target return	15%
Property	1%
Cash	**3%**
Total	**100%**

The actual return on the Scheme's assets over the period to the review date was £2,603k.

The assets do not include any investment in shares of the Company.

The expected return on assets is a weighted average of the assumed long-term returns for the various asset classes. Equity and property returns are developed based on the selection of an appropriate risk premium above the risk free rate which is measured in accordance with the yield on government bonds. Bond returns are selected by reference to the yields on government and corporate debt as appropriate to the Scheme's holdings of these instruments. However, under new accounting standards to be used from 1st January 2015, the expected return on assets will no longer be used.

	2014	2013
Amounts recognised in the balance sheet at 31st December	£000	£000
Fair value of assets	47,991	45,287
Present value of funded and unfunded obligations	(56,664)	(49,391)
Deficit	(8,673)	(4,104)
Deferred taxation	1,735	821
Balance sheet liability	**(6,938)**	**(3,283)**

	2014	2013
Amounts disclosed on the balance sheet are made up of:		
Assets		
Fair value of assets	47,991	45,287
Asset not recognised due to limit on recognised surplus	-	-
Liabilities		
Present value of funded obligations	56,664	49,391
Present value of unfunded obligations	-	-
Unrecognised past service costs	-	-
Other liabilities	-	-
Deficit*	**(8,673)**	**(4,104)**
Liability	**(8,673)**	**(4,104)**

* Deficit shown prior to deferred taxation

The fair value of assets shown above includes a £1million special Company contribution paid in December 2014 and the £100k contribution in respect of the discretionary pension increase exercise. The asset figures have not been audited and therefore should be regarded as estimates.

23. Pensions (continued)

Amounts recognised in the statement of total recognised gains and losses over the year	2014 £000	2013 £000
Actuarial losses	(6,503)	(42)
Effect of limit on recognisable surplus	-	-
Total amount recognised in STRGL	**(6,503)**	**(42)**

Amounts recognised in the profit & loss account over the year	2014 £000	2013 £000
Current service cost	710	664
Interest cost	2,245	2,094
Expected return on assets	(2,902)	(2,510)
(Gains)/losses on settlements or curtailments	-	-
Past service cost	100	-
Expense recognised in profit or loss	**153**	**248**

Reconciliation of assets and defined benefit obligation

The change in the assets over the period was:	2014 £000	2013 £000
Fair value of assets at the beginning of the period	45,287	40,303
Expected return on assets	2,902	2,510
Company contributions	2,087	1,770
Contributions by Scheme participants	136	137
Benefits paid	(2,122)	(1,559)
Change due to settlements or curtailments	-	-
Actuarial (loss)/gain on assets	(299)	2,126
Fair value of assets at the end of the period	**47,991**	**45,287**

The change in the defined benefit obligation over the period was:	2014 £000	2013 £000
Defined benefit obligation at the beginning of the period	49,391	45,887
Current service cost	710	664
Contributions by Scheme participants	136	137
Interest cost	2,245	2,094
Past service cost	100	-
Benefits and expenses paid	(2,122)	(1,559)
Change due to settlements or curtailments	-	-
Actuarial loss on defined benefit obligation	6,204	2,168
Defined benefit obligation at the end of the period	**56,664**	**49,391**

Notes to the Accounts

23. Pensions (continued)

Summary of prior year amounts	2014	2013	2012	2011	2010
Present value of defined benefit obligation	(56,664)	(49,391)	(45,887)	(43,184)	(41,557)
Scheme assets	47,991	45,287	40,303	36,530	37,568
Deficit	(8,673)	(4,104)	(5,584)	(6,654)	(3,989)
Experience gains/(losses) on scheme liabilities*	(418)	53	5	1,495	4
Changes in assumptions used to value scheme liabilities	(5,786)	(2,221)	(1,443)	(1,885)	(1,679)
Experience adjustments on scheme assets	(299)	2,126	1,403	(2,923)	1,863

*Does not include allowance for changes in assumptions.

The Group also operates two defined contribution schemes in the UK, a defined benefit scheme in India, and contributes to defined contribution schemes in Thailand and Malaysia. The cost of running these during the year was £439k (2013: £272k). The Company operates unfunded schemes in the U.A.E. and Saudi Arabia.

Total employer contributions to these schemes during the year were £2,526k (2013: £2,042k). Estimated contributions for 2015 are £992k.

24. Share capital

	2014	2013
Authorised:	£000	£000
495,000 ordinary shares of £1 each	495	495
Allotted, called up and fully paid:		
491,885 ordinary shares of £1 each	492	492

25. Movements of reserves

Group	Capital reserve	Currency reserve	Revaluation reserve	General reserve
At 1st January, 2014	161	813	66,081	10,000
Opening balance adjustment	(92)	-	-	-
Restated opening balance	69	813	66,081	10,000
Currency translation	-	626	-	-
Acquisition	-	-	-	-
Property revaluation	-	-	7,320	-
At 31st December, 2014	**69**	**1,439**	**73,401**	**10,000**

Company	Capital reserve	Currency reserve	Revaluation reserve	General reserve
	£000	£000	£000	£000
At 1st January, 2014	31	1,101	64,886	10,000
Currency translation	-	(2,122)	-	-
Property revaluation	-	-	7,320	-
At 31st December, 2014	**31**	**(1,021)**	**72,206**	**10,000**

26. Statement of retained profits

	2014		2013	
	Group	**Company**	**Group**	**Company**
	£000	£000	£000	£000
At 1st January, 2014	58,127	31,524	47,478	23,353
Prior year adjustment	86	-	-	-
Retained profit on acquisition	-	-	(92)	-
Retained profit for the year	14,137	21,148	11,135	8,565
Actuarial loss on post retirement liability	(5,589)	(5,589)	(394)	(394)
At 31st December, 2014	**66,761**	**47,083**	**58,127**	**31,524**

27. Shareholders' funds

	Group	**Company**	**Group**	**Company**
	£000	£000	£000	£000
Equity interests	**152,162**	**128,791**	**135,674**	**108,034**

Notes to the Accounts

28. Reconciliation of movements in shareholders' funds

	2014		2013	
	Group	Company	Group	Company
	£000	£000	£000	£000
Profit for the year after tax	15,519	22,530	12,596	10,026
Retained profit on acquisition	-	-	(92)	-
Unrealised surplus on revaluation of investment properties	7,320	7,320	2,620	2,586
Movement in capital reserve	(92)	-	92	-
Movement in currency revaluation reserve	626	(2,122)	(329)	1,177
Equity dividends paid	(1,382)	(1,382)	(1,461)	(1,461)
Actuarial loss on post retirement liability	(5,589)	(5,589)	(394)	(394)
Net additions to shareholders' funds	16,402	20,757	13,032	11,934
At 1st January	135,674	108,034	122,642	96,100
Prior year adjustment	86	-	-	-
At 31st December	**152,162**	**128,791**	**135,674**	**108,034**

29. Reconciliation of operating profit to net cash flow from operating activities

	2014	2013
	£000	£000
Net operating profit	18,134	20,803
Depreciation and amortisation	4,762	4,406
Exceptional items	(2,737)	(6,389)
Other income	236	11
Currency revaluation	861	(264)
(Increase) / decrease in stocks	(2,092)	3,848
Increase in debtors	(7,731)	(2,786)
Increase / (decrease) in creditors	6,502	(3,942)
(Decrease) / increase in provisions	(883)	5,558
Net cash inflow from operating activities before contribution to the pension fund	17,052	21,245
Special Company contribution to the pension fund	(1,100)	(1,000)
Net cash inflow from operating activities	**15,952**	**20,245**

30. Gross cash flows

	2014	2013
Returns on investment and servicing of finance:	£000	£000
Interest received	796	493
Dividends received	20	22
Interest paid	(325)	(475)
Exchange gain / (loss) on overseas assets	119	(1)
Net cash inflow from returns on investments and servicing of finance	**610**	**39**

	2014	2013
Capital expenditure and financial investment:	£000	£000
Sale of fixed assets	428	66
Sale of investments	52	349
Purchase of fixed assets	(10,833)	(9,071)
Purchase of investments	(42)	(429)
Net cash outflow from capital expenditure and investment	**(10,395)**	**(9,085)**

31. Reconciliation of net cash flow to movements in net (debt) / cash

	£000	£000
Increase in cash for the period	752	
Cash outflow from decrease in debt	2,429	
Other changes	(512)	
Change in net debt		2,669
Net debt at 1st January, 2014		(2,833)
Net debt at 31st December, 2014		**(164)**

32. Dividends

Amounts recognised as distributions to shareholders in the year:	£000	£000
Final dividend for the year to 31st December 2013: 100p (2012: 95p) per share	492	467
Interim dividend for the year to 31st December 2014: 81p (2013: 77p) per share	398	379
Special dividend for the year to 31st December 2014: 100p (2013: 125p) per share	492	615
	1,382	**1,461**
Proposed final dividend for the year to 31st December 2014: 105p (2013: 100p) per share	517	492

Notes to the Accounts

33. Analysis of changes in net debt

	1st Jan 2014	Cash flows	Exchange Loss	Other changes	31st Dec 2014
	£000	£000	£000	£000	£000
Cash at bank and in hand	13,387	752	-	-	14,139
Liquid resources	22	-	-	14	36
Loans repayable within one year	(556)	-	-	-	(556)
Loans repayable after more than one year	(15,686)	2,429	(526)	-	(13,783)
	(2,833)	**3,181**	**(526)**	**14**	**(164)**

34. Commitments

	2014	2013
Capital	**Group**	**Group**
At 31st December, 2014 the Group had authorised the following future capital expenditure:	£000	£000
Contracted	3,159	2,307
Not contracted	350	121

Operating leases

Operating lease rentals which relate to land and buildings, plant and machinery and motor vehicles were expensed as the payments became due. The annual commitments under non-cancellable operating leases are:

	2014 Group	2014 Company	2013 Group	2013 Company
Land and buildings	£000	£000		
Payable within one year	684	-	615	-
Payable between two and five years	66	-	259	-
Payable after five years	240	-	240	-
	990	**-**	**1,114**	**-**
Plant and Machinery				
Payable within one year	14	-	5	-
Payable between two and five years	67	-	35	-
Payable after five years	-	-	8	-
	81	**-**	**48**	**-**
Motor Vehicles				
Payable within one year	354	-	257	-
Payable between two and five years	406	-	337	-
	760	**-**	**594**	**-**

35. Contingent liabilities and financial commitments

The Group has given its bankers guarantees amounting to the equivalent of £7.5m (2013: £5.9m) in respect of performance and tender bonds and counter indemnities. The Company has outstanding commitments under forward foreign exchange contracts amounting to the equivalent of £35.9m (2013: £55.5m). The Group has commodity contracts amounting to £4.8m of which the Company has commodity contracts amounting to the equivalent of £1.6m (2013: £2.1m) for which it has provided security against a specific freehold property valued at £4.0m.

The legal proceedings served on W. Lucy & Co. Ltd. in June 2013 by Sheikh Yacoub Al Rasheed, the controlling owner of the Saudi Lucy Company Limited, for SAR130m (£20.9m) were dismissed by the Saudi Board of Grievances during the year. Following an unsuccessful appeal by the Sheikh, the judgement in favour of W Lucy became final later in 2014. Fresh proceedings were issued by Sheikh Yacoub prior to his death in December 2014 which W Lucy also expects to defend successfully.

36. Principal group undertakings

Company	Country of incorporation	Activity	Interest in ordinary shares and voting rights %
Lucy Electric UK Limited (formerly Lucy Switchgear Limited)	England	Manufacture and sale of switchgear and lighting products	100
Lucy Zodion Limited	England	Manufacture and sale of lighting products	100
Lucy Electric (EMS) Limited (formerly Lucy Switchgear (EMS) Limited)	England	Engineering and management services	100
Sandawana Castings Limited	England	Manufacture and sale of iron castings	100
Lucy Developments Limited	England	Property development	100
Lucy Block Management Limited	England	Property management	100
Truscanian Foundries Limited	England	Manufacture and sale of aluminium castings	100
Lucy Electric Beijing Company Ltd.	China	Marketing and sale of switchgear	100
CG Lucy Switchgear Limited	India	Manufacture and sale of switchgear	50
Lucy Electric India (Private) Limited	India	Manufacture and sale of switchgear and lighting products	100
Lucy Asia Pacific SDN BHD	Malaysia	Marketing and sale of switchgear	100
Lucy Switchgear Arabia Limited	Saudi Arabia	Manufacture and sale of switchgear	100
Lucy Electric South Africa Pty Ltd.	South Africa	Marketing and sale of switchgear	100
Lucy Electric (Thailand) Ltd. (formerly Lucy Switchgear Eastern Seaboard Ltd.)	Thailand	Manufacture and sale of switchgear	100
Lucy Switchgear FZE	U.A.E.	Manufacture of switchgear	100
Lucy Middle East FZE	U.A.E.	Marketing and sale of switchgear	100

37. Related parties

The Group entered into transactions with CG Lucy Switchgear Limited, a joint venture in which the Company owns a 50% share, during the year. Revenue was £984k, purchases £727k, debtors outstanding at the balance sheet date £261k and creditors £66k.

During the year Lucy Developments Limited, a wholly-owned subsidiary of W. Lucy & Co. Ltd., entered into an arm's length commercial agreement with C.R. Dick and R.I. Dick, Directors of W. Lucy & Co. Ltd., to develop land they own at Pond Farm, Appleton, Oxfordshire. Development expenditure financed by the Company of £573k is included in inventory at the balance sheet date.

38. Holding company

W. Lucy & Co. Ltd. is a subsidiary of WL Shareholding Company Limited, which is incorporated in England and which holds 53% of the issued ordinary share capital of the company.

Notice of Meeting

Notice is hereby given that the annual general meeting of W. Lucy & Co. Ltd. will be held at Eagle Works, Walton Well Road, Oxford on Thursday 30th April 2015, at 12:00 noon for the following purposes:

1) To receive the report of the directors and the audited financial statements for the year ended 31st December, 2014.

2) To declare a final dividend.

3) To re-elect as a director Mr. J. C. Finch-Dick who retires and seeks re-election in accordance with the terms of his service contract.

4) To elect as a director Ms. M. Laxton who was appointed during the year.

5) To re-appoint Wenn Townsend as auditors of the company and to authorise the directors to fix their remuneration.

6) To transact any other ordinary business of the company.

By order of the Board,

Madeline Laxton
Company Secretary
5 March 2015

W. Lucy & Co. Ltd.
Eagle Works
Walton Well Road
Oxford
OX2 6EE

Notes

1. As a member of the company, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the meeting and you will receive a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.
2. A proxy does not need to be a member of the company but must attend the meeting to represent you. Details of how to appoint the Chairman of the meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.
3. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share.
4. If you do not give your proxy an indication of how to vote on any resolution, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.
5. The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold their vote.

To appoint a proxy using the proxy form, the form must be:

- completed and signed;
- sent or delivered to the Company at Eagle Works, Walton Well Road, Oxford OX2 6EE; and
- received by the Company not less than 48 hours before the start of the meeting.

In the case of a member that is a company, the proxy form must be signed on its behalf by an officer of the company or an attorney for the company.

Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

6. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the company's register of members in respect of the joint holding (the first-named being the most senior).
7. To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded. Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact the Company Secretary.

   If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.
8. In order to revoke a proxy instruction you will need to inform the company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to the Company Secretary at Eagle Works, Walton Well Road, Oxford OX2 6EE. In the case of a member that is a company, the revocation notice must be signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.

   In either case, the revocation notice must be received by the company before the commencement of the meeting. If you attempt to revoke your proxy appointment but the revocation is received after the time specified then your proxy appointment will remain valid. Appointment of a proxy does not preclude you from attending the meeting and voting in person. If you have appointed a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.
9. Except as provided above, members who have general queries about the meeting should contact the Company Secretary at Eagle Works, Walton Well Road, Oxford OX2 6EE (no other methods of communication will be accepted).

Financial Calendar

Announcement of results

The results of the Group are normally reported at the following times:

– Interim report for the six months to June in September

– Report and Accounts to 31 December in March

Dividend payments

Current policy is to make dividend payments at the following times:

– Interim dividend in September

– Final dividend in April

Advisors

Auditors

Wenn Townsend

Chartered Accountants and Statutory Auditors

30 St. Giles

Oxford

OX1 3LE

Bankers

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65 Cornmarket Street

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