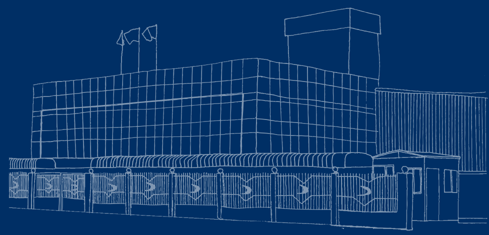
W. Lucy & Co. Ltd.

2015 Annual Report & Accounts

Cover imagery inspired by the diverse architecture of
W. Lucy Group businesses



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See this report at www.lucygroup.com

Chairman's Introduction

Good progress has been made on the Group's strategic objective to deliver growth through acquisition.

Results overview

This year the Group's financial statements have been prepared for the first time under International Financial Reporting Standards (IFRS) and last year's results have been restated for comparative purposes, details of which are included in note 35 on page 80. The most substantial impact on the reported results is that changes in the value of investment properties are now included within operating profit in the Income Statement and the recognition of deferred tax liabilities of £13m in the Statement of Financial Position.

Group sales on an organic basis increased by 27% after adjusting for the impact of favourable exchange rate movements and for acquisitions and on a reported basis by 35% to £217m (2014: £161m). Group rental income increased during the year by 4% to £6.8m. Profit before tax reduced to £18.7m from £24.3m, because the increase in the fair value of the Group's investment properties was £3.4m lower than last year, and because of increased expenditure in support of both market and product development activities. Shareholders' funds increased during the year to £163.0m from a restated £146.9m last year.

Dividend

Based on these results, the Board is recommending that the final dividend be increased by 5% to 110p per share (2014: 105p per share). This will be paid on the 28th April 2016 to shareholders on the register on the 31st March 2016. The total dividend for the year will therefore be 195p, excluding the special dividend of 100p, an increase of 5% over last year's 186p.

Strategic developments

Good progress has been made on the Group's strategic objective to deliver growth through acquisition. In October, Lucy Electric acquired from our joint venture partner, Crompton Greaves Limited, their 50% shareholding in CG Lucy Switchgear Limited (renamed Lucy Electric India (Private) Limited) for a cash consideration of £4m. This acquisition creates opportunities for Lucy Electric to address India's growing electrical distribution market. Later in the year, Lucy Electric further enhanced its product portfolio with the acquisition of GridKey, an award-winning low voltage monitoring system, from Selex ES Limited in order to expand its distribution automation product range.

During the year Lucy Real Estate increased its residential property development activities and the addition of three further Oxfordshire sites will strengthen the product pipeline and support the business' growth strategy.

Strategic investment throughout the Group's business portfolio saw capital expenditure remain high during the year at £8.2m. Investment in product development has significantly increased and ambitious product development road maps have been produced. Lucy Zodion launched a number of new products during the year, and in November, Lucy Electric introduced its compact Aegis Plus panel style ring main unit.

I would also like to mention some of the operational improvements I have seen first-hand. Improving both our competitiveness and our efficiency are key elements of our plan and in particular ensuring we have in place the most effective operational processes. It was particularly pleasing to see on my visits around the Group, teams undertaking continuous improvement programs leading to the adoption of new processes and practices, all of which were delivering positive results.

Board changes

In May 2015, John Godfrey retired from his role as senior Non-Executive Director after 19 years' service with the Company during which he made a significant contribution in transforming this business into what is recognised today as a leading organisation in its respective markets. I would personally like to thank John for the support he has always provided to me and my executive colleagues during his time at W. Lucy.

Our people

The success of the Group is dependent on the world class engineering skills, long standing customer relationships and most significantly, the talents and efforts of our diverse group of global employees. The progress we have made this year has involved a great deal of hard work and I would like to take this opportunity to thank all our employees for their ongoing commitment and enthusiasm.

Outlook

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

External market conditions deteriorated during the second half of the year, with concerns over the substantial decline in the price of oil, the rate of growth in China, political instability in the Middle East, on-going austerity measures in the UK, and the weak Euro relative to the US Dollar, all of which have increased competitive pressures and weakened market demand in the majority of the Group's markets. These trends are likely to continue and will adversely impact the Group's 2016 financial performance. Despite these factors, the Board considers we are well positioned to trade through these challenging times whilst working towards our strategic objectives.

Richard Dick
Executive Chairman
10 March 2016

Financial Highlights

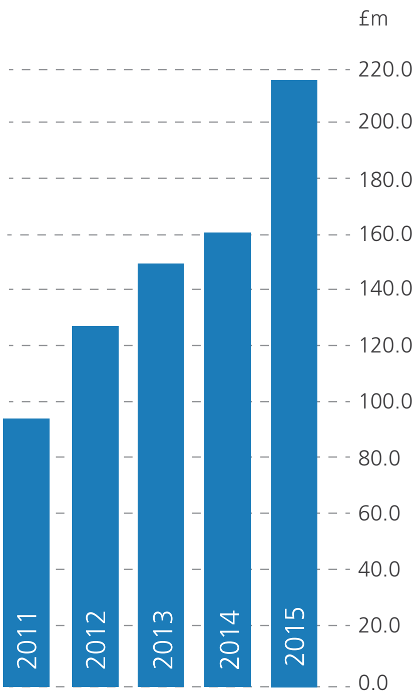
Turnover

£217.1m

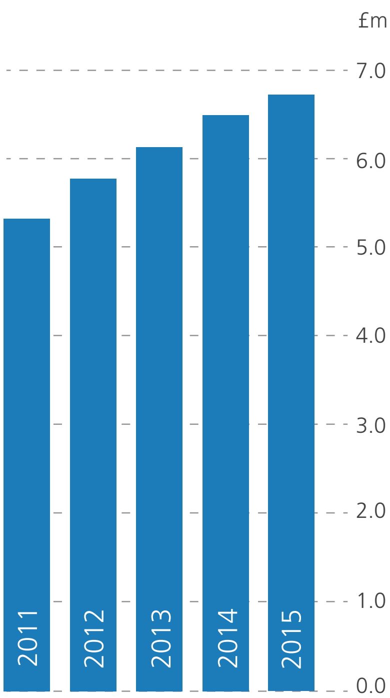
£160.9m in 2014

Turnover	Rental income	Shareholders' funds
£217.1m	£6.8m	£163.0m
£160.9m in 2014	£6.5m in 2014	£146.9m in 2014

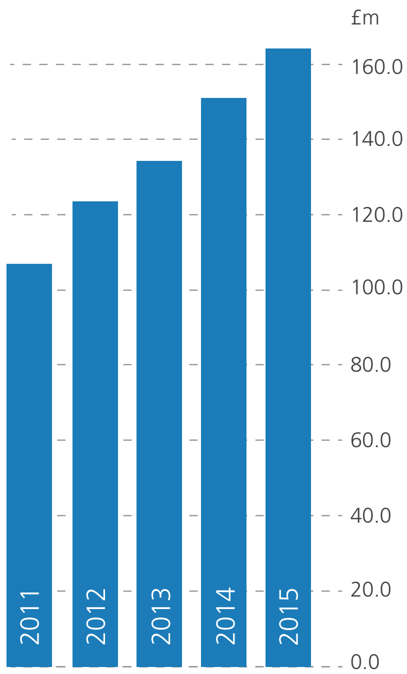
Turnover



Rental income



Shareholders' funds



Profit before tax

£18.7m

£24.3m in 2014

Operating profit **before net valuation gains** on investment property

£14.5m

£16.0m in 2014

Operating profit **after net valuation gains** on investment property

£19.0m

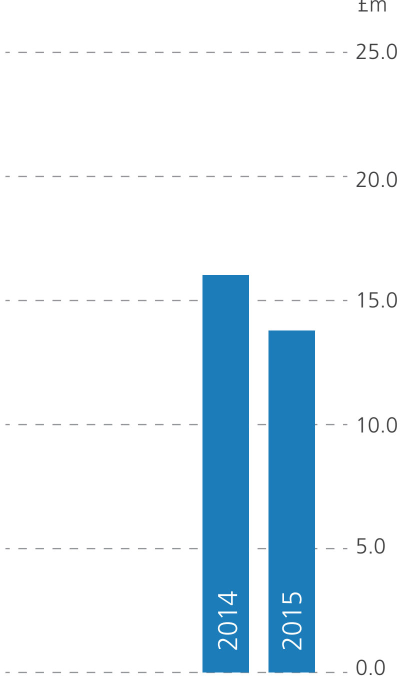
£23.9m in 2014

Total comprehensive income for the year

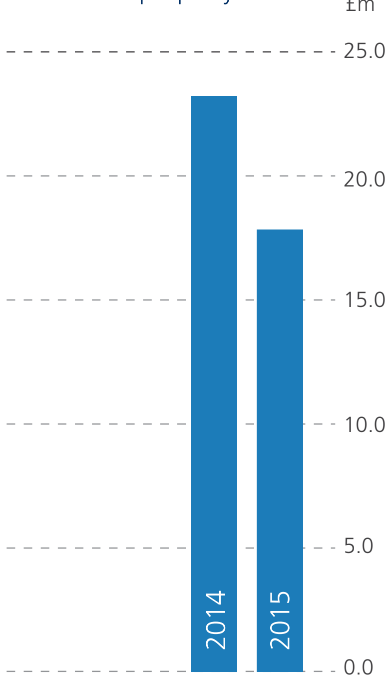
£16.0m

£17.1m in 2014

Operating profit **before net valuation gains** on investment property



Operating profit **after net valuation gains** on investment property



Earnings per share

3,401p

4,414p in 2014

Dividends per share (paid and proposed)

295p

286p in 2014

Business Model and Strategy

Business 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 Objective

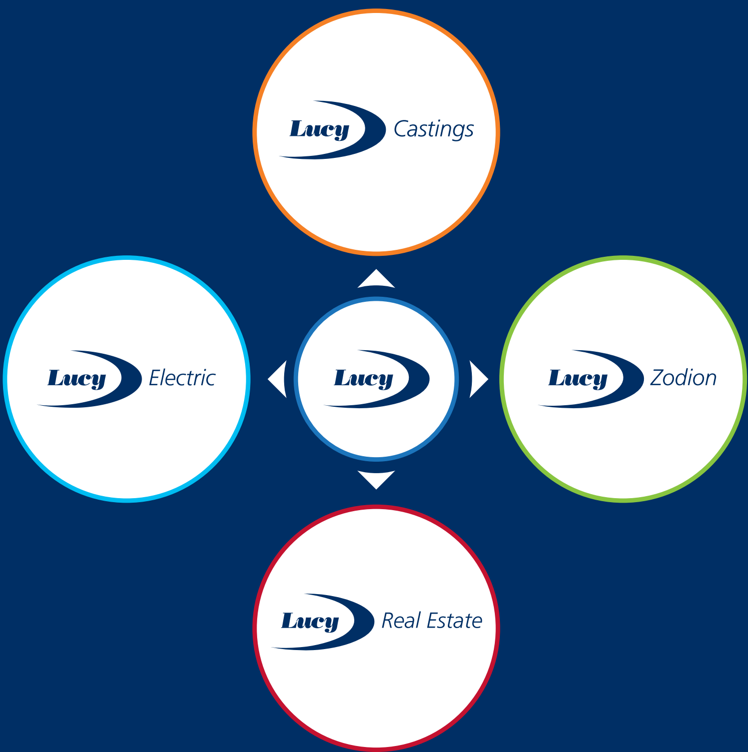
Lucy's vision is for its businesses to be the leader in their targeted market segments.

This long-term value has been created through the pursuit of the following strategies:

- Improving and developing our product ranges, success is measured by sales performance.
- Focusing on customer service and satisfaction levels.
- Managing gross and net margins through efficient material sourcing, product manufacturing, stock management and cost control.
- Maintaining the Group's financial strength through a strong asset base and secure financing structure.

Business Model

Lucy is a privately owned Group offering innovatively designed and high quality switchgear, lighting, casting and real estate products and services. The Group is comprised of four distinct and diverse business units.



Lucy Electric, a leader in secondary power distribution solutions specialising in high-performance medium voltage switchgear for utility, industrial and commercial applications.

Lucy Castings, a niche producer of iron, aluminium and copper-based castings for UK and European engineering businesses.

Lucy Zodion, the UK market leader in the design and manufacture of street lighting control systems.

Lucy Real Estate, owns, lets and manages a substantial property portfolio and develops residential property for sale in Oxfordshire.

Success engineered by people

3 continents
8 countries
18 locations
over **1,300 employees**

Financial Review

We made a return on shareholder equity before valuation gains of 9% during 2015.

Introduction of IFRS

The 2015 financial statements have been prepared under EU adopted International Financial Reporting Standards (IFRS) to represent the international nature of the Group's business activities. In accordance with IFRS 1, the Group has restated its opening financial position as at 31st December 2013 together with its 2014 comparative information. In particular two reporting changes have a significant impact on the Group's financial statements, the recognition of a £4.5 million (2014: £7.9 million) fair value gain on investment properties within operating profit in the Income Statement and the recognition of a deferred tax liability of £13.4 million on investment properties in the Consolidated Statement of Financial Position as at 31st December 2015. Details of the transition from previous Generally Accepted Accounting Principles (GAAP) to IFRS and their effect on the Group's reported financial position, financial performance and cash flows are disclosed and explained in note 35 on page 80 of these financial statements.

Sales and rental income

The Group achieved record sales for the year of £217.1 million, representing an increase of 35% from last year. Organic growth was responsible for the majority of this increase and recent acquisitions contributed £3.0 million. Rental income increased during the year by 4% from £6.5 million to £6.8 million, due to higher rents and the on-going refurbishment programme.

Gross margin and costs

Gross margins at 27.2% decreased by 5.6 percentage points compared to last year, representing a changing customer and product mix and investment in a number of strategic initiatives which have led to increased operational costs. In particular this year a significant focus in Lucy Electric has been on investment to improve manufacturing capabilities and also substantial expenditure on new product introductions. These activities have contributed to a significant increase in capacity and cost during the year. Meanwhile continuous improvement initiatives are delivering progress in operational performance supported by lower commodity prices.

Development expenditure increased by 59% to £9.0 million in support of a growing product development programme in both Lucy Electric and Lucy Zodion. Increased selling and distribution costs represent an escalation in commercial activity, greater international coverage including the full year effect of new offices in South East Asia and part year effect of recent acquisitions. Administration costs increased due to a number of systems development programmes being undertaken during the year including preparation work for the global Microsoft Dynamics AX rollout in Lucy Electric and the implementation of a standard business system in Lucy Castings. A change management programme in Lucy Electric and the impact of recent acquisitions further increased these costs.

Operating profit

Operating profit before net valuation gains on investment properties decreased by 9% to £14.5 million due to losses sustained in Lucy Castings and increased product introduction costs in Lucy Electric. There was a net valuation gain on the Group's investment property assets for the year of £4.5 million (2014: £7.9 million) reflecting increased market prices and ongoing activities to develop and improve the portfolio. Operating profit after net valuation gains for the year decreased to £19.0 million (2014: £23.9 million).

Profit before tax

Profit before tax for the year was £18.7 million (2014: £24.3 million) after crediting £0.7 million for the equity accounted share of CG Lucy Switchgear Ltd's preacquisition profits and after charging net finance costs of £1.0 million.

Taxation

The Group has an overall tax charge of £1.9 million for the year, comprising a UK tax charge of £1.2 million and an overseas tax charge of £0.7 million. The Group's tax strategy seeks to ensure that key tax risks are appropriately mitigated and that the Group's reputation as a responsible taxpayer is safeguarded.

Dividends

The Board recommends a final dividend of 110p per share (2014: 105p per share) which taken with the 2015 interim dividend of 85p per share gives a total payment of 195p per share (2014: 186p per share) representing a 5% increase for the year. Additionally a special dividend of 100p per share (2014: 100p per share) was paid in December.

Acquisitions during the year

In October Lucy Electric purchased the remaining 50% of the shares in CG Lucy Switchgear Ltd, now renamed Lucy Electric India (Private) Ltd from our joint venture partner Crompton Greaves Ltd for £4 million and in December it acquired the GridKey business from Selex ES Ltd, a Finmeccanica company.

The Group has a strategy of growing through a combination of organic expansion and acquisition. Acquisitions are made on the basis that they will provide new products, improve access to a geographical market or a combination of these objectives. Each of this year's acquisitions met one of these criteria. The total consideration for both acquisitions was £4.3 million creating goodwill of £0.3 million which will be subject to an annual impairment review.

Cash flow

The Group delivered a free cash inflow of £2.0 million compared to a free cash inflow of £4.6 million last year. This reduction was principally due to a lower operating profit and expenditure on acquisitions during the year.

Inventory increased by £2.2 million as the Group invested in growing the number of its residential property development sites in support of the Board strategy to scale this business. Otherwise inventory decreased despite higher business activity and the inclusion of the CG Lucy Switchgear Ltd and GridKey acquisitions.

Capital expenditure of £8.2 million remained high during the year and significantly above the annual depreciation charge, indicating an intensive phase for the Group towards achieving its long-term strategic objectives. Capital commitments at the end of the year were £3.6 million reflecting a number of capital expenditure programmes underway.

Financial position

At 31st December 2015, the Group had committed bank facilities of £26.3 million, while actual borrowings were £16.7 million. The Group's financial metrics remain strong with gearing unchanged at 9% and interest costs covered 26 times (2014: 53 times). The Group had net cash of £0.4 million compared to net debt of £0.2 million last year. Shareholders' funds increased during the year by 11% to £163.0 million.

Return on shareholder equity

The Group made a return on shareholder equity before valuation gains of 9% during the year and a return after including valuation gains of 11% (2014: 17%).

Post-employment benefits

The Group accounts for post-employment benefits in accordance with IAS 19 Employee Benefits. The Statement of Financial Position reflects the net deficit of the scheme as at 31st December 2015 based on the market value of the assets at that date, and the valuation of the liabilities using AA corporate bond yields adjusted to reflect the duration of the scheme's liabilities. The defined benefit scheme was closed in 2002 to new entrants in order to reduce the risk of volatility of the Group's liabilities.

The most recent triennial valuation of the scheme was performed as at 6th April 2014 and revealed a deficit of £1.0 million. As a consequence of this valuation last year, the Company made a lump sum payment to clear the deficit and to increase its contributions to the scheme from 17.3% to 19.7% of pensionable salaries from 1st January 2015.

The separate IAS 19 valuation performed as at 31st December 2015 showed that the Group's pension deficit decreased during the year by £1.0 million to £7.7 million and the funding level increased to 86%. This reduction in the scheme deficit was largely attributable to an additional £1.0 million contribution paid by the Company during the year. The related deferred tax asset decreased by £0.2 million and a gain from re-measurement of £0.1 million resulted in a net pension liability of £6.2 million at the end of the year. 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 deficit by £0.9 million.

Gary Ashton
Group Finance Director
10 March 2016

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.**

Lucy Electric

Our vision

To be the leader in engineering intelligent switchgear solutions through excellence in customer service and innovation.

Lucy Electric continues to grow

2015 has been a year of building momentum for Lucy Electric as it delivered sales growth of 38%. As past investments in new sales, engineering and manufacturing facilities begin to bed in, 2015 was a year in which we focused on the integration of people, processes and systems across all our locations to ensure we deliver value wherever we operate.

We also invested in our digital presence, upgrading the Lucy Electric website **www.lucyelectric.com** in order to make it fully responsive to mobile devices.

Key acquisitions

Our appetite for acquisitive expansion across our business and product portfolio remained keen during the year, as we completed two important strategic acquisitions over the last quarter of 2015.

In October we purchased the remaining 50% of CG Lucy Switchgear Ltd (now renamed Lucy Electric India (Private) Ltd) from our joint venture partner Crompton Greaves Ltd, for £4m. As the market leader for ring main units in India, this newly integrated business will be a vital component in Lucy Electric's growth strategy in developing markets. The wholly-owned subsidiary based in Nasik, India, will focus on developing products specifically for the Indian market and will allow Lucy Electric to capitalise on the growing demand for electrical infrastructure equipment and the emergence of Smart Grid automation projects in India. Following the acquisition we rebranded our Vadodara based subsidiary, Lucy Electric India (Private) Ltd, to Lucy Electric Manufacturing and Technologies India (Private) Limited.

We further bolstered our product portfolio in December with the acquisition of GridKey, the award winning low voltage monitoring system from Selex ES Ltd. The deal forms part of Lucy Electric's strategy to continually expand its capabilities in distribution network automation and will provide additional geographical spread for sales of the GridKey system, acknowledged as one of the best low-voltage monitoring systems in the market.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Investment **in success**

Prioritising innovation

We continued to prioritise significant investment in our design, innovation and engineering capabilities in 2015. This year saw the introduction of our AEGIS Plus RMU and the launch of a new generation of Gemini 3 remote terminal units with improved functionality, both key products in driving forward our strategy. Our ongoing commitment to innovation is shown by a 59% increase in research and development expenditure during the year.

Embracing new opportunities

We continue to seize opportunities to reach new and existing customers around the globe and stepped up our international sales activity during the year, attending over 20 exhibitions in 2015. Our investment in sales and production facilities in the Far East have begun to bear fruit as Lucy Electric becomes more established and grows its sales in the region. We were proud to win an award for the most creative booth at the Thai Electrical and Mechanical Contractors Association's (TEMCA) regional trade exhibition in August.

Lucy Electric is committed to embracing Smart Grid technology and in November we attended the Low Carbon Networks & Innovation Conference to showcase our capabilities in distribution automation and in providing solutions for the monitoring and control of intelligent electrical networks.

People

2015 was a year in which we continued to progress our people agenda, focusing on employee engagement, empowerment and development as we work hard to develop the talent capability in Lucy Electric.

As part of the drive to increase employee engagement, the first global communications live broadcast was held in June to all employees across the business. During the simultaneous broadcast, Group directors and senior management shared Lucy Electric's vision, mission, strategic priorities, goals and aspirations for the next five years, inviting questions from the workforce. Feedback on this was positive and similar events are planned in 2016.

1. Lucy Electric stand at African Utility Week
2. Gemini 3 Remote Terminal Unit (RTU)
3. Visit to CG Lucy Switchgear following acquisition, November 2015
4. Solar panels installed at Lucy Electric, Thame
5. GridKey monitoring control unit
6. GridKey logo

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 management systems, as well as feeder pillars and cut-outs. Our bespoke environmental products focus on delivering the most durable and sustainable solutions to customers for whom cost and efficiency is paramount.

Our vision

'To have our products on every street in our key markets'

Solid performance

Whilst the industry-wide challenge of cautious public sector spending has not disappeared, Lucy Zodion delivered a solid performance in 2015 thanks to a strengthening order book, more stable sales and a growing export base. Meanwhile our customers' behaviour and purchasing decisions continue to evolve, as local authorities strive to reduce their costs and meet Government targets for carbon emissions.

With a growing emphasis on LED lighting solutions, central management systems (CMS) and Smart Cities, Lucy Zodion continued its focus on development expenditure in these key areas, investing in new products to meet these key industry and environmental challenges.

Investment in energy efficient solutions

2015 saw continued investment in design and engineering capabilities as Lucy Zodion strengthened its product portfolio in the area of energy efficient lighting. Over the course of the year, six new product lines were launched, which will help spearhead our growth strategy not only in lighting but into the sphere of Smart Cities as we work with a number of parties on their requirements.

Membership of TALQ

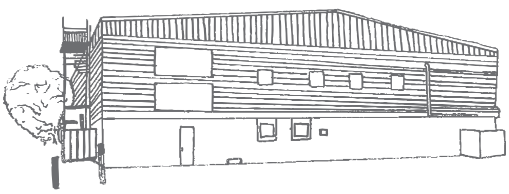
In June Lucy Zodion joined TALQ – a group of companies that work together to harmonise the street lighting Control Management Systems (CMS) market. Membership of TALQ enables Lucy Zodion and its Vizion system to integrate proactively with a number of other companies. Together they are attempting to create a global standard for the intelligent lighting market. As lighting becomes part of Smart City Landscape, having a platform that is capable of integrating with other systems is essential and it will allow local authorities and lighting users to seamlessly benefit from a wide range of intelligent Lucy Zodion products.

Innovative **solutions for energy reduction**

Revitalising our production facilities

We continue to work on ensuring that our manufacturing and office environment is aligned with future growth plans and following last year's acquisition of the freehold of Zodion House, we secured planning permission for a significant expansion of the office and manufacturing facilities at Sowerby Bridge, West Yorkshire. We anticipate the redevelopment of the site which will result in our facilities increasing to 1,700sq m, to commence in 2016 which will provide better organised production and storage space.

1. Photocell inspection
2. Installation of pre-wired pillar
3. Middle East Electricity Exhibition, March 2015
4. Pillar assembly



New fully responsive website

A new website www.lucyzodion.com was launched in 2015, providing the business with an updated digital presence and an important shop-window to showcase our activities.

Lucy Castings

Over 200 years of expertise

Lucy Castings provides **specialist aluminium, iron and copper-based castings**, combining traditional craftsmanship with the latest technology to deliver bespoke solutions to its customers.

Our vision

To be a leading niche casting manufacturer.

Challenging market conditions

As a component supplier, the prosperity of Lucy Castings as a business unit ebbs and flows with our customers' fortunes, many of whom directly or indirectly supply the beleaguered oil and gas sectors. Whilst 2015 started well for Lucy Castings, market conditions deteriorated sharply towards the end of the first quarter and a number of key Sandawana Castings and Truscanian Foundries customers significantly scaled back their order requirements.

Inevitably the tough market conditions have impacted results, with sales for the year declining by over 20% compared to 2014. Lucy Castings made a loss for the year of £0.9million, although this included exceptional items of £0.1million as both Sandawana Castings and Truscanian Foundries incurred significant restructuring costs.

The harsh trading environment meant that cost savings had to be found, with some redundancies and short-time working necessary at both Truscanian and Sandawana. It's now pleasing to report that our people have returned to full-time working.

Traditional industry, **modern techniques**

Operational efficiencies

Despite some short term pain, the Lucy Castings management team remain strongly focused on achieving operational efficiencies in other areas, through careful control of costs, margins and inventories, as well as taking measures to bolster Lucy Castings' sales presence and maximise growth opportunities from demand side activity.

We also continue to invest in ensuring the IT systems within Lucy Castings are as capable and efficient as possible and as part of an ongoing programme of Group-wide investment in IT infrastructure, have implemented a standard integrated business system at both our Witney and Oldbury sites to enhance management information flows and improve decision-making.

Future growth

The legacy of recent investment in our aluminium, iron and copper-based castings businesses, including the re-development of the Truscanian Foundries site in 2014, provides a sound platform from which to capitalise on any upturn in the market.

Whilst we do not expect to see a significant improvement in demand during the short-term, the cyclical nature of domestic and global economies provides us with confidence that conditions will improve in our key markets and growth will return in the medium to long-term.

1. Aluminium melting in Truscanian
2. Aluminium castings

Lucy Real Estate

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 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.

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 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.

Strong returns across Lucy Real Estate

2015 has been an impressive year for Lucy Real Estate as pre-tax profits significantly increased and the value of our property portfolio increased to £124.9m.

As demand for high-quality rental property in Oxford showed no sign of abating, Lucy Properties' rental income reached £6.8m per annum in 2015 with the rent roll across our portfolio standing at over £7m. A rolling programme of refurbishment continued across Lucy Properties' portfolio of rental properties, as we invested

Building **sustainable long-term returns**

£0.7m helping safeguard our hard-won reputation for providing high quality accommodation. In particular we embarked upon a £1.9m programme to redevelop our Castle Mill House block of flats, to include the addition of seven new apartments, work on which is scheduled for completion in September 2016.

2015 also saw Lucy Developments invest in a number of sites in order to support the future development pipeline and seed future growth. Notable acquisitions during the year included Jack Howarth House and 75 Hilltop Road, Oxford for which planning permission was secured to construct 9 apartments. In December Lucy Properties acquired the former Jericho Health Centre, which is earmarked for mixed residential and commercial development.

Cementing our lead in the Oxford market

Operating in one of the South East's most sought after cities, the overarching Lucy Real Estate strategy remains to seek out opportunities to maximise returns via development sales and rental income. A substantial asset base comprised of high quality rental stock in prime locations and sought after residential development sites, has helped build the Real Estate business unit into a clear leader in the Oxford market.

During the year Lucy Developments undertook two successful development projects, completing the sale of 19 units, comprising seven flats and two houses at a site in Kidlington and ten flats at the Mortimer Court site in Cumnor Hill, Oxford.

The remaining two units at Mortimer Court are anticipated to complete in the first quarter of 2016.

Lucy Developments continues to seek out further growth through the identification and acquisition of new development sites.

Developments completed during the year:

1. Mortimer Court, Cumnor Hill, Oxford
2. 169/171 Oxford Road, Kidlington

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 proportion of its borrowing denominated in foreign currencies to mitigate the risk of movements in foreign exchange rates on underlying assets. The Group operates a centralised treasury function which is responsible for managing its liquidity, interest rate and foreign currency risks. The Group's treasury policy allows the use of derivative products provided they are not entered into for speculative purposes. The effectiveness of the hedging is tested and accounted for under IFRS 39.
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.
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.

Risk and Impact	Mitigation
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. The business invests in new systems to meet users and business requirements and ensure that the IT environment remains resilient.
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.
Cyber security	
A third party may seek to penetrate business systems to access sensitive or valuable information or disrupt services. A prolonged systems outage could lead to significant business disruption. A significant loss of key data could erode competitive advantage through the loss of IP and its recovery could consume significant management resources.	Measures have been taken to secure business systems, and test the recovery of systems. The cyber security risks evolve as the protagonist's motivations and methodologies change frequently. The business keeps abreast of these changes to ensure the security and integrity of its systems remains robust and appropriate to the risks posed, and employs suitably experienced individuals to manage these risks.

Statement of Principal Risks and Uncertainties

Risk and Impact	Mitigation
Bribery and corruption	
The business works in a number of complex overseas territories where there is a perceived risk of stakeholders not fulfilling the far reaching requirements of the Bribery Act 2010, or other local legislation.	Training is provided for all relevant employees to help them understand transactions and behaviour that may fall foul of the UK Bribery Act and other legislative regimes the company operates under. Relevant employees are trained how to identify behaviour such as the solicitation of improper payments and how to avoid these without causing offence or increasing the risk of physical harm or detention. Commission payments which fall outside contractually or commercially agreed parameters are subject to review by management to ensure they are commensurate with the activities undertaken by the associated parties and agreements that we have in place. Agreements with key agents and third parties set out the Group's requirements of compliance with UK Anti-Bribery and Corruption Legislation.
Terrorism	
As the reach of terrorist organisations expands across the Middle Eastern and North African (MENA) region, and targeted attacks against western interests across the globe increase, there is a risk that terrorism could disrupt the business, whether through employees being caught up in an attack, or disruption to governing of countries within MENA. This could result in a decline in demand for products being sold into these markets, or the risk of operating in key markets becoming unacceptably high such that the business is unable to fulfil key contracts.	Prior to travel in high risk countries, risk assessments are undertaken to manage risks appropriately. The business continues to appraise security and the political situations in the key countries it sells to and considers the viability of contracts or opportunities presented by these changes.

Aegis Plus unit launched during the year

Nitin Thombre, General Manager of Lucy Electric India (Private) Ltd, with Richard Dick during a tour of Nasik, India facilities

Corporate Responsibility

Lucy Group actively seeks to make a difference and contribute to the wellbeing of the communities that it operates in. Responsible business practice not only creates wider benefits for society but also contributes to our commercial success. The Group's commitment to doing business responsibly is evidenced by the attainment of various internationally recognised accreditations, such as ISO standards, but also in the way we conduct our day to day relationships with customers, suppliers, communities and employees.

Environment and Sustainability

• Many of the Group's products help our customers optimise energy efficiency.

• Electricity and water consumption is monitored to ensure the lowest possible waste. All the Group's UK sites use energy efficient light bulbs, PIR lights are used across the Dubai sites and in Thailand they work with the Industrial Estate Authority to monitor and conserve their energy use.

• The Group has policies in place to cover all of the major environmental aspects of its business such as energy use, waste production, air emissions, deleterious materials and resource use. The Group manages and implements this through its coordinated Environmental Management System. Most of the Group's businesses are ISO14001 certified.

• Lucy Zodion supplies cutting edge products offering energy savings of up to 40% and innovatively designed to be highly functional yet very robust. Its eco vision is building and bringing to market environmentally friendly products, with a key component being efficiency with low energy or electricity consumption and exceptional control.

• Lucy Real Estate is a pathfinder member of Low Carbon Oxford committed to reducing carbon emissions. It has a 5 year £400,000 programme to meet its sustainability objectives. It is replacing inefficient heating sources in its residential properties with A- rated efficient gas boilers and upgrading windows in its residential properties to ensure good insulation by installing double or secondary glazing. It has completed the installation of sensors to reduce energy consumption of light and heat in its car parks and common areas in its residential properties.

• Lucy Electric recently installed a double insulated roof and solar panels on its building in Thame, UK to reduce heat waste and produce its own electricity.

Recycling

• There are a number of local programmes in place to promote recycling and reducing waste.

• The Group recycles its paper, cardboard, pallets, wood and plastics used to build and transports its products reducing waste and cost. It adheres to packaging regulations.

•The Group measures and reduces the amount of paper that is printed.

Disposal of waste

• The Group is committed to minimising waste and controlling hazardous waste. This means controlling stock levels, and disposing of all waste through safe and responsible means. The Group has started to utilise waste management processes to minimise land fill.

Health & Safety

•The Group provides adequate resource to manage the health and safety risks arising from its work activities. Our goal is to ensure that all employees think "safety first".

• The Group provides and maintains safe plant and equipment and ensures safe handling, use and storage of substances.

•To complement the Group's Health and Safety policy, the Health and Safety department circulates regular bulletins with practical advice and guidance on Health & Safety issues.

•The Group ensures all employees are competent to do their tasks and gives them opportunities for training and supervision, endeavours to prevent accidents and cases of work-related ill health and maintains safe and healthy conditions for all employees and visitors at all its sites.

Corporate Responsibility

Product Stewardship

The Group is continuously reviewing the design of its products to make them more energy efficient and environmentally friendly and uses recyclable materials wherever technically and safely possible.

1

Supply Chain and Logistics

• The Group's factories are located close to customers to avoid unnecessary transport and work closely with suppliers to reduce the environmental impact of their products.

• Video conferencing facilities have been installed at most of Lucy's sites. This arrangement has considerably reduced international travel.

Taking care of our employees

• Lucy Group complies with all relevant labour laws to provide fair and equitable terms and conditions for employees.

• The Group is committed to embedding equality and diversity across its operations.

• The Group promotes a positive culture for working to which each employee contributes and is able to develop to their full potential.

• All employees are asked to treat each other with respect, regardless of their race, disability, ethnicity, gender, age, sexual orientation or beliefs.

• There is an on-going programme to monitor and review the Group's reward and remuneration policies to provide equitable pay for all, free of discrimination.

• All employees are encouraged to raise any concerns within the Group.

Employee Development

• On joining, all employees receive induction training.

• Training is delivered via internal, external and e-learning programmes. Examples of this include Health & Safety, Environment and Lean Manufacturing.

• English lessons are provided for those employees working on sites around the world and we also provide staff with career development opportunities by supporting extra studies.

Employee Welfare

• The Group has an Employee Assistance Programme in the UK that provides information and advice on a range of issues both personal and work related.

• In the Group's facility in Dubai, UAE, well maintained facilities are in place for our employees including the provision of an on-site doctor and a first aid room.

• Staff are encouraged to socialise as well as participate in various sport activities. There are gym facilities, a basketball court and cricket pitches at some of the Group's sites. Most of our businesses organise various tournaments, staff parties, excursions or cultural celebrations.

1. The High Sheriff of Oxfordshire Young Engineer Award 2015, Thame
2. Fun run, Lucy Switchgear FZE, UAE
3. Charitable donation and support work for a village school near Vadodara, India
4. BITS Pilani students, UAE

2


3

Youth Development

The Group is keen to support the development of young people in the countries where it operates.


4

• The Group has links to universities world-wide and provides graduates with the opportunity of work placement and employment. In Thailand there are links with Kasetsart University which has helped Group employees with advice about study, career progression, interview techniques and preparation of resumes and in the UAE there is a partnership with an engineering college – BITS (Birla Institute of Technology & Science) Pilani. The Group's UAE business has established a five month internship programme there and has gone on to employ many former interns on completion of their studies.

• Lucy Electric has an apprentice scheme, employing apprentices in the UK training up our next generation of engineers and service staff.

Communication

• Employees are the key success factor for the Group's businesses. By engaging with our employees, a working environment is created in which everyone feels valued and can achieve their potential. This is achieved through regular communication using various communication tools including the company intranet, newsletters and the Information & Consultation Forums.

• The Group values employee engagement and seeks to create a working environment where everyone can contribute and where issues are promptly raised and resolved, and where communication flows across all levels of the business.

• The Group strives to have open, honest communication between managers.

Lucy Group in the Community

The Group is committed to all our local communities and philanthropy:

• The Group and employees regularly donate to charities in all regions for good causes or following natural disasters.

• In the UK the Group gives assistance to schools with providing work experience places and hosts school visits and supports career evenings.

• Lucy Electric allows every member of staff up to 2 days paid leave a year to engage in any charitable event or voluntary work of their choice; it also hosts and supports the Oxford and Cherwell Valley Young Engineers awards in the UK.

Doing Business the right way

• The Group trains relevant staff on the Group's obligations under the Bribery Act 2010 to ensure compliance in all its business activities in the UK and overseas countries. The training is continually reviewed.

• While the Group aims to maximize the tax efficiency of its business transactions, it does not use structures in its tax planning that are against the spirit of the law. The Group actively considers the implications of any planning for the Group's wider corporate reputation. Arm's length principles are applied in the pricing of all intra-Group transactions of goods and services in accordance with the Organisation for Economic Co-operation and Development Guidelines.

Directors' Responsibilities

The Directors are responsible for preparing the strategic report, Directors' report and the financial statements in accordance with the 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 Group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. 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 the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- in respect of the Group financial statements, provide additional disclosures when compliance with the specific requirements of IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and performance;
- state that the group has complied with IFRS, subject to any material departures disclosed and explained in the financial statements.
- in respect of the parent company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis, unless they consider that to be inappropriate.

The Directors confirm that the financial statements comply with the above requirements.

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 the group and enable them to ensure that the financial statements comply with the Companies Act 2006, and as regards the group financial statements Article 4 of the IAS Regulation. They are responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Responsibilities Statement

We confirm to the best of our knowledge that;

a) the group financial statements, which have been prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and results of the group; and

b) the strategic report contained in this annual report includes a fair review of the developments and performance of the business and the position of the company and the group, together with a description of the principal risks and uncertainties that they face; and

c) the annual report and accounts taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's performance, business model and strategy.

On behalf of the Board

Richard Dick
Executive Chairman

Gary Ashton
Group Finance Director
10 March 2016

Sabre ring main unit production, Lucy Electric India (Private) Ltd

Directors' Report

The Directors present their report on the affairs of the Group, together with the audited accounts for the year ended 31st December 2015.

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 and Company Secretary
R. I. Dick	Non - Executive Director
P. A. J. Latham	Non - Executive Director
J. C. Finch-Dick	Non - Executive Director

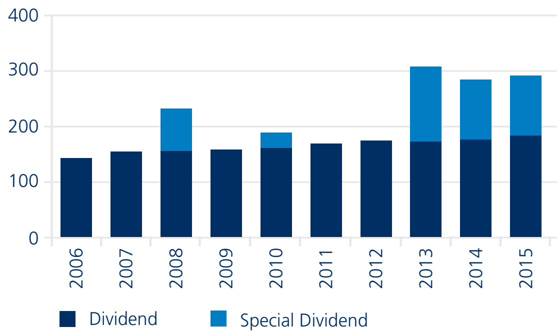
In May John Godfrey retired from his role as Non-Executive Director after 19 years' service with the Company.

Balance of Directors

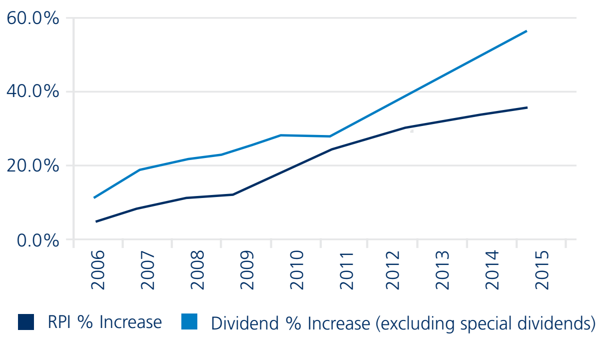
Male 4
Female 2

Executive Directors 3
Non-Executives 3

Dividend paid and proposed



Dividend Performance
RPI vs Dividend Compound Growth



Financial Results

The financial results can be found in the Consolidated Accounts and Parent Company Accounts sections of this report.

Dividends

The Board recommends a final dividend of 110p per share which, taken together with the 2015 interim dividend, gives a payment of 195p per share (2014: 186p), representing a 5% increase for the year. This dividend will be payable on 28th April 2016 to shareholders on the register on 31st March 2016. In December 2015, a special dividend of 100p per share (2014: 100p) was paid to shareholders. The following charts show dividend payments paid and proposed over the last 10 years and dividend performance (excluding special dividends) compared with the retail price index over the last ten years.

Investment Property

The Group's investment property is included in the Statement of Financial Position at fair value, after taking independent professional advice.

Property occupied by the Group

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 fair 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 them 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.

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.

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.

Financial Instruments

For information on the Group's use of financial instruments, including financial risk managements, objectives and policies of the Group, and the exposure of the Group to certain financial risks, see note 28 on page 70.

Donations

Total charitable donations during the year were £83.4k (2014: £51.9k). These comprised £69.8k for community projects (2014: £49.3k), £3.5k for educational projects (2014: £0.3k) and £10.1k for other projects (2014: £2.3k). No political contributions were made (2014: 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 Auditor in connection with preparing their report) of which the Company's Auditor is 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 Auditor is aware of that information.

Auditor

Wenn Townsend have expressed their willingness to continue in office as Auditor 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
10 March 2016

Corporate Governance

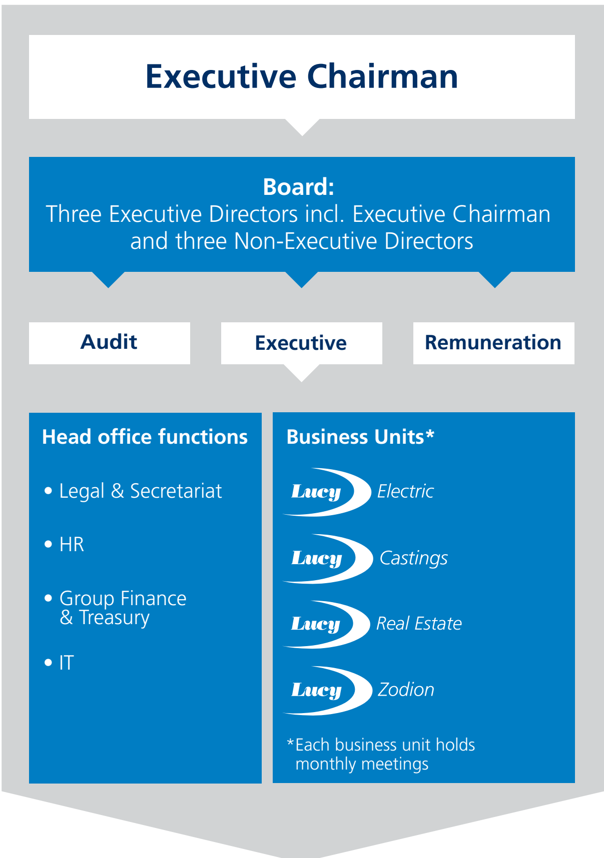
Guiding Principle

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.

Governance Framework



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 two Non-Executive Directors and meets on at least two occasions per year and consults with external Auditors, Senior Management and Internal Audit. The committee considers the effectiveness of the risk management and internal audit 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 two 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.

Information and Development

Directors are encouraged to update and refresh their skills, knowledge and familiarity with the Group by attending external seminars and through participation at meetings and through visits to operating units both in the UK and overseas as well as receiving presentations from senior management. This is in addition to the access that every Director has to the Company Secretary.

Board Committees and Directors are given access to independent professional advice at the Group's expense if they deem it necessary in order for them to carry out their responsibilities.

Directors receive a pack of relevant and timely information on the matters to be discussed at each meeting. The Board uses third party software which enables faster and more secure distribution of information whilst avoiding the need to circulate paper copies, minimising our effect on the environment. The Company Secretary ensures good information flows within the Board and its committees and between the Executive management and the Non-Executive Directors.

At each Board meeting:

• The Executive Chairman presents an update on the business issues across the group

• The Group Finance Director presents a detailed analysis on financial performance

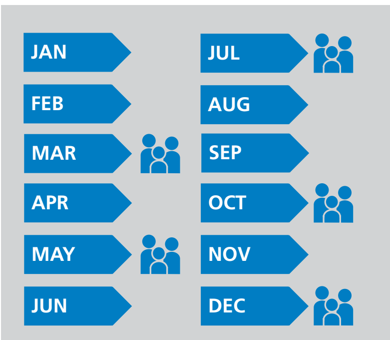
• Business unit heads and other senior managers attend relevant parts of board meetings in order to make presentations on their area of responsibility, providing updates on the developments and changes to the business

• The Company Secretary reports on the key regulatory and legal issues that affect the group

Between Board meetings Directors also meet with business unit management and are provided with information in the timely manner on matters affecting the business as and when relevant.

The table below sets out the number of meetings of the Board during the year.

Board Meeting dates 2015



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 whistle blowing Policy in place through which employees can raise genuine concerns of possible wrongdoing in confidence to the Company Secretary.

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.

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.

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.

By order of the Board

Madeline Laxton
Company Secretary
10 March 2016

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 31st December 2015 which comprise the Group and Parent Company Statements of Financial Position, the Group Income Statement, the Group Statement of Comprehensive Income, the Group Statement of Cash Flows, the Group and Parent Company Statements of Changes in Equity and the related notes. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS101 'Reduced Disclosure Framework'.

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 28, 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 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 Group's and 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 31st December 2015, and of the Group's profit for the year then ended;
- the Group's financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including FRS101 'Reduced Disclosure Framework'; and
- the financial statements 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

10 March 2016

Consolidated Income Statement

For the year ended 31st December, 2015

	Note	2015	2014
		£000	£000
Revenue	3	**217,057**	**160,918**
Cost of sales		(158,050)	(108,175)
Gross profit		**59,007**	**52,743**
Selling and distribution costs		(29,002)	(24,631)
Administrative expenses		(9,734)	(7,895)
Research and development costs		(9,016)	(5,664)
Other operating income/expenses		4,439	4,230
Exceptional items	5	(1,147)	(2,737)
Operating profit before net valuation gains on investment property	4	**14,547**	**16,046**
Net valuation gains on investment property		4,488	7,867
Operating profit after net valuation gains on investment property		**19,035**	**23,913**
Share of profit from equity accounted investments		657	654
Finance income	7	257	395
Finance costs	7	(1,282)	(639)
Profit before taxation		**18,667**	**24,323**
Tax expense	8	(1,934)	(2,604)
Profit for the year		**16,733**	**21,719**
Dividends	10	(1,426)	(1,382)
Retained profit for the year		**15,307**	**20,337**
Earnings per share	9	**3,401p**	**4,414p**

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

Consolidated Statement of Comprehensive Income

For the year ended 31st December, 2015

	2015	2014
	£000	£000
Profit for the year	**16,733**	**21,719**
Other comprehensive income:		
Items that will not be reclassified subsequently to the P&L:		
Remeasurement of defined benefit pension scheme	91	(5,686)
Taxation relating to remeasurement of pension scheme	(195)	914
Items that will subsequently be reclassified to the P&L:		
Change in cash flow hedges	(397)	(207)
Fair value change in net investment hedge	(39)	(2,997)
Currency translation differences	(193)	3,318
(Loss) / gain on revaluation of available for sale investments	(1)	52
Total comprehensive income for the year, net of tax	**15,999**	**17,113**

Consolidated Statement of Financial Position

For the year ended 31st December, 2015

	Note	2015	2014	2014 (1st January)
		£000	£000	£000
Assets				
Non-current assets				
Goodwill	11	2,717	2,360	2,360
Other intangible assets	12	1,375	867	292
Property, plant and equipment	13	31,993	26,976	23,596
Investment property	14	124,787	117,471	108,504
Other long-term financial assets	17	1,412	3,646	3,080
Other receivables	20	-	192	-
Deferred tax assets	20	700	207	454
Non-current assets		**162,984**	**151,719**	**138,286**
Current assets				
Inventories	19	29,811	26,216	24,124
Trade and other receivables	20	34,833	32,763	23,253
Derivative financial instruments	21	-	-	2,345
Cash and cash equivalents		17,084	14,139	13,387
Current assets		**81,728**	**73,118**	**63,109**
Total assets		**244,712**	**224,837**	**201,395**
Liabilities				
Non-current liabilities				
Provisions	22	9,013	7,237	8,663
Pension and other employee obligations	26	6,156	6,938	3,283
Borrowings	27	16,408	13,783	15,686
Trade and other payables	24	2,763	2,100	1,611
Deferred tax liabilities	25	13,861	12,686	11,324
Non-current liabilities		**48,201**	**42,744**	**40,567**

	Note	2015	2014	2014 (1st January)
		£000	£000	£000
Current liabilities				
Trade and other payables	23	29,989	32,970	28,021
Current tax liabilities	23	1,675	1,166	1,560
Derivative financial instruments	21	1,843	1,103	118
Current liabilities		**33,507**	**35,239**	**29,699**
Total liabilities		**81,708**	**77,983**	**70,266**
Net assets		**163,004**	**146,854**	**131,129**
Equity				
Share capital	29	492	492	492
Other reserves	30	764	1,393	1,371
Profit and loss account		161,748	144,969	129,266
Total equity		**163,004**	**146,854**	**131,129**

Approved by the Board of Directors on 10 March 2016 and signed on its behalf.

Richard Dick
Executive Chairman

Gary Ashton
Group Finance Director

Consolidated Statement of Cash Flows

For the year ended 31st December, 2015

	2015	2014
	£000	£000
Cash flows from operating activities		
Operating profit before net valuation gains on investment property	14,547	16,046
Depreciation and amortisation	4,975	4,762
Other income / (expense)	(520)	(58)
Currency revaluation	(553)	1,124
Operating cash flow before changes in working capital, interest and taxes	**18,449**	**21,874**
Increase in inventories	(2,204)	(2,092)
Decrease / (increase) in trade and other receivables	1,925	(10,076)
(Decrease) / increase in trade and other payables	(5,383)	5,517
Increase / (decrease) in provisions	1,610	(1,983)
Change in derivative financial instruments	740	3,330
Cash generated from operating activities	**15,137**	**16,570**
Interest received	112	139
Interest paid	(617)	(325)
Tax paid	(1,009)	(1,605)
Net cash from operating activities	**13,623**	**14,779**
Investing activities		
Capital Expenditure	(8,235)	(10,625)
Proceeds from disposal of property, plant and equipment	33	403
Acquisition of subsidiaries, net of cash acquired	(3,331)	-
Proceeds from disposal and redemption of non-derivative financial assets	115	47
Purchase of non-derivative financial assets	(173)	(42)
Net cash used in investing activities	**(11,591)**	**(10,217)**
Free cash flow	**2,032**	**4,562**
Financing activities		
Cash inflow/(outflow) from borrowings	2,339	(2,428)
Dividends paid	(1,426)	(1,382)
Net cash from/(used in) financing activities	913	(3,810)
Net change in cash and cash equivalents	**2,945**	**752**
Cash and cash equivalents, beginning of year	14,139	13,387
Cash and cash equivalents, end of year	**17,084**	**14,139**

Consolidated Statement of Changes in Equity

For the year ended 31st December, 2015

	Share capital	Capital reserve	Currency reserve	Net investment hedge reserve	Cash flow hedge reserve	Retained earnings	Total equity
	£000	£000	£000	£000	£000	£000	£000
At 1st January, 2015	492	69	2,217	(696)	(197)	144,969	146,854
Change in reserves on acquisition	-	-	-	-	-	1,576	1,576
Profit for the year	-	-	-	-	-	16,733	16,733
Other comprehensive income							
Foreign currency translation	-	-	(193)	-	-	-	(193)
Change in cash flow hedges	-	-	-	-	(397)	-	(397)
Fair value change in investments	-	-	-	(39)	-	-	(39)
Actuarial loss on post retirement liability, net of deferred tax	-	-	-	-	-	(104)	(104)
Total comprehensive income	**-**	**-**	**(193)**	**(39)**	**(397)**	**16,629**	**16,000**
Dividends	-	-	-	-	-	(1,426)	(1,426)
At 31st December, 2015	**492**	**69**	**2,024**	**(735)**	**(594)**	**161,748**	**163,004**
At 1st January, 2014	492	161	(1,101)	2,301	10	129,266	131,129
Prior year adjustment	-	(92)	-	-	-	86	(6)
Profit for the year	-	-	-	-	-	21,719	21,719
Other comprehensive income							
Foreign currency translation	-	-	3,318	-	-	-	3,318
Change in cash flow hedges	-	-	-	-	(207)	-	(207)
Fair value change in investments	-	-	-	(2,997)	-	52	(2,945)
Actuarial loss on post retirement liability, net of deferred tax	-	-	-	-	-	(4,772)	(4,772)
Total comprehensive income	**-**	**-**	**3,318**	**(2,997)**	**(207)**	**16,999**	**17,113**
Dividends	-	-	-	-	-	(1,382)	(1,382)
At 31st December, 2014	**492**	**69**	**2,217**	**(696)**	**(197)**	**144,969**	**146,854**

Principal Accounting Policies

Basis of preparation

The Group's consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU ('adopted IFRSs'), and also comply with IFRSs as issued by the International Accounting Standards Board (IASB).

These are the first consolidated financial statements prepared in accordance with IFRS. An explanation of how the transition to IFRS has impacted on the reported financial position, performance and cash flows are shown in note 35.

They are prepared on a historical cost basis, except that assets and liabilities of certain financial instruments, defined benefit pension plans, value of assets acquired in business combinations and investment property are valued at fair value.

The consolidated financial statements have been prepared using the significant accounting policies and measurement bases summarised below;

Basis of consolidation

The Group financial statements consolidate those of the parent company and all of its subsidiaries as of 31st December 2015. Subsidiaries are entities controlled by the group. Subsidiary companies that have an accounting reporting date other than 31st December prepare additional financial statements to 31st December for consolidation purposes. Where necessary, adjustments are made to the financial statements of subsidiaries to bring accounting policies used in line with those used in the Group. All transactions and balances between Group companies are eliminated on consolidation.

Business combinations are accounted for using the acquisition method, as at the acquisition date, being when control is transferred to the Group. Goodwill is measured at the acquisition date as the fair value of consideration transferred less the net recognised amount of the identifiable assets acquired and liabilities assumed. Where the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquired is added to the fair value of consideration in calculating goodwill. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Investments in associates and joint ventures

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity unless if an ability or lack of ability, to exercise significant influence is clearly demonstrated.

Investments in associates are accounted for using the equity method and are recognised initially at cost. The cost of the investments includes transaction costs

The Group classifies its interests in joint arrangements as either joint operations or joint ventures depending on the Group's rights to the assets and obligations for the liabilities of the arrangements. When making this assessment, the Group considers the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements and other facts and circumstances.

Foreign currency translation

The consolidated financial statements are presented in £ Sterling, which is also the functional currency of the parent company.

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. 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 income statement. Exchange differences arising in the normal course of trading are taken to the income statement.

Revenue

Revenue arises from the sale of goods and services. It is measured at the fair value of consideration received or receivable, excluding sales taxes and net of returns, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, recovery of consideration is probable and the amount of revenue can be measured reliably.

Profit is recognised on long-term contracts, if the final outcome can be estimated reliably, in proportion to the stage of completion of the contract. Otherwise, contract revenue is recognised only to the extent of contract costs that are likely to be recovered.

The Group earns rental income from operating leases of its investment properties. Rental income is recognised on a straight-line basis over the term of the lease.

Revenue from the sale of residential properties is recognised when the significant risks and rewards of ownership of the property is transferred, typically when legal title is transferred, at fair value of consideration received.

Operating expenses

Operating expenses are recognised in profit or loss as incurred and are classified according to their nature.

Cost of sales comprises material, labour, manufacturing and service expenses, sub contract services, installation, commissioning, warranty and rectification costs. Expenditure for warranties is recognised when the Group incurs an obligation, which is typically when the related goods are sold.

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's General Manager and the Board.

Borrowing costs

Interest costs that are directly attributable to the development of investment properties are capitalised as part of the cost of those assets. Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised. Goodwill is carried at cost less accumulated impairment losses.

Goodwill is assessed for impairment annually or as a relevant triggering event occurs. For impairment testing purposes goodwill is allocated to those cash-generating units that are expected to benefit from the synergies of the combination. Goodwill is impaired when its carrying amount exceeds its recoverable amount, the recoverable amount being the higher of the value in use and the fair value less cost to sell.

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 £630k. On disposal of a business, the gain or loss on disposal includes the goodwill previously written off on acquisition.

Impairment loses are recognised in the income statement.

Intangible assets

Intangible assets, other than goodwill, are stated at cost less accumulated amortisation. Amortisation is calculated to write off the cost of the asset on a straight line basis over the life of the asset. The residual value, if significant, is reassessed annually.

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset, and is recognised in profit or loss within other income or other expenses.

Research and development costs

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, should only be capitalised if the following criteria is satisfied;

- It is technically feasible that the development can be completed and the resulting intangible asset be available for use or sale
- It is intended to complete the development and use or sell the resulting intangible asset
- It is possible to use or sell the intangible assets
- The intangible asset will generate future economic benefits
- Adequate technical, financial and other resources are available to complete the intangible asset and use or sell it
- The benefits derived from the intangible asset are expected to last more than 2 years
- The cost of development of the intangible asset is greater than £500k

Development costs not meeting these criteria for capitalisation are expensed as incurred.

Principal Accounting Policies

Property, Plant and Equipment

Property plant and equipment is carried at cost, less any accumulated depreciation and accumulated impairment losses. Cost includes purchase price and construction costs, together with borrowing costs for qualifying assets. Depreciation of these assets commences when the assets are ready for their intended use.

Depreciation is charged so as to write off the cost, less estimated residual value, over their estimated useful lives, using the straight-line method, for the following class of assets:

Freehold buildings	Straight line over expected useful life
Leasehold premises	Term of lease, not exceeding 50 years
Leasehold improvements	Not exceeding the term of the lease
Plant and equipment	4 - 15 years
Fixtures and fittings	3 – 10 years
Computer equipment	4 years
Computer software	3 years
Motor vehicles	4 years

The estimated useful lives of property, plant and equipment and their residual values are reviewed on an annual basis and, if necessary, changes in useful lives are accounted for prospectively. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement for the relevant period.

Assets under £1,000 (or foreign currency equivalent) are expensed as incurred.

Finance leases

Management applies judgment in considering the substance of a lease agreement and whether it transfers substantially all the risks and rewards incidental to ownership of the leased asset. Key factors considered include the length of the lease term in relation to the economic life of the asset, the present value of the minimum lease payments in relation to the asset's fair value, and whether the Group obtains ownership of the asset at the end of the lease term.

For leases of land and buildings, the minimum lease payments are first allocated to each component based on the relative fair values of the respective lease interests. Each component is then evaluated separately for possible treatment as a finance lease, taking into consideration the fact that land normally has an indefinite economic life.

The interest element of lease payments is charged to profit or loss, as finance costs over the period of the lease.

Operating leases

All other leases are treated as operating leases. Costs are recognised as an expense on a straight-line basis over the lease term.
The leasehold premises are depreciated over the term of the lease, not exceeding 50 years.

Investment property

Investment property is valued annually and is included in the financial statements at fair value after taking appropriate professional advice. Changes in fair value are recognised in the income statement.

No depreciation is provided in respect of investment property .

Financial Instruments

Financial assets and financial liabilities are recognised when the Group becomes party to the contractual provisions of the instrument.

Trade receivables

Trade receivables are stated at their cost less any provision for bad and doubtful debts. They are assessed by the Group at each reporting date to determine whether there are any indicators of impairment.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Subsequently they are carried at amortised cost. Any difference between the proceeds and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Investments

Other investments are measured at cost and are subject to impairment. Investments in equity securities are classified as available-for-sale financial assets and are initially measured at cost which is considered to equal fair value. Subsequently such investments are measured at fair value and changes therein, are recognised in other comprehensive income.

Trade payables

Trade payables are measured at fair value and subsequently measured at amortised cost using the effective interest method.

Derivative financial instruments and hedge accounting

All derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Derivative financial instruments are accounted for as hedges when designated as hedges at the inception of the contract and when the financial instruments provide an effective hedge of the underlying risk. Gains and losses on hedging instruments are not recognised in the income statement until the hedged risk is recognised. The ineffective portion is recognised immediately in the income statement.

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 in other comprehensive income in the consolidated accounts that contain both the investments and the hedging instrument.

Cash flow hedging

Derivative financial instruments are classified as cash flow hedges that hedge the Group's exposure to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction. These include interest rate swaps, commodity (copper) swaps, forward foreign exchange transactions and options.

Net Investment hedging

A net investment hedge is a hedge of the foreign currency exposure arising from a net investment in a foreign operation using a derivative and/or non-derivative financial item as the hedging instruments.

Non current assets held for sale

Non-current assets or disposal groups comprising assets and liabilities that are highly probable to be recovered primarily through sale or distribution rather than through continuing use are classified as held for sale.

Immediately before classification as held for sale, the assets, or components of a disposal group, are re-measured in accordance with the Group's other accounting policies. Thereafter, generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less cost to sell.

Financial assets and financial liabilities are recognised when the Group becomes party to the contractual provisions of the instrument.

Inventories

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 based on information supplied by local property consultants.

Income Taxes

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. 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.

Principal Accounting Policies

Cash

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months. Short-term highly liquid investments are measured at fair value.

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

Equity and Reserves

Share capital represents the nominal (par) value of shares that have been issued.

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved in a general meeting prior to the reporting date.

Post Employment Benefit

The Group provides post-employment benefits through various defined contribution and defined benefit plans.

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 pension cost of the defined benefit scheme is charged to the income statement so as to spread the cost of pensions over employees' working lives with the Group.

Defined contribution schemes include a Group Personal Pension plan, including auto enrolment, managed by Zurich. The pension costs of these schemes are charged as incurred.

Employee benefits are provided elsewhere in the Group through defined benefit schemes in accordance with local labour laws. In the UAE and Saudi Arabia, unfunded end of service plans are made available for eligible employees. In India, contributions are made to a fund administered and managed by the Life Insurance Company of India.

Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Significant Management Judgement in Accounting Policies

When preparing the financial statements, management makes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

Significant management judgement

The following are significant management judgements in applying the accounting policies of the Group that have the most significant effect on the financial statements.

Development expenditure

Distinguishing the research and development phases of a new customised software project and determining whether the recognition requirements for the capitalisation of development costs are met requires judgement. After capitalisation, management monitors whether the recognition requirements continue to be met and whether there are any indicators that capitalised costs may be impaired.

Deferred Tax

The extent to which deferred tax assets can be recognised is based on an assessment of the probability that future taxable income will be available against which the deductible temporary differences and tax loss carry-forwards can be utilised. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions.

Estimation Uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Impairment of non-financial assets and goodwill

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating units based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and equipment.

Inventories

Management estimates the net realisable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realisation of these inventories may be affected by future technology or other market-driven changes that may reduce future selling prices.

Defined benefit obligation

Management's estimate of the defined benefit obligation is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the defined benefit obligation amount and the annual defined benefit expenses.

Fair value measurement

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. Management bases its assumptions on observable data as far as possible but this is not always available. In that case management uses the best information available. Investment properties are valued using appropriated professional advice.

Notes to the Accounts

1. Accounting policies and presentation

Basis of preparation
The Group's consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU ('adopted IFRSs'), and also comply with IFRS as issued by the International Accounting Standards Board (IASB).

These are the first consolidated financial statements prepared in accordance with IFRS. An explanation of how the transition to IFRS has impacted on the reported financial position, performance and cash flows are shown in note 35.

New and amended standards which became effective during the year
Amendments to IAS 19 – Defined Benefit Plans: Employee contributions

The amendments permit contributions that are independent of the number of years of service to be recognised as a reduction in the service cost in the period in which the service is rendered. The amendments have not resulted in any change in the Group or Company statement of financial position.

The various amendments to IFRS through the annual improvements cycle 2010-12 and 2011- 13 have been considered and do not have a material impact on the Group in the current period.

Standards issued by the International Accounting Standards Board (IASB) not effective for the current year and not early adopted by the Group
The following standards and interpretations, which have been issued by the IASB and are relevant for the Group, subject to EU ratification, became effective after the current year-end and have not been early adopted by the Group.

IFRS 9 - Financial Instruments

This standard will replace IAS 39 and covers the classification, measurement and de-recognition of financial assets and liabilities, and new hedge accounting models. The standard is effective for accounting periods beginning on or after 1st January 2018, early adoption is not permitted as the standard has not yet been endorsed for use in the EU.

IFRS 15 - Revenues from Contracts with Customers

This standard will replace IAS 18 and includes a five step approach to recognising revenue, based around performance obligations within contracts. The proposed effective date, subject to EU endorsement is for accounting periods beginning on or after 1st January 2018.

IFRS 16– Leases

This standard provides a single lessee accounting model, requiring assets and liabilities to be recognised for all leases over 12 months in duration. This standard is effective for accounting periods beginning on or after 1st January 2019, but has not yet been endorsed for use in the EU.

A number of amendments and improvements to various standards have also been issued but are not yet effective, including acceptable methods of depreciation and accounting for acquisitions in joint operations.

The impact on the Group's financial statements of the future adoption of these standards is still under review.

2. Profit for the financial year

The Group profit for the year after taxation includes a profit of £23.3m (2014: £25.5m) which is dealt with in the financial statements of the Company.

3. Analysis of turnover and profit between activities and markets

The total turnover of the Group was £217.1m (2014: £160.9m) of which £9.7m (2014: £9.6m) 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

	2015	2014
a) Operating profit is stated after charging :	£000	£000
Depreciation of tangible fixed assets	4,572	4,409
Amortisation of intangible fixed assets	403	218
Operating lease rentals		
Plant & machinery	129	475
Land & buildings	2,732	1,197
Research and development	9,016	5,664
Directors' remuneration (see note 33)	984	1,175
Auditors' remuneration (see note 4c)	128	121
Hire of plant	20	15
Gain / (loss) on translation of foreign currency	1,863	(120)
b) Operating profit is stated after crediting:		
Rental income	6,813	6,537
Less related expenses	(2,992)	(3,228)
	3,821	**3,309**
c) Auditors' remuneration		
Audit of these financial statements	27	25
Amounts received by auditors and subsidiary auditors in respect of:		
Audit of financial statements of subsidiaries	88	84
Other services	13	12
	128	**121**
Fees in respect of and borne by the W Lucy Pension Scheme	4	4

Notes to the Accounts

5. Exceptional items

	2015	2014
	£000	£000
Start-up costs	-	1,363
Integration and system implementation costs	1,017	1,374
Restructuring	130	-
	1,147	**2,737**

6. Employee Remuneration

Wages and salaries	31,269	27,497
Social security costs	1,963	1,754
Pension costs	2,180	1,762
	35,412	**31,013**

The average number of employees during the year was 1,322 (2014: 1,214) of which 127 were administrative (2014: 119).

7. Finance income and costs

Finance revenue		
Income from investments	23	20
Other interest receivable	112	139
Ineffective portion of changes in fair value of cash flow and net investment hedges	79	-
Other income	43	117
Exchange gain on overseas assets	-	119
	257	**395**
Finance cost		
Bank interest	617	325
Ineffective portion of changes in fair value of cash flow and net investment hedges	354	172
Pension finance cost	277	142
Exchange loss on overseas assets	34	-
	1,282	**639**

8. Tax on profit on ordinary activities

	2015	2014
	£000	£000
Current year UK tax	574	1,159
Current year overseas tax	261	269
Group current tax	835	1,428
Over provision in previous years	(125)	(494)
	710	934
Share of associates' current tax	248	212
Total current tax	**958**	**1,146**
Deferred tax		
Capital allowances	80	207
Other timing differences and allowances	28	(71)
Investment properties	868	1,322
Total deferred taxation	**976**	**1,458**
Total tax on profit on ordinary activities	**1,934**	**2,604**

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:

	2015	2014
Profit on ordinary activities before tax	14,179	16,801
Less: share of joint venture profit before tax	(409)	(212)
Group profit on ordinary activities before tax	**13,770**	**16,589**
Tax charge at average UK Corporation Tax rate of 20.25% (2014: 21.5%)	2,788	3,567
Adjustments in respect of prior years	(365)	(494)
Effect of change in non-allowable general provisions	(32)	387
Net effect of differing overseas tax rates	(1,961)	(2,000)
Other non-allowable expenses	(411)	293
Depreciation in excess of capital allowances	215	107
Utilisation of tax losses	380	-
Other	344	(714)
Group current tax charge for the period	**958**	**1,146**

Notes to the Accounts

9. Earnings per share

The earnings per share have been calculated using the profit attributable to shareholders of W. Lucy & Co. Ltd. as the numerator, i.e. no adjustments to profit were necessary in 2014 or 2015.

	2015	2014
	£000	£000
Profit on ordinary activities after taxation	16,733	21,719
Weighted average number of shares (000s)	492	492
Earnings per share	**3,401p**	**4,414p**

10. Dividends

	2015	2014
Amounts recognised as distributions to shareholders in the year:		
Final dividend for the year to 31st December 2014: 105p (2013: 100p) per share	516	492
Interim dividend for the year to 31st December 2015: 85p (2014: 81p) per share	418	398
Special dividend for the year to 31st December 2015: 100p (2014: 100p) per share	492	492
	1,426	**1,382**
Proposed final dividend for the year to 31st December 2015: 110p (2014: 105p) per share	541	517

11. Goodwill

The movements in the net carrying amount of goodwill are as follows:

	2015	2014
	£000	£000
Gross carrying amount		
Balance 1st January	2,360	2,360
Additions	357	-
Balance 31st December	**2,717**	**2,360**

Impairment of Goodwill

Goodwill arising on business combinations is not amortised but is reviewed on an annual basis, or when there is an indicator that goodwill has been impaired. Goodwill acquired in a business combination is allocated to groups of cash generating units according to the level at which goodwill is monitored by management.

Recoverable amounts are based on value in use, which are calculated from cash flow projections using information from the Group's latest medium term plans, which are reviewed by the Directors. The medium term plans cover a five year period, the growth rate used to extrapolate beyond the medium term plans is zero.

The key assumptions used in the value in use calculations are the discount rate. Discount rates have been estimated based on current market assessment of the time value of money as well as future expectations for changes in market conditions.

Impairment reviews were performed as at 31st December 2013, 2014 and 2015 by comparing the carrying amount of goodwill to the recoverable amount of each asset. No impairment has been identified.

The components of goodwill are:	£000	£000
Lucy Zodion Ltd	2,261	2,221
Truscanian Ltd	139	139
Lucy Electric India (Private) Ltd	155	-
Lucy Electric GridKey Ltd	162	-
	2,717	**2,360**

Notes to the Accounts

12. Other intangible assets

	Licenses and software
Gross carrying amount	£000
At 1st January, 2015	3,010
Currency valuation adjustment	328
Restated opening balance	3,338
Additions	316
Acquisition of subsidiary undertaking	275
Disposals	(69)
At 31st December, 2015	**3,860**
Amortisation	
At 1st January, 2015	2,143
Currency valuation adjustment	8
Restated opening balance	2,151
Charge for year	403
Disposals	(69)
At 31st December, 2015	**2,485**
Net book value	
At 31st December, 2015	**1,375**
At 31st December, 2014	867
Gross carrying amount	
At 1st January, 2014	2,217
Additions	793
Disposals	-
At 31st December, 2014	**3,010**
Amortisation	
At 1st January, 2014	1,925
Charge for year	218
Disposals	-
At 31st December, 2014	**2,143**
Net book value	
At 31st December, 2014	**867**
At 31st December, 2013	292

13. Property, plant and equipment

	Freehold land and buildings	Plant and equipment	Fixtures and fittings	Motor vehicles	Total
Cost or valuation	£000	£000	£000	£000	£000
At 1st January, 2015	17,143	23,815	16,562	1,803	59,323
Currency valuation adjustment	1,048	423	(2,676)	(16)	(1,221)
Restated opening balance	18,191	24,238	13,886	1,787	58,102
Additions	521	2,734	1,548	213	5,016
Transfer in	75	-	-	-	75
Acquisition of subsidiary undertaking	3,902	376	63	6	4,347
Disposals	-	(696)	(2,889)	(146)	(3,731)
Impairment	-	(121)	-	-	(121)
At 31st December, 2015	**22,689**	**26,531**	**12,608**	**1,860**	**63,688**
Depreciation					
At 1st January, 2015	5,277	14,735	11,309	1,026	32,347
Currency valuation adjustment	(20)	338	(1,838)	(6)	(1,526)
Restated opening balance	5,257	15,073	9,471	1,020	30,821
Charge for year	686	1,999	1,580	307	4,572
Disposals	-	(691)	(2,886)	(121)	(3,698)
At 31st December, 2015	**5,943**	**16,381**	**8,165**	**1,206**	**31,695**
Net book value					
At 31st December, 2015	**16,746**	**10,150**	**4,443**	**654**	**31,993**
At 31st December, 2014	11,866	9,080	5,253	777	26,976

Notes to the Accounts

13. Property, plant and equipment (continued)

	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	15,577	20,795	14,679	1,362	52,413
Currency valuation adjustment	239	671	445	7	1,362
Restated opening balance	15,816	21,466	15,124	1,369	53,775
Additions	2,573	3,083	2,516	560	8,732
Disposals	-	(734)	(927)	(126)	(1,787)
Impairment	(1,246)	-	-	-	(1,246)
Revaluation	-	-	(151)	-	(151)
At 31st December, 2014	**17,143**	**23,815**	**16,562**	**1,803**	**59,323**
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	**11,866**	**9,080**	**5,253**	**777**	**26,976**
At 31st December, 2013	10,956	7,755	4,383	502	23,596

The CG Lucy Switchgear Ltd (Lucy Electric India (Private) Ltd) property plant and equipment are included at fair value on acquisition. The carrying amount under the cost model would be £1.6m.

14. Investment property

Investment property includes residential, commercial, industrial and agricultural properties in the UK, which are owned, managed and let to earn rentals and for capital appreciation.

Note 28 'Financial instruments' sets out how the fair value of the investment properties has been determined.

	2015	2014
	£000	£000
Carrying amount 1st January	117,471	108,504
Additions	2,903	1,100
Transfer out	(75)	-
Revaluation	4,488	7,867
Carrying amount 31st December	**124,787**	**117,471**

Notes to the Accounts

15. Acquisition of Subsidiary Undertakings

2015

a. CG Lucy Switchgear Ltd

On 8th October 2015, the company acquired the remaining 50% of the share capital in CG Lucy Switchgear Ltd from Compton Greaves Ltd to increase it's holding to 100%. From the date of acquisition CG Lucy has been consolidated into the Group financial statements as a wholly-owned subsidiary.

The details of the business combinations are as follows:

	£000
Amount settled in cash	4,017
Fair value of the previously held equity interest	3,862
Total investment value	**7,879**
Recognised amounts of identifiable net assets	
Property, plant and equipment	1,625
Intangible assets	271
Fair value adjustment of fixed assets	2,667
Other non current assets	68
Long term loans and advances	53
Total non-current assets	**4,684**
Inventories	1,170
Trade and other receivables	3,537
Cash and cash equivalents	1,002
Total current assets	**5,709**
Borrowings	(21)
Deferred tax liabilities	(88)
Total non-current liabilities	**(109)**
Current tax liability	(100)
Deferred tax on property revaluation	(315)
Trade and other payables	(2,145)
Total current liabilities	**(2,560)**
Identifiable net assets	**7,724**
Goodwill on acquisition	**155**

	2015

b. GridKey assets from Selex ES Ltd

On 17th December W. Lucy & Co. Ltd. acquired the net assets of GridKey from Selex ES Ltd for a consideration of £316k.

	£000
Amount settled in cash	**316**
Recognised amounts of identifiable net assets	
Tangible fixed assets	55
Intangible fixed assets	4
Inventories	221
Provisions	(66)
Customer cash	(60)
Identifiable net assets	**154**
Goodwill on acquisition	**162**

16. Joint ventures

As at 31st December 2014 the Group had one material joint venture, CG Lucy Switchgear Limited (CG Lucy).
On 8th October 2015 the Group acquired the remaining 50% equity in CG Lucy and from the date of acquisition they have been consolidated into the Group accounts as a wholly-owned subsidiary.

17. Other long-term financial assets

	2015	2014
	£000	£000
Investment in Joint Venture	-	2,260
Equity securities: quoted	1,412	1,386
	1,412	**3,646**

Quoted investments are classified as available for sale and are recorded at fair value as at the statement of financial position.

Notes to the Accounts

18. Principal Group undertakings

Company	Country of incorporation	Principal activity	Proportion of ownership interests held by the Group at year end % 2015	2014
Lucy Electric UK Limited	England	Manufacture and sale of switchgear and lighting products	100	100
Lucy Zodion Limited	England	Manufacture and sale of lighting products	100	100
Lucy Electric (EMS) Limited	England	Engineering and management services	100	100
Sandawana Castings Limited	England	Manufacture and sale of iron castings	100	100
Lucy Developments Limited	England	Property development	100	100
Lucy Block Management Limited	England	Property management	100	100
Truscanian Foundries Limited	England	Manufacture and sale of aluminium castings	100	100
Lucy Electric Beijing Company Limited	China	Marketing and sale of switchgear	100	100
Lucy Electric India (Private) Limited (formerly CG Lucy Switchgear Limited)	India	Manufacture and sale of switchgear	100	50
Lucy Electric Manufacturing and Technologies India (Private) Limited (formerly Lucy Electric India (Private) Limited)	India	Manufacture and sale of switchgear and lighting products	100	100
Lucy Asia Pacific SDN BHD	Malaysia	Marketing and sale of switchgear	100	100
Lucy Switchgear Arabia Limited	Saudi Arabia	Manufacture and sale of switchgear	100	100
The Saudi Lucy Company Limited	Saudi Arabia	Manufacture and sale of switchgear	30	30
Lucy Electric South Africa Pty Limited	South Africa	Marketing and sale of switchgear	100	100
Lucy Electric (Thailand) Limited	Thailand	Manufacture and sale of switchgear	100	100
Lucy Switchgear FZE	U.A.E.	Manufacture of switchgear	100	100
Lucy Middle East FZE	U.A.E.	Marketing and sale of switchgear	100	100

19. Inventories

	2015 (31st December)	2014 (31st December)	2014 (1st January)
	£000	£000	£000
Raw materials and components	8,627	8,817	6,791
Work in progress	3,065	1,922	1,760
Long-term contract balances:			
Net cost less foreseeable losses and payments on account	642	-	-
Finished goods	9,167	11,413	11,033
Development land and buildings:			
Land	2,004	754	2,604
Developments in progress	5,489	3,310	763
Finished properties for sale	817	-	1,173
Total inventories	**29,811**	**26,216**	**24,124**

20. Trade and other receivables

	2015 (31st December)	2014 (31st December)	2014 (1st January)
Current receivables			
Trade receivables	30,422	27,447	17,370
Rent receivables	112	119	80
Amounts recoverable on long term contracts	563	1,639	817
Corporation Tax receivable	142	369	148
Prepayments and accrued income	3,249	2,811	4,744
Other receivables	345	378	94
Total current	**34,833**	**32,763**	**23,253**
Non-current receivables			
Deferred tax asset	700	207	454
Other receivables	-	192	-
Total non current	**700**	**399**	**454**
Total receivables	**35,533**	**33,162**	**23,707**

Notes to the Accounts

21. Derivative financial instruments

	2015 Asset £000	2015 Liability £000	2014 Asset £000	2014 Liability £000
Designated hedge relationships:				
Foreign exchange contracts	-	1,509	-	959
Commodity contracts	-	334	-	144
	-	**1,843**	-	**1,103**

These amounts are included within the disclosure in note 28 - financial instruments and risk management.

22. Provisions

The carrying amounts and the movements in the provision account are as follows:

	Restructuring costs £000	Integration & systems implementation costs £000	Warranty provision £000	Other £000	Total £000
Carrying amount 1st January, 2015	3,640	295	3,169	133	7,237
Provided in year	980	1,190	634	313	3,117
Charge in year	(850)	(173)	(264)	(54)	(1,341)
Carrying amount 31st December, 2015	**3,770**	**1,312**	**3,539**	**392**	**9,013**

23. Trade & other payables – current

	2015 (31st December)	2014 (31st December)	2014 (1st January)
	£000	£000	£000
Trade payables	15,567	15,765	10,096
Accruals and deferred income	11,477	13,057	14,228
Loans repayable within one year	270	556	556
Other payables	2,675	3,592	3,141
	29,989	**32,970**	**28,021**

	2015 (31st December)	2014 (31st December)	2014 (1st January)
	£000	£000	£000
Corporation Tax payable	1,253	711	1,100
Social security and other taxes	422	455	460
	1,675	**1,166**	**1,560**

24. Trade & other payables – non current

	2015 (31st December)	2014 (31st December)	2014 (1st January)
	£000	£000	£000
Loans repayable after more than one year	16,408	13,783	15,686
Other payables	2,763	2,100	1,611
	19,171	**15,883**	**17,297**

Other payables represents a statutory gratuity payable to UAE and Saudi Arabia based employees on leaving the company.

25. Deferred tax liability

	2015 (31st December)	2014 (31st December)	2014 (1st January)
	£000	£000	£000
Investment properties	13,391	13,074	11,858
Capital allowances	(484)	(467)	(597)
Other timing differences and allowances	954	79	63
	13,861	**12,686**	**11,324**

Notes to the Accounts

26. Pensions

W Lucy & Co. Ltd. (the Company) operates a defined benefit pension arrangement called the W Lucy Pension Scheme (the Scheme). The Scheme provides benefits based on final salary and length of service on retirement, leaving service or death. 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 2015 in respect of the unfunded, unapproved retirement benefit arrangements was approximately £1.2m (2014: £1.0m).

The Company also operates a defined contribution scheme but this is not included in these disclosures.

The Scheme is subject to the Statutory Funding Objective under the Pensions Act 2004. A valuation of the Scheme is carried out at least once every three years to determine whether the Statutory Funding Objective is met. As part of the process the Company must agree with the Trustees of the Scheme the contributions to be paid to address any shortfall against the Statutory Funding Objective and contributions to pay for future accrual of benefits. The Statutory Funding Objective does not currently impact on the recognition of the Scheme in these accounts.

The Scheme is managed by a board of Trustees appointed in part by the Company and part from elections by members of the Scheme. The Trustees have responsibility for obtaining valuations of the fund, administering benefit payments and investing the Scheme's assets. The Trustees delegate some of these functions to their professional advisers where appropriate.

The Scheme exposes the Company to a number of risks:

Investment risk

The Scheme holds investments in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long-term, the short-term volatility may cause additional funding to be required if a deficit emerges.

Interest rate risk

The Scheme's liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. As the Scheme holds assets such as equities and diversified growth funds the value of the assets and liabilities may not move in the same way.

Inflation risk

A proportion of the benefits under the Scheme are linked to inflation. Although the Scheme's assets are expected to provide a good hedge against inflation over the long term, movements over the short-term could lead to deficits emerging.

Mortality risk

In the event that members live longer than assumed a deficit may emerge in the Scheme.

Member options

Certain benefit options may be exercised by members without requiring the consent of the Trustees or the Company, for example exchanging pension for cash at retirement. In this example, if fewer members than expected exchange pension for cash at retirement then a funding strain will emerge.

There were no plan amendments, curtailments or settlements during the period.

Please note that the figures for the year to 31 December 2014 have been re-stated under IAS19.

	2015 (Value at 31st December)	2014 (Value at 31st December)
a) Amounts recognised in the Statement of Financial Position at 31 December 2015	£000	£000
Fair value of assets	47,861	47,991
Present value of funded obligations	(55,557)	(56,664)
Surplus/(deficit)	**(7,696)**	**(8,673)**
Deferred tax	1,540	1,735
Net defined benefit liability at 31 December 2015	**(6,156)**	**(6,938)**
b) Reconciliation of net defined benefit liability/(asset)		
Net defined benefit liability at beginning of period	**8,673**	**4,104**
Service cost	602	562
Past service cost & settlement curtailment cost	-	100
Net interest expense (income)	277	142
Remeasurements	(91)	5,686
Administration costs	168	166
Employer contributions	(1,933)	(2,087)
Net defined benefit liability at end of period	**7,696**	**8,673**
c) Amounts recognised in the Income Statement over the year		
Current service cost	602	562
Administration costs	168	166
Interest on liabilities	2,005	2,227
Interest on assets	(1,728)	(2,085)
Past service cost	-	100
Total	**1,047**	**970**
d) Remeasurements over the year		
Loss/(gain) on scheme assets in excess of interest	1,851	(518)
Experience losses on liabilities	3	418
Losses/(gains) from change to demographic assumptions	-	-
(Gains)/losses from changes to financial assumptions	(1,945)	5,786
Total remeasurements	**(91)**	**5,686**

Notes to the Accounts

26. Pensions (continued)

	2015 (Value at 31st December)	2014 (Value at 31st December)
	£000	£000
e) Fair value of assets at the beginning of the period	**47,991**	**45,287**
Interest on assets	1,728	2,085
Company contributions	1,933	2,087
Contributions by Scheme participants	131	136
Benefits paid (net of expenses)	(1,903)	(1,956)
Administration costs	(168)	(166)
Return on plan assets less interest	(1,851)	518
Fair value of assets at the end of the period	**47,861**	**47,991**

f) The change in the Defined Benefit Obligation over the period was:

	2015	2014
Defined Benefit Obligation at the beginning of the period	**56,664**	**49,391**
Current service cost	602	562
Contributions by Scheme participants	131	136
Past service cost	-	100
Interest cost	2,005	2,227
Benefits paid (net of expenses)	(1,903)	(1,956)
Experience loss on defined benefit obligation	3	418
Changes to demographic assumptions	-	-
Changes to financial assumptions	(1,945)	5,786
Defined Benefit Obligation at the end of the period	**55,557**	**56,664**

	2015
g) The major categories of assets as a percentage of total assets are as follows:	
Asset category	
UK equities	29%
Overseas equities	27%
Property	1%
Gilts	5%
Bonds	21%
Absolute/Target Return	15%
Cash	2%
Total	**100%**

The actual return on the Scheme's assets over the period to the Review Date was (£123k).

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

	2015	2014
h) The principal assumptions used to calculate the Scheme's liabilities include:		
Discount rate	3.90% pa	3.60% pa
Inflation assumption (RPI)	2.90% pa	2.80% pa
Inflation assumption (CPI)	2.10% pa	2.00% pa
RPI max 5% pension increases	2.80% pa	2.70% pa
RPI max 2.5% pension increases	2.10% pa	2.05% pa
CPI max 3% pension increases	1.80% pa	1.75% pa
Revaluation in deferment	2.90% pa	2.80% pa
Salary Increases	3.55% pa	3.45% pa
Post retirement mortality assumption	112% S2PXA CMI 2013 [1.00%]	112% S2PXA CMI 2013 [1.00%]
Tax free cash	Members are assumed to take 15 percent of their pension as tax free cash	Members are assumed to take 15 percent of their pension as tax free cash

Notes to the Accounts

26. Pensions (continued)

	2015	2014
i) Under the adopted mortality tables, the future life expectancy at age 65 is as follows:		
Life expectancy at age 65		
Male currently aged 45	22.7	22.6
Female currently aged 45	24.7	24.7
Male currently aged 65	21.3	21.3
Female currently aged 65	23.2	23.2

The present value of funded and unfunded obligations under IAS19 totals £55.6m

j) Adjustments to assumptions	Approximate effect on liabilities
Discount rate	
Minus 0.10% pa	+ £900,000
Inflation	
Plus 0.10% pa	+ £670,000
Salary Increase	
Plus 0.10% pa	+ £110,000
Life Expectancy	
Increase long-term mortality improvement rate to 1.25%, rather than 1.0%	+ £680,000

Note that the above sensitivities are approximate and only show the likely effect of an assumption being adjusted whilst all other assumptions remain the same.

The Company is required to agree a Schedule of Contributions with the Trustees of the Scheme following a valuation which must be carried out at least once every three years. The next valuation of the Scheme is due as at 6th April 2017. In the event that the valuation reveals a larger deficit than expected the Company may be required to increase contributions above those set out in the existing Schedule of Contributions. Conversely, if the position is better than expected contributions may be reduced.

27. Borrowings

2015

The Group's committed loan facilities at the year end were £26.3m, and these were utilised as follows:

Facilities	Repayable	£000
Revolving facilities		
Secured £18m revolving multi-currency loan at 1.65% above LIBOR	6th March 2017	12,965
Secured £8m revolving multi-currency loan at 1.61% above LIBOR	23rd May 2018	2,850
Term facilities		
Unsecured £5m multi-currency loan at 1.00% above LIBOR/Base rate	6th June 2006 to 6th August 2016	270
Other		
Exchange loss on foreign currency borrowings		554
Sales tax deferral loan		39
Total borrowings		**16,678**

Security

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

Loan drawdown and interest	£000
The amount of loan drawdown at 31st December 2015 was £16.6m, split as follows:	
Sterling £5.4m loans at variable rates of interest	5,370
US Dollar $4.0m loans at variable rates of interest	2,701
Thai Baht THB405m loans at variable rates of interest	8,568
	16,639

	2015	2014
Maturity of borrowings	£000	£000
In more than one but no more than two years	12,981	260
In more than two but no more than five years	3,427	13,523
More than five years	-	-
	16,408	**13,783**

Notes to the Accounts

28. Financial instruments and risk management

a. Financial risk management objectives and policies
The Group's principal financial instruments, other than derivatives, comprise bank loans, cash, short–term deposits, trade receivables and trade payables. The Group's financial instrument policies can be found in the principal accounting policies. The Board agree policies for managing the financial risks summarised below:

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
The Group is exposed to credit risk from its business customers and key suppliers, whose services are essential to the business, who also face credit risk. Where recovery of trade receivables are identified as doubtful, provision for impairment is made. The Groups maximum exposure on its trade and other receivables is the varying amount as disclosed in Note 20.

Liquidity risk
The Group's risk assessment procedures for key suppliers enables it to identify alternatives and develop contingency plans in the event any of these suppliers fail.

The Group has adequate medium term financing in place to support its business operations for the foreseeable future. The Group ensures that it has sufficient undrawn committed borrowing facilities available to meet committed expenditure and to allow for operational flexibility. An analysis of the maturity of borrowings is disclosed in Note 27.

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. Cash flow hedging is used to mitigate the risk, by using financial instruments, such as entering into forward contracts on commodities, when this is considered the most efficient way of protecting against price movements.

Foreign currency risk
The Group incurs foreign currency risk on transactions that are denominated in a currency other than UK pounds sterling. The Group's policy is to hedge all material firm transactional exposures in order to protect it against currency fluctuations. These exposures are hedged via forward currency contracts which are designated as cash flow hedges.

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.

Where applicable, loans to non-UK subsidiaries are hedged via external borrowings in matching currencies. These are not formally designated as hedges as gains and loses on hedged loans will naturally offset.

Net investment hedges, using foreign currency loans, forward currency contracts and options are used to translate exposure to currency movements in overseas net assets. This mitigates the currency risk arising from the subsidiary's net assets.

Interest rate risk

Interest rate risk arises on the Group's borrowings and, where applicable, is addressed by taking out forward cover up to a maximum of 60% of total borrowings for periods up to five years. This does not eliminate the risk but provides some certainty. The Group seeks to cash flow hedge account forward cover when applicable.

b. Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to foreign exchange, commodity and interest rate risks arising from the Groups operating and financing activities. Forward contracts are used to hedge against foreign exchange rate changes over fixed terms.

In accordance with Group treasury policies, derivative financial instruments are not held for trading purposes.

Certain derivative financial instruments are designated as hedges in line with the Group's risk management policies. Hedges are classified as follows:

- Cash flow hedges when they hedge the exposure to variability in cash flows that is attributable to a particular risk associated with a forecast transaction
- Net investment hedges when they hedge the exposure to changes in the value of the Group's interests in the net assets of foreign operations.

All the Group's derivatives are recognised in the Statement of Financial Position at fair value, with any change in fair value that do not meet the criteria for net investment or cash flow hedge accounting recognised in the income statement.

Cash flow hedges

Where a derivative financial instrument is designated as a cash flow hedge, the effective portion of any change in fair value of the instrument is recognised in other comprehensive income and included in the cash flow hedge reserve within equity. The ineffective portion of any change in fair value is recognised in the income statement immediately.

Net investment hedges

The effective portion of the gain or loss on an instrument used to hedge a net investment in a foreign operation is recognised in other comprehensive income and included in the net investment hedge reserve within equity. The ineffective potion is recognised in the income statement immediately.

Notes to the Accounts

28. Financial instruments and risk management (continued)

Financial Instruments

The carrying value of financial assets and liabilities disclosed in the notes are considered to be reasonable approximations of their fair values.

Hierarchical classification of financial assets and liabilities measured at fair value
IFRS 13 requires that the classification of financial instruments at fair value be determined by reference to the source of inputs used to derive the fair value. The classification uses the following three–level hierarchy:

Level 1
Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2
Other techniques for which all inputs, which have a significant effect on the recorded fair value, are observable, either directly or indirectly.

Level 3
Techniques which use inputs, which have a significant effect on the recorded fair value, that are not based on observable market data.

The valuation techniques used for instruments categorised in Levels 1 and 2 are described below:

	2015		2014	
	Asset	Liabilities	Asset	Liabilities
	£000	£000	£000	£000
Level 1				
Listed securities and debentures	1,412	-	1,386	-
Level 2				
Forward contract swaps	-	1,509	-	959
Commodity swaps	-	334	-	144
Investment property	124,787	-	117,471	-
Acquired property, plant and equipment	2,667	-	-	-
	127,454	**1,843**	**117,471**	**1,103**

Quoted equities and securities (Level 1)
The fair value of the Group's quoted securities are derived from observable quoted market prices for the assets.

Investment property (Level 2)
The fair value of the Group's investment properties is estimated based on appraisals performed by independent and professionally qualified valuers. The valuation processes are reviewed by the Board of Directors at each reporting date. The significant assumptions used in the valuation relate to current rental yields.

Forward contract and commodity swaps (Level 2)

The fair value of forward contract and commodity swaps are determined by market values available from the markets on which the forward contracts are traded.

c. Categories of Financial Instruments

A summary of the classifications of the financial assets and liabilities held by the Group is set out in the following table:

2015	Loans and receivables/ cash and cash equivalents	Assets at fair value through profit and loss	Deriviatives used for hedging	Available for sale	Total book value	Fair value
	£000	£000	£000	£000	£000	£000
Non- current assets						
Other long term financial assets	-	-	-	1,412	1,412	1,412
Current assets						
Trade and other receivables excluding prepayments	30,534	-	-	-	30,534	30,534
Cash and cash equivalents	17,084	-	-	-	17,084	17,084
	47,618	-	-	**1,412**	**49,030**	**49,030**
Non- current liabilities						
Interest bearing loans and borrowings	16,408	-	-	-	16,408	16,408
Current liabilities						
Interest- bearing loans and borrowings	270	-	-	-	270	270
Trade and other payables	15,567	-	-	-	15,567	15,567
Derivative financial instruments	-	334	1,509	-	1,843	1,843
	32,245	**334**	**1,509**	**-**	**34,088**	**34,088**
Total net financial assets/(liabilities)	**15,373**	**(334)**	**(1,509)**	**1,412**	**14,942**	**14,942**

Notes to the Accounts

28. Financial instruments and risk management (continued)

2014	Loans and receivables/ cash and cash equivalents	Assets at fair value through profit and loss	Derivatives used for hedging	Available for sale	Total book value	Fair value
	£000	£000	£000	£000	£000	£000
Non- current assets						
Other long term financial assets	-	-	-	1,386	1,386	1,386
Current assets						
Trade and other receivables excluding prepayments	27,566	-	-	-	27,566	27,566
Cash and cash equivalents	14,139	-	-	-	14,139	14,139
	41,705	**-**	**-**	**1,386**	**43,091**	**43,091**
Non- current liabilities						
Interest bearing loans and borrowings	13,783	-	-	-	13,783	13,783
Current liabilities						
Interest- bearing loans and borrowings	556	-	-	-	556	556
Trade and other payables	15,765	-	-	-	15,765	15,765
Derivative financial instruments	-	341	762	-	1,103	1,103
	30,104	**341**	**762**	**-**	**31,207**	**31,207**
Total net financial assets/(liabilities)	**11,601**	**(341)**	**(762)**	**1,386**	**11,884**	**11,884**

29. Equity – share capital

	2015	2014
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

Notes to the Accounts

30. Other reserves

The consolidated statement of changes in equity is shown on page 41. Further information on reserves is provided below:

Capital reserves
The capital reserve arose on redemption of ordinary shares in the Group companies.

Retained earnings
In accordance with IFRS, retained earnings include revaluation reserves which are not distributable under UK law. The balance in the revaluation reserve at 31 December 2015 is £86.8m.

Currency translation reserve
The foreign currency reserve is used to record exchange differences arising from the translation of the consolidated financial statements of foreign subsidiaries and other foreign currency investments.

Cash flow hedge reserve
This includes the fair value of the movements on derivative financial instruments qualifying for hedge accounting under IAS 39.

Net investment hedge reserve
This includes the fair value of the movements in derivative financial instruments qualifying for hedge accounting under IAS 39.

31. Commitments

Capital

At 31st December 2015 the Group had authorised the following future capital expenditure:

	2015	2014
	£000	£000
Contracted	3,601	3,159
Not contracted	187	350

Operating lease commitments - Group as lessee

Future minimum rentals payable under non-cancellable operating leases, on an undiscounted basis are as follows:

Land and buildings	£000	£000
Payable within one year	744	684
Payable between two and five years	1,748	1,026
Payable after five years	240	460
	2,732	**2,170**
Plant and Machinery		
Payable within one year	37	14
Payable between two and five years	92	67
Payable after five years	-	-
	129	**81**
Motor Vehicles		
Payable within one year	291	354
Payable between two and five years	333	406
Payable after five years	-	-
	624	**760**

32. Contingent liabilities

The Group has given its bankers guarantees amounting to the equivalent of £6.8m (2014: £7.5m) in respect of tender and performance bonds and counter indemnities.

The legal proceedings served on W. Lucy & Co. Ltd. by Sheikh Yacoub Al Rasheed, the controlling owner of the Saudi Lucy Company Limited, prior to his death in December 2014 were successfully defended during the year.

Notes to the Accounts

33. Related parties

The Group's related parties include its joint venture, post-employment benefit plans for the Group's employees and others as described below. Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

Transactions with joint ventures
As at 31st December 2014 the Group had one material joint venture, CG Lucy Switchgear Limited. On 8th October 2015 the Group acquired the remaining 50% equity in CG Lucy. From the date of acquisition CG Lucy has been consolidated into the Group accounts as a wholly-owned subsidiary.

The following trading occurred between the Group and its joint venture during the year up until the date of acquisition:

	2015	2014
	£000	£000
Revenue	381	984
Purchases	680	727

The following balances are outstanding with the joint venture at the statement of financial position date:

Debtors	-	261
Creditors	-	66

Transactions with key management personnel

Key management of the Group are the executive and non-executive members of W. Lucy & Co. Ltd.'s Board of Directors. Key management personnel remuneration includes the following expenses:

	2015	2014
Short-term employee benefits	918	1,121
Post employment benefits	66	54
	984	**1,175**
Emoluments of highest paid director	360	348
Pension contribution	50	41
	410	**389**

The Group does not operate share option or other long term incentive schemes for the Directors.

Two Directors who served during the year are members of the defined benefit section of the W Lucy Pension Scheme. The Group made contributions of £30,545 (2014: £13,881) to defined contribution schemes in respect of another Director.

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 £177,234 p.a. at normal pension age (2014: £160,461).

During 2014, Lucy Developments Limited (LDL), 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. The development was completed by LDL and sold by the owners in 2015.

Transactions with the defined benefit plan

The defined benefit plan is a related party and does not hold shares in W. Lucy & Co. Ltd. The Group's only transactions with the defined benefit plan relate to contributions to the plan.

Parent and ultimate controlling party

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

The consolidated accounts of the ultimate controlling party are available from their registered office at 30 St Giles, Oxford, OX1 3LE.

34. Analysis of changes in cash and net debt

	2015 (1st January)	Cash flows	Exchange Loss	2015 (31st December)
	£000	£000	£000	£000
Cash at bank and in hand	14,139	2,945	-	17,084
Loan capital under one year	(556)	286	-	(270)
Loan capital over one year	(13,783)	(2,591)	(34)	(16,408)
Net (debt) / cash	**(200)**	**640**	**(34)**	**406**

Notes to the Accounts

35. Explanation of transition to IFRS

2015 is the first year that the Group has presented financial statements under IFRS. The last financial statements under UK GAAP were for the year ended 31st December 2014 and the date of transition to IFRS was 1st January 2014.

IFRS 1 'First-time Adoption of International Financial Reporting Standards' allows companies adopting IFRS for the first time to take certain exemptions from the full requirements of IFRS in the year of transition. The Group has elected to take the following exemptions:

i) IFRS 3 – Business combinations
The Group has elected not to apply IFRS 3 'Business Combinations' retrospectively to acquisitions that took place before the date of the transition. As a result, the carrying amount of goodwill in the UK GAAP balance sheet at 31st December 2013 is brought forward to the IFRS balance sheet without adjustments.

ii) IAS 23 – Borrowing costs
The Group has elected to apply the requirements of IAS 23 from the date of transition.

iii) IAS 21 – Cumulative translation differences
Under IFRS cumulative translation differences arising on the consolidation of foreign entities are required to be recorded in the income statement when such an entity is sold. The Group has elected to apply the exemption in IFRS 1 that allows the Group not to record cumulative translation differences arising before the date of transition.

An explanation of how the transition from previous UK GAAP to IFRS has affected the Group's financial position, performance and cash flows is set out in the following tables and accompanying notes.

Income Statement – 2014 restated for IFRS

	Note	Reported under UK GAAP	Total IFRS adjustments	Restated under IFRS
	Note	£000	£000	£000
Revenue		160,918	-	160,918
Cost of sales	d)	(108,161)	(14)	(108,175)
Gross profit		**52,757**	**(14)**	**52,743**
Selling and distribution costs		(24,631)	-	(24,631)
Administrative expenses	d) & h)	(7,878)	(17)	(7,895)
Research and development costs		(5,664)	-	(5,664)
Other operating income/expenses	c) & g)	3,550	680	4,230
Exceptional items		(2,737)	-	(2,737)
Operating profit before net valuation gains on investment property		**15,397**	**649**	**16,046**
Change in fair value of investment property	a)	-	7,867	7,867
Operating profit after net valuation gains on investment property		**15,397**	**8,516**	**23,913**
Share of profit from equity accounted investments		654	-	654
Finance costs	c) & h)	(325)	(314)	(639)
Investment income	h)	1,052	(657)	395
Profit on fixed assets		23	(23)	-
Profit before taxation		**16,801**	**7,522**	**24,323**
Tax expense	b)	(1,282)	(1,322)	(2,604)
Profit for the year		**15,519**	**6,200**	**21,719**

Statement of comprehensive income – 2014 restated for IFRS

	Note	Reported under UK GAAP	Total IFRS adjustments	Restated under IFRS
	Note	£000	£000	£000
Profit for the year		15,519	6,200	21,719
Other comprehensive income:				
Items that will not be reclassified subsequently to the Income Statement:				
Remeasurement of defined benefit pensions scheme	h)	(5,589)	817	(4,772)
Items that will subsequently be reclassified to the Income Statement:				
Fair value change in cash flow hedge	c)	-	(207)	(207)
Fair value change in net investment hedge	c)	-	(2,997)	(2,997)
Currency translation differences	c)	626	2,692	3,318
Gains/(losses) on revaluation of available for sale investments	f)	-	52	52
Revaluation of investment properties	a)	7,320	(7,320)	-
Total comprehensive income for the year, net of tax		**17,876**	**(763)**	**17,113**

35. Explanation of transition to IFRS (continued)

Statement of Financial Position - 2014 restated for IFRS

		Previous UK GAAP	Investment properties IAS 40	Deferred tax IAS 12	Financial Instruments IAS 39	Employee benefits IAS 17	Intangible assets IAS 38	Quoted investments IAS 39	**Total IFRS adjustments**	**Restated under IFRSs**
		2014 (1st January)								**2014 (1st January)**
Assets	Note	**£000**	£000	£000	£000	£000	£000	£000	**£000**	**£000**
Non-current assets										
Goodwill	g)	**2,360**	-	-	-	-	-	-	**-**	**2,360**
Other intangible assets	e)	**114**	-	-	-	-	178	-	**178**	**292**
Property, plant and equipment	e)	**23,774**	-	-	-	-	(178)	-	**(178)**	**23,596**
Investment properties	a)	**102,443**	6,061	-	-	-	-	-	**6,061**	**108,504**
Trade and other receivables		**-**	-	-	-	-	-	-	**-**	**-**
Other long-term financial assets	f)	**2,810**	-	-	-	-	-	270	**270**	**3,080**
Deferred tax assets		**454**	-	-	-	-	-	-	**-**	**454**
Non-current assets		**131,955**	6,061	-	-	-	-	270	**6,331**	**138,286**
Current assets										
Inventories		**24,124**	-	-	-	-	-	-		**24,124**
Trade and other receivables	c)	**25,166**	-	-	(1,914)	-	-	-	**(1,914)**	**23,252**
Derivative financial instruments	c)	**-**	-	-	2,345	-	-	-	**2,345**	**2,345**
Cash and cash equivalents		**13,387**	-	-	-	-	-	-	**-**	**13,387**
Current assets		**62,677**	-	-	431	-	-	-	**431**	**63,109**
Total assets		**194,632**	6,061	-	431	-	-	270	**6,762**	**201,395**
Liabilities										
Non-current liabilities										
Provisions		**8,663**	-	-	-	-	-	-	**-**	**8,663**
Pension & other employee benefits		**3,283**	-	-	-	-	-	-	**-**	**3,283**
Borrowings		**15,686**	-	-	-	-	-	-	**-**	**15,686**
Deferred tax liabilities		**100**	-	11,224	-	-	-	-	**11,224**	**11,324**
Other liabilities		**1,611**	-	-	-	-	-	-	**-**	**1,611**
Non-current liabilities		**29,343**	-	11,224	-	-	-	-	**11,224**	**40,567**
Current liabilities										
Borrowings		**556**	-	-	-	-	-	-	**-**	**556**
Trade and other payables		**10,096**	-	-	-	-	-	-	**-**	**10,096**
Current tax liabilities		**1,560**	-	-	-	-	-	-	**-**	**1,560**
Derivative financial instruments	c)	**-**	-	-	118	-	-	-	**118**	**118**
Other liabilities	c) & d)	**17,403**	-	-	(87)	53	-	-	**(34)**	**17,369**
Current liabilities		**29,615**	-	-	31	53	-	-	**83**	**29,699**
Total liabilities		**58,958**	-	11,224	31	53	-	-	**11,307**	**70,266**
Net assets		**135,674**	6,061	(11,224)	400	(53)	-	270	**(4,545)**	**131,129**
Equity										
Share capital		**492**	-	-	-	-	-	-	**-**	**492**
Capital reserves		**161**	-	-	-	-	-	-	**-**	**161**
Currency revaluation reserve		**813**	-	-	(1,914)	-	-	-	**(1,914)**	**(1,101)**
Revaluation reserve		**66,081**	(66,081)	-	-	-	-	-	**(66,081)**	**-**
General reserve		**10,000**	-	-	-	-	-	-	**-**	**10,000**
Net Investment hedge reserve		**-**	-	-	2,301	-	-	-	**2,301**	**2,301**
Cash flow hedge reserve		**-**	-	-	10	-	-	-	**10**	**10**
Profit and loss account		**58,127**	72,142	(11,224)	3	(53)	-	270	**61,140**	**119,266**
Total equity		**135,674**	6,061	(11,224)	400	(53)	-	270	**(4,545)**	**131,129**

Previous UK GAAP	Investment properties IAS 40	Deferred tax IAS 12	Financial Instruments IAS 39	Employee benefits IAS 17	Intangible assets IAS 38	Quoted investments IAS 39	Goodwill amortisation IFRS 3	**Total IFRS adjustments**	**Restated under IFRSs**
2014 (31st December)									**2014 (31st December)**
£000	£000	£000	£000	£000	£000	£000	£000	**£000**	**£000**
2,030	-	-	-	-	-	-	330	**330**	**2,360**
413	-	-	-	-	454	-	-	**454**	**867**
27,429	-	-	-	-	(454)	-	-	**(454)**	**26,975**
110,863	6,608	-	-	-	-	-	-	**6,608**	**117,471**
192	-	-	-	-	-	-	-	**-**	**192**
3,324	-	-	-	-	-	322	-	**322**	**3,646**
207	-	-	-	-	-	-	-	**-**	**207**
144,458	6,608	-	-	-	-	322	330	**7,260**	**151,719**
26,216	-	-	-	-	-	-	-	**-**	**26,216**
32,763	-	-	-	-	-	-	-	**-**	**32,763**
-	-	-	-	-	-	-	-	**-**	**-**
14,139	-	-	-	-	-	-	-	**-**	**14,139**
73,118	-	-	-	-	-	-	-	**-**	**73,118**
217,576	6,608	-	-	-	-	322	330	**7,260**	**224,837**
7,237	-	-	-	-	-	-	-	**-**	**7,237**
6,938	-	-	-	-	-	-	-	**-**	**6,938**
13,783	-	-	-	-	-	-	-	**-**	**13,783**
139	-	12,547	-	-	-	-	-	**12,547**	**12,686**
2,100	-	-	-	-	-	-	-	**-**	**2,100**
30,197	-	12,547	-	-	-	-	-	**12,547**	**42,744**
556	-	-	-	-	-	-	-	**-**	**556**
15,765	-	-	-	-	-	-	-	**-**	**15,765**
1,166	-	-	-	-	-	-	-	**-**	**1,166**
-	-	-	1,103	-	-	-	-	**1,103**	**1,103**
17,730	-	-	(1,147)	66	-	-	-	**(1,081)**	**16,649**
35,217	-	-	(44)	66	-	-	-	**22**	**35,239**
65,414	-	12,547	(44)	66	-	-	-	**12,569**	**77,983**
152,162	6,608	(12,547)	44	(66)	-	322	330	**(5,308)**	**146,854**
492	-	-	-	-	-	-	-	**-**	**492**
69	-	-	-	-	-	-	-	**-**	**69**
1,439	-	-	778	-	-	-	-	**778**	**2,217**
73,401	(73,401)	-	-	-	-	-	-	**(73,401)**	**-**
10,000	-	-	-	-	-	-	-	**-**	**10,000**
-	-	-	(696)	-	-	-	-	**(696)**	**(696)**
-	-	-	(197)	-	-	-	-	**(197)**	**(197)**
66,761	80,009	(12,547)	159	(66)	-	322	330	**68,208**	**134,969**
152,162	6,608	(12,547)	44	(66)	-	322	330	**(5,308)**	**146,854**

Notes to the Accounts

Note 35. Explanation of transition to IFRS (continued)

Explanation of reconciling items between UK GAAP and IFRS

a) Investment properties – IAS 40

Under UK GAAP the Group revalued investment properties. On transition to IFRS the Group elected to apply the optional exemption to use the previous revaluation as deemed cost under IFRS. The revaluation reserve of £66.1m at 1st January 2014 and £73.4m at 31st December 2014 was reclassified to retained earnings.

Investment properties under IFRS are revalued to fair value. This has resulted in a change of valuation method to that previously used under UK GAAP, resulting in an increase in valuation at 1st January 2014 of £6.0m and 31st December 2014 of £6.6m.

Revaluation movements have been included in the statement of comprehensive income under IFRS; previously such movements were included in the Statement of Changes in Equity. Total revaluation gains of £7.8m have been re-classified and recognised in the income statement for 2014. Under UK GAAP a revaluation gain of £7.3m was included in the Statement of Total Recognised Gains and Losses.

b) Deferred taxation – IAS 12

Under IFRS the deferred tax liability arising from revaluation of the Group's investment properties is recognised in the Consolidated Statement of Financial Position. No such liability was included under UK GAAP. The total value of the adjustment, resulting in a reduction of net assets, was £11.0m at 1st January 2014 and £12.3m at 31st December 2014. This has resulted in an additional deferred tax charge of £1.3m included in the 2014 income statement.

c) Financial instruments and hedge accounting – IAS 39

Under UK GAAP, the Group recognised gains or losses on financial instruments at maturity. IAS 39 requires all derivative financial instruments to be recognised as assets or liabilities in the statement of financial position at fair value. Gains and losses are recognised in the income statement unless they meet the criteria of IAS 39 as an effective hedge, in which case the gains or losses are taken directly to equity.

The fair value of derivative financial instruments recognised on the statement of financial position at the transition date of 1st January 2014 was an asset of £2.3m relating to net investment hedges and a liability of £0.2m related to cash flow hedges. Previous UK GAAP valuations of £1.9m have been reversed, resulting in an overall increase in net assets of £0.4m.

The fair value of derivative financial instruments at 31st December 2014 was a liability of £1.1m, and reversal of UK GAAP valuations of £1.1m liabilities. This has resulted in an increase to net assets of £44k at 31st December 2014.

The change in fair value of derivative financial instruments that adhere to the criteria of IAS 39 and classed as effective hedges in 2014 was £2.9m relating to net investment hedges and £0.2m relating to cash flow hedges, which have been taken directly to equity. £0.15m has been taken to the income statement in 2014, relating to the ineffective element of the hedge relationship, of which £0.15m additional cost is included in finance costs and £0.3m additional income is included in other operating income/expenses.

d) Employee benefits – IAS 19

Under UK GAAP no provision was made for short term accumulating absences. Under IAS 19, the costs of accrued employee holiday pay are provided for and result in a charge to the income statement of £13k. Total accruals for holiday pay of £66k are included in the revised IFRS statements at 31st December 2014.

e) Intangible assets – IAS 38

Under UK GAAP, software was included within tangible fixed assets. Under IFRS, software is reclassified from tangible fixed assets and recorded within intangible assets.

The statement of financial position classification amounts to £0.2m at 1st January 2014 and £0.5m at 31st December 2014.

f) Fixes asset investments – IAS 39

Under UK GAAP the Group's quoted investments were held at purchase cost. As per IAS 39 such investments are carried at 'fair value'. This has resulted in an increase to net assets of £0.3m at 1st January 2014 and £0.3m at 31st December 2014. The increase in fair value of £52k in 2014 has been included in the statement of other comprehensive income for the year to 31st December 2014.

g) Goodwill amortisation – IFRS 3

Previously goodwill on acquisitions was capitalised and amortised over its useful economic life. Under IFRS, amortisation is no longer charged. Goodwill is tested for impairment on an annual basis and also when any indicators of impairment are identified. Goodwill is carried at cost less accumulated impairment losses.

The amortisation charge for the year ending 31st December 2014 of £0.3m has been reversed under IFRS. Goodwill has increased by £0.3m in the IFRS statement of financial position as at 31st December 2014. No impairment charge has been recognised as at 31st December 2014.

h) Post-employment benefit plans – IAS 19

The company operates a defined benefit pension scheme called the W Lucy Pension Scheme. Under UK GAAP the expected return on the pension scheme assets was included in the income statement. In accordance with IAS 19, the finance cost to be recognised in the income statement is the interest on the scheme deficit, being interest on the scheme's assets less interest on the scheme's liabilities. An additional £0.8m investment expense has been recognised accordingly in the 2014 income statement. IAS 19 also requires interest on current service cost to be included, resulting in an additional charge of £18k to the income statement in 2014.

Additionally, in accordance with IAS 19, the amount recognised within other recognised gains and losses includes the movement between actual investment returns and interest on the scheme's assets. The effect of this adjustment is a reduction in the 2014 actuarial loss of £0.8m in the Statement of Comprehensive Income.

There is therefore no change in the pension scheme deficit of £6.9m and no impact on the Group's net assets.

Company Statement of Financial Position

as at 31st December 2015

	Note	2015	2014
		£000	£000
Assets			
Non-current assets			
Goodwill	2	162	-
Other intangible assets	3	61	10
Property, plant and equipment	4	2,818	2,883
Investment property	5	128,887	121,571
Other investments	6	64,310	44,284
Non-current assets		**196,238**	**168,748**
Current assets			
Inventories		160	-
Trade and other receivables	7	92	65
Group debtors	7	2,893	2,155
Prepayments and other accruals	7	386	419
Cash and cash equivalents		-	-
Current assets		**3,531**	**2,639**
Total assets		**199,769**	**171,387**
Liabilities			
Non-current liabilities			
Provisions	10	4,364	3,464
Pension and other employee obligations	17	6,156	6,938
Borrowings	12	16,369	13,783
Deferred tax liabilities	11	13,471	12,625
Non-current liabilities		**40,360**	**36,810**

	Note	2015	2014
Current liabilities		£000	£000
Borrowings	8	270	556
Trade and other payables	8	7,910	4,714
Current tax liabilities	8	404	329
Derivative financial instruments	13	1,843	1,103
Other liabilities	8	3,631	3,450
Current liabilities		**14,058**	**10,152**
Total liabilities		**54,418**	**46,962**
Net assets		**145,351**	**124,425**
Equity			
Share capital	16	492	492
Other reserves		(1,283)	(409)
Retained earnings		146,142	124,342
Total equity		**145,351**	**124,425**

Approved by the Board of Directors on 10 March 2016 and signed on its behalf.

Richard Dick
Executive Chairman

Gary Ashton
Group Finance Director

Company Statement of Changes in Equity

for the year ended 31st December, 2015

	Share capital	Capital reserve	Currency reserve	Cash flow hedge reserve	Retained earnings	Total equity
	£000	£000	£000	£000	£000	£000
At 1st January, 2015	492	31	(243)	(197)	124,342	124,425
Profit for the year	-	-	-	-	23,330	23,330
Total profit for the year	-	-	-	-	**23,330**	**23,330**
Other comprehensive income						
Foreign currency translation	-	-	(477)	-	-	(477)
Change in cash flow hedges	-	-	-	(397)	-	(397)
Actuarial loss on post retirement liability, net of deferred tax	-	-	-	-	(104)	(104)
Total comprehensive income	-	-	**(477)**	**(397)**	**23,226**	**22,352**
Dividends	-	-	-	-	(1,426)	(1,426)
At 31st December, 2015	**492**	**31**	**(720)**	**(594)**	**146,142**	**145,351**
At 1st January, 2014	492	31	(813)	10	104,948	104,668
Profit for the year	-	-	-	-	25,548	25,548
Total profit for the year	-	-	-	-	**25,548**	**25,548**
Other comprehensive income						
Foreign currency translation	-	-	570	-	-	570
Change in cash flow hedges	-	-	-	(207)	-	(207)
Actuarial loss on post retirement liability, net of deferred tax	-	-	-	-	(4,772)	(4,772)
Total comprehensive income	-	-	**570**	**(207)**	**20,776**	**21,139**
Dividends	-	-	-	-	(1,382)	(1,382)
At 31st December, 2014	**492**	**31**	**(243)**	**(197)**	**124,342**	**124,425**

Notes to the Company Accounts

1. Accounting policies

Statement of Compliance

These financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101). The company has elected to adopt the standard for the year ended 31st December 2015 for the first time.

The company has taken the exemption allowed under Section 408 of the Companies Act 2006 from the requirement to present its own income statement. The profit for the year was £23.3m (2014: £30.4m). These financial statements present information about the Company as an individual undertaking and not about its Group

Basis of preparation

The financial statements have been prepared in accordance with the Companies Act 2006 and the principal accounting policies as summarised below. They have all been applied consistently throughout the year.

Changes in accounting policies

The company has adopted FRS 101 for the first time this year. The company has elected to adopt the transition provisions as per IFRS 1 'First-time Adoption of International Financial Reporting Standards' with a transition date of 31st December 2013.

Disclosure exemptions adopted

The company has taken advantage of the following disclosure exemptions under FRS 101:

- IAS 24: Related Party Disclosures to disclose related party transactions entered into
- IAS1: Presentation of comparative reconciliations for property, plant and equipment and intangible assets
- IAS 24: Disclosure of key management personnel compensation
- IAS 1: Capital management disclosures
- IAS 8: Disclosures in respect of standards in issue not yet effective
- IAS 7: Exemption from preparing a cash flow statement

Functional and presentation currency

The financial statements are presented in Sterling which is also the functional currency of the company.

Foreign currency transactions and balances

Foreign exchange gains and losses resulting from the re-measurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in the income statement. Non-monetary items are translated at the date of the transaction.

Revenue

Revenue from ordinary activities is recognised where it is likely that future economic benefits will accrue to the company and this income can be assessed reliably. Such income is assessed at the fair value of the consideration to be received, excluding trade discounts and value added tax.

Operating expenses

Operating expenses are recognised in the income statement upon utilisation of the service or at the date of their origin.

Notes to the Company Accounts

1. Accounting policies (continued)

Fixed assets
Freehold buildings, fixtures and machinery are initially recognised at acquisition cost, including any costs directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by the company's management. Buildings, fixtures and other equipment are subsequently measured using the cost model, cost less accumulated depreciation and impairment losses.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method, on the following bases:

- Freehold buildings 50 years
- Fixtures and fittings 8 years
- Plant and machinery 3-10 years
- Motor vehicles 4 years

Material residual value estimates and estimates of useful life are updated as required, but at least annually.
Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in the income statement within other income or other expenses.

Intangible fixed assets
Intangible assets, other than goodwill, are stated at cost less accumulated amortisation. Amortisation is calculated to write off the cost of the asset on a straight line basis over the life of the asset. The residual value, if significant, is reassessed annually.

Investment properties
Investment properties are valued annually and are included in the financial statements at fair value after taking appropriate professional advice. Changes in fair value are recognised in the income statement. No depreciation is provided in respect of investment properties.

Leased assets
Operating leases are recorded as expenditure on a straight line basis until expiry of the contract.

Taxation
Tax expense recognised in the income statement comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided those rates are enacted or substantively enacted by the end of the reporting period.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Derivative financial instruments and hedge accounting
All derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Derivative financial instruments are accounted for as hedges when designated as hedges at the inception of the contract and when the financial instruments provide an effective hedge of the underlying risk. Gains and losses on hedging instruments are not recognised in the income statement until the hedged risk is recognised. The ineffective portion is recognised immediately in the income statement.

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 in other comprehensive income in the consolidated accounts that contain both the investments and the hedging instrument.

Cash flow hedging
Derivative financial instruments are classified as cash flow hedges that hedge the Group's exposure to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction. These include interest rate swaps, commodity (copper) swaps, forward foreign exchange transactions and options.

Equity, reserves and dividend payments
Share capital represents the nominal value of shares that have been issued.

Share premium includes any premiums received on issue of share capital. Incremental transaction costs directly attributable with the issuing of shares are deducted from share premium, net of any related income tax benefits.

Post-employment benefits plans
The company contributes to a pension scheme operated by the Group 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 company's finances.

The pension cost of the defined benefit scheme is charged to the income statement so as to spread the cost of pensions over employees' working lives with the company. For UK employees not in this scheme the group provides the Lucy Group Personal Pension Plan. This was established with Sterling ISA Managers Limited, trading as Zurich Money4LifeTM, as the provider. Eligible employees were enrolled into a scheme established under Part 1 of the Pensions Act 2008. The pension costs of these schemes are charged as incurred.

Provisions, contingent assets and contingent liabilities
A provision is recognised when the company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the company and amounts can be estimated reliably.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Provisions are discounted to their present values, where the time value of money is material.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognised.

Significant management judgement in applying accounting policies and estimation uncertainty
When preparing the financial statements, management undertakes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses. The following judgements and estimates have had the most significant effect on amounts recognised in the financial statements:

Recognition of deferred tax assets
The extent to which deferred tax assets can be recognised is based on an assessment of the probability of the company's future taxable income against which the deferred tax assets can be utilised. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions.

Defined benefit obligation
Management's estimate of the defined benefit obligation is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the defined benefit obligation amount and the annual defined benefit expenses.

Fair value measurement
Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. Management bases its assumptions on observable data as far as possible but this is not always available. In that case management uses the best information available. Investment properties are valued using appropriate professional advice.

Notes to the Company Accounts

2. Goodwill

The movements in the net carrying amount of goodwill are as follows:	2015 £000	2014 £000
Gross carrying amount		
Balance 1st January	-	-
Additions	162	-
Balance 31st December	**162**	-

Impairment of goodwill
Goodwill arising on business combinations is not amortised but is reviewed on an annual basis, or when there is an indicator that goodwill has been impaired. Goodwill acquired in a business combination is allocated to groups of cash generating units according to the level at which goodwill is monitored by management.

The components of goodwill are:	2015 £000	2014 £000
Lucy Electric GridKey Ltd	162	-
	162	-

3. Other intangible assets

	Licenses and software
Gross carrying amount	£000
At 1st January, 2015	524
Additions	83
Disposals	-
At 31st December, 2015	**607**
Amortisation	
At 1st January, 2015	514
Charge for year	32
Disposals	-
At 31st December, 2015	**546**
Net book value	
At 31st December, 2015	**61**
At 31st December, 2014	10

4. Property, plant and equipment

	Freehold land and buildings	Fixtures and fittings	Motor vehicles	Total
Cost or valuation	£000	£000	£000	£000
At 1st January, 2015	1,690	7,024	251	8,965
Additions	-	634	35	669
Transfer in	75	-	-	75
Disposals	-	(2,417)	(20)	(2,437)
At 31st December, 2015	**1,765**	**5,241**	**266**	**7,272**
Depreciation				
At 1st January, 2015	91	5,878	113	6,082
Charge for year	109	624	63	796
Disposals	-	(2,417)	(7)	(2,424)
At 31st December, 2015	**200**	**4,085**	**169**	**4,454**
Net book value				
At 31st December, 2015	**1,565**	**1,156**	**97**	**2,818**
At 31st December, 2014	1,599	1,146	138	2,883

5. Investment property

Investment property includes real estate properties in the UK, which are owned to earn rentals and for capital appreciation.

Note 28 of the Group accounts (Financial instruments) sets out how the fair value of the investment properties has been determined.

Changes to the carrying amounts are as follows:

	2015	2014
	£000	£000
Carrying amount 1st January	121,571	112,604
Additions	2,903	1,100
Transfer out	(75)	-
Revaluation	4,488	7,867
Carrying amount 31st December	**128,887**	**121,571**

Notes to the Company Accounts

6. Other investments

	2015	2014
	£000	£000
Investment in Joint Venture	-	121
Equity securities: listed	1,412	1,386
Group undertakings	29,247	15,687
Loans to Group undertakings	33,651	27,090
	64,310	**44,284**

As at 31st December 2014 the Group had one material joint venture, CG Lucy Switchgear Limited. On 8th October the Group acquired the remaining 50% equity in CG Lucy. From the date of acquisition CG Lucy has been consolidated into the Group accounts as a wholly-owned subsidiary.

Investments in subsidiaries have been written down to the company net asset value at the year end. Total impairments to investments in subsidiaries were £6.2m (2014: £3.2m), total write backs were £2.4m (2014: 3.1m) and additions were £17.4m (2014: £2.2m) in the year.

Quoted investments are classified as available for sale and are recorded at fair value.

Group undertakings	£000	£000
Lucy Electric UK Limited	9,386	7,416
Lucy Electric India (Private) Limited (formerly CG Lucy Switchgear Limited)	7,879	-
Lucy Electric Manufacturing and Technologies India (Private) Limited (formerly Lucy Electric India (Private) Limited)	3,979	3,514
Lucy Electric (EMS) Limited	3,779	1,032
Lucy Zodion Limited	1,250	1,250
Lucy Electric South Africa (Pty) Limited	636	420
Lucy Switchgear FZE	534	534
Lucy Electric (Thailand) Limited	508	-
Truscanian Foundries Limited	343	343
Truscanian Limited	321	321
Lucy Electric Beijing Company Limited	174	283
Lucy Middle East FZE	174	174
Hall Estates (Birmingham) Limited	174	174
Lucy Block Management Limited	82	200
Power Connectors Limited	15	15
Sandawana Castings Limited	10	10
Lucy Asia Pacific SDN BHD	2	-
Lucy Developments Limited	1	1
Lucy Electric GridKey Limited	-	-
	29,247	**15,687**

Unquoted equity investments

The company holds a 30% shareholding in the Saudi Lucy Company Limited, a company registered in Saudi Arabia.

7. Trade and other receivables

	2015	2014
	£000	£000
Trade receivables	9	9
Amounts owed by Group undertakings	2,893	2,155
Rent debtors	83	56
Prepayments and accrued income	386	383
Investments	-	36
	3,371	**2,639**

8. Trade & other payables - current

	2015	2014
Bank overdrafts	1,609	2,089
Trade payables	149	166
Amounts owed to Group undertakings	7,761	4,548
Corporation Tax payable	240	193
Social security and other taxes	164	136
Accruals and deferred income	1,321	597
Loans repayable within one year	270	556
Other payables	701	764
	12,215	**9,049**

9. Trade & other payables - non current

	2015	2014
	£000	£000
Loans repayable after more than one year	16,369	13,783
	16,369	**13,783**

Notes to the Company Accounts

10. Provisions

The carrying amounts and the movements in the provision account are as follows:

	Restructuring costs	Integration costs	Warranty provision	Other	Total
	£000	£000	£000	£000	£000
Carrying amount 1st January, 2015	2,951	-	67	446	3,464
Provided in year	481	575	60	-	1,116
Charge in year	(162)	-	-	(54)	(216)
Carrying amount 31st December, 2015	**3,270**	**575**	**127**	**392**	**4,364**

11. Deferred tax

	2015	2014
	£000	£000
Investment properties	13,345	13,028
Capital allowances	(484)	(483)
Defined benefit pension scheme	-	-
Other timing differences and allowances	610	80
	13,471	**12,625**

12. Borrowings

Facilities:	Repayable	2015 £000
Revolving facilities		
Secured £18m revolving multi-currency loan at 1.65% above LIBOR	6th March 2017	12,965
Secured £8m revolving multi-currency loan at 1.61% above LIBOR	23rd May 2018	2,850
Term facilities		
Unsecured £5m multi-currency loan at 1.00% above LIBOR/Base rate	6th June 2006 to 6th August 2016	270
Exchange loss on foreign currency borrowings		554
Total borrowings		**16,639**

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 2015 was £16.6m, split as follows:	
Sterling £5.4m loans at variable rates of interest	5,370
US Dollar $4.0m loans at variable rates of interest	2,701
Thai Baht THB405m loans at variable rates of interest	8,568
	16,639

	2015	2014
Maturity of borrowings	£000	£000
In more than one but no more than two years	12,965	260
In more than two but no more than five years	3,404	13,523
More than five years	-	-
	16,369	**13,783**

Notes to the Company Accounts

13. Derivative financial instruments

	2015		2014	
	Asset	Liability	Asset	Liability
	£000	£000	£000	£000
Designated hedge relationships:				
Foreign exchange contracts	-	1,509	-	959
Commodity contracts	-	334	-	144
	-	**1,843**	-	**1,103**

14. Dividends

Information on dividends paid and declared is given in Note 10 in the Group financial statements.

15. Related parties

The Company has taken advantage of the exemption given in FRS 101 to not disclose transactions with other group companies.

16. Equity – share capital

	2015	2014
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

17. Pensions

Disclosure of Company pension schemes is given in Note 26 of the Group financial statements

18. Explanation of transition to IFRS

2015 is the first year that the Company has presented financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). The last financial statements under UK GAAP were for the year ended 31st December 2014 and the date of transition to FRS 101 was 1st January 2014.

An explanation of how the transition from previous UK GAAP to FRS 101 has affected the Company's financial position, performance and cash flows is set out in the following tables and accompanying notes.

Reconciliation of equity reported under UK GAAP to equity under FRS 101

	2014 (1st January)	2014 (31st December)
	£000	£000
Equity shareholders' funds under UK GAAP	108,034	128,791
FRS 101 adjustments		
Investment property fair value	6,061	6,609
Inter-company investment property	1,096	1,176
Quoted investment valuation	270	322
Derivative financial assets and hedge accounting	400	43
Deferred taxation	(11,177)	(12,500)
Employee benefits	(16)	(16)
Equity shareholders' funds under FRS 101	**104,668**	**124,425**

Reconciliation of profit for the financial year reported under UK GAAP to profit under FRS 101

	2014 (31st December)
Profit for the year under UK GAAP	21,148
FRS 101 adjustments	
Investment property fair value	7,867
Inter-company investment property	80
Quoted investment valuation	52
Derivative financial assets and hedge accounting	(2,842)
Deferred taxation	(1,323)
Employee benefits	1
Defined benefit contribution pension scheme	(817)
Profit for the year under FRS 101	**24,166**

Notes to the Company Accounts

18. Explanation of transition to IFRS (continued)

Explanation of reconciling items between UK GAAP and FRS 101

a) Investment properties – IAS 40
The adjustments disclosed in the Group reconciliation between UK GAAP and IFRS, as disclosed in Note 35, apply wholly to the company. The movement in equity of £6.6 million and profit for the year of £7.8 million is as described in Note 35.

b) Inter- company investment properties – IAS 40
The company leases land and buildings to a subsidiary company, which under FRS 101 is classified as an investment property. Accordingly, the property is revalued at each reporting date and held at fair value, with revaluation movements in the period going to the income statement. Revaluing the property to fair value has increased company net assets by £1.1 million at 1st January 2014, £1.2m at 31st December 2014 and increased profit by £0.08 million in the year ending 31st December 2014.

c) Quoted investments – IAS 39
The adjustments disclosed in the Group reconciliation between UK GAAP and IFRS, as disclosed in Note 35, apply wholly to the company. The movement in equity of £0.3 million and profit for the year of £0.05 million is as described in Note 35.

d) Financial Instruments and hedge accounting – IAS 39
Under UK GAAP, the Group recognised gains or losses on financial instruments at maturity. IAS 39 requires all derivative financial instruments to be recognised as assets or liabilities in the statement of financial position at fair value. Gains and losses are recognised in the income statement unless they meet the criteria of IAS 39 as an effective hedge, in which case the gains or losses are taken directly to equity.

The fair value of derivative financial instruments recognised on the statement of financial position at the transition date of 1st January 2014 was an asset of £2.3m relating to net investment hedges and a liability of £0.2m related to cash flow hedges. Previous UK GAAP valuations of £1.9m have been reversed, resulting in an overall increase in net assets of £0.4m

The fair value of derivative financial instruments at 31st December 2014 was a liability of £1.1m, and reversal of UK GAAP valuations of £1.1m liabilities. This has resulted in an increase to net assets of £44k at 31st December 2014.

e) Deferred taxation – IAS 12
Under FRS 101 the deferred tax liability arising from revaluation of the Group's investment properties is recognised in the Statement of Financial Position. No such liability was included under UK GAAP. The total value of the adjustment, resulting in a reduction of net assets, was £10.9m at 1st January 2014 and £12.2m at 31st December 2014. This has resulted in an additional deferred tax charge of £1.3m included in the 2014 income statement.

f) Employee benefits – IAS 17
Under UK GAAP no provision was made for short term accumulating absences. Under IAS 19, the costs of accrued employee holiday pay are provided for and result in a charge to the income statement of £1k. Total accruals for holiday pay of £16k are included in the revised FRS 101 statements at 31st December 2014.

g) Post-employment benefit plans- IAS 19
The adjustments disclosed in the group reconciliation between UK GAAP and IFRS, as disclosed in Note 35, apply wholly to the company. The reduction in profit of £0.8 million is as described in Note 35.

Aluminium engine cooling system casting, Truscanian Foundries Ltd

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 21st April 2016, 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, 2015.

2) To declare a final dividend.

3) To re-elect as a director Ms. P. A. J. Latham who retires by rotation.

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

5) To transact any other ordinary business of the company

By order of the Board,

Madeline Laxton
Company Secretary
10 March 2016

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

HSBC Bank plc

65 Cornmarket Street

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Pension consultants

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Investment advisors

Cazenove Fund Management Ltd

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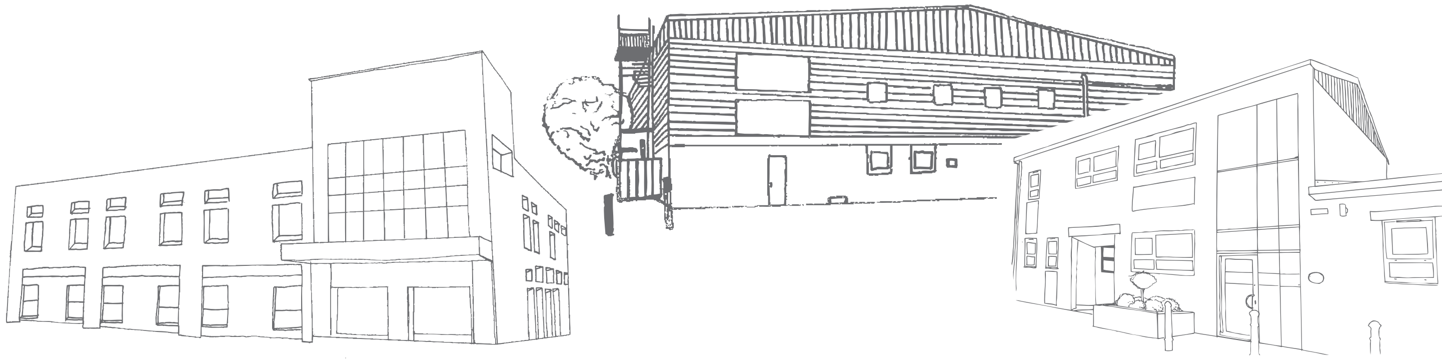

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