Lucy Group Ltd

2017 Annual Report & Accounts

Cover page illustration represents the close involvement of the Lucy Group in developing products that assist with sustainable solutions.

Contents

See this report at www.lucygroup.com

Chairman's Introduction

Results overview

We were, as expected, buffeted by strong headwinds in 2017, but the Group proved its resilience against some considerable challenges. Group sales decreased by 8% to £175.8 million, whereas rental income increased during the year by 4% to £7.4 million. Competitive pressures remained, leading to downward price pressure and reduced sales volumes, leading to a 48% decrease in operating profit before valuation gains to £6.2 million. Mitigating the challenges of a volatile trading environment, we continued a value-led approach to engineering with close control on costs limiting the erosion of margin. Against this background, we have not emerged unscathed, but remain robust and well-positioned as market uncertainties level out. Group profit before tax decreased to £9.9 million from £20.8 million and included a £4.8 million increase in the fair value of the Group's investment properties (2016: £9.3 million).

A number of positive indicators provide encouragement as we move into 2018, not least a healthy order book for the first quarter. Whilst we remain exposed to the peaks and troughs of the global economy, we have good relationships with our customers, who are many and varied; we look forward to building these relationships and making new ones over the coming year. In support of the stronger forward order position, we increased investment in working capital, leading to a cash outflow of £9.5 million (2016: £8.7 million inflow). Our underlying strengths remain, leading to a 7% increase in Shareholders' funds to £190.8 million.

Dividend

The Board is recommending that the final dividend be increased by 5% to 121 pence per share (2016: 115 pence per share) to be paid on 30th April 2018 to shareholders on the register on 31st March 2018. The total dividend for the year will therefore be 209p, an increase of 3% over last year's 203p. This year there was no special dividend (2016: 100p).

Strategic developments

Whilst we reflect on a year marked by volatility in some of our key markets and intensifying competition, it is encouraging to report that the Group continued to make strides towards its strategic objectives; growing the business through organic and acquisitive means. We continue investing in key growth markets around the world, progressing new product development plans and maintaining our commitment to research and development.

Indicative of the Group's increasing geographical reach was the acquisition at the end of last year of Lucy Arteche Equipamentos Elétricos Ltda, a medium voltage switchgear business in Brazil which will provide us with an exciting new platform from which Lucy Electric can build a market presence in South America. We expect to extract significant synergies and value from this deal over the coming years and look forward to operating on a new continent.

As you will see further on in this report, our businesses do not operate in isolation from the communities in which they are based and we remain conscious of the effect of all our activities on the physical and social environment; from building new houses in Oxford, making photocells in Yorkshire, to manufacturing Ring Main Units in our factories around the world. The demand for renewables and sustainable transport solutions are just two examples of where the Group interacts between industry and the environment. I am particularly excited about our growing involvement with sustainable and green initiatives, such as Lucy Electric GridKey's contribution to the Open LV and Electric Nation projects. Lucy Real Estate is also building sustainable, energy efficient homes and incorporating eco-diversity projects and green spaces in its development plans.

Lucy Arteche Equipamentos Elétricos Ltda, Brazil

Resilient and forward looking

Jonathan Finch-Dick

My eldest son Jonathan joined in May 2017 as a full-time executive director, following a number of years' service as a non-executive board member and an accomplished career with global real estate consultants, CBRE. Jonathan is getting to grips with a very different business compared to the one I joined many years ago, but is already firmly embedded in the role and has brought a fresh perspective to many projects.

Recognition

We have achieved a great deal in 2017 – and pleasingly this has been recognised by a number of awards. I am delighted that the hard work and dedication of the very broad base of talent we employ across our different businesses has deservedly been recognised.

Amongst these accolades, Lucy Group featured in the prestigious 'Sunday Times Grant Thornton Top Track 250' in 2017, for the second time in four years, improving its position to 105th in the league table, which ranks Britain's 250 leading private mid-market growth companies by turnover.

Our work encouraging the next generation of engineers has also been rewarded. The Group proudly supports Science Oxford and Young People in Science, Technology, Engineering and Mathematics (STEM). We have been particularly delighted and honoured to receive the 'Silver Employer Award' for engagement with local schools.

Our people

We remain focused on delivering a positive, inclusive working environment with clearly defined development opportunities for our employees and I am pleased that a number of people initiatives gathered momentum during the year. Amongst these, we launched a new global people management system which greatly enhances the efficiency, security and accuracy of employee information.

We are also firmly committed to promoting equality of opportunity in the workplace. Lucy Group is lucky enough to have a number of very talented women amongst its staff and it is a privilege to be able to promote engineering and the energy sector as a great career choice for women. The Board stands firm in its view that diversity in our employee population only serves to extend our skills base and enrich our capabilities.

The numbers cannot convey the dedication and hard work shown by the Group's 1,400 employees, each with a unique and valuable set of skills. I wish to take this opportunity to say thank you to all of our employees for their hard work, commitment and support over the past 12 months.

Outlook

We continue to have confidence in a business with strong fundamentals. We are diversified in terms of industries and geographical spread, with a value-led approach to supporting long-term growth by investing in new products, developing markets and our people. The Board is committed to driving forward the Group's strategic priorities and our core strategy remains unchanged.

Whilst trading performance continues to be impacted by a broad spectrum of factors; political instability in key markets, increasing competition and disparate global economies, we will continue to position ourselves for a range of future scenarios. We continue to invest in the future and our continuous improvement and cost control programmes remain a key focus. The Board considers we are resilient enough to weather these challenging times, whilst working towards our strategic objectives.

Richard Dick
Executive Chairman

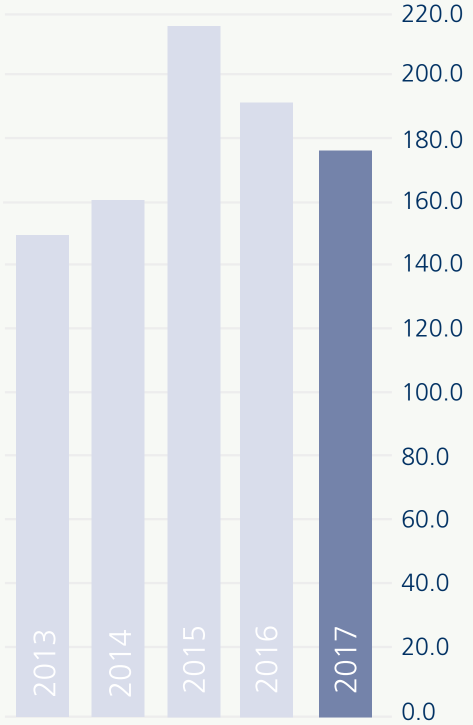
14 March 2018

SCIENCEOXFORD
SILVER
Employer
Award

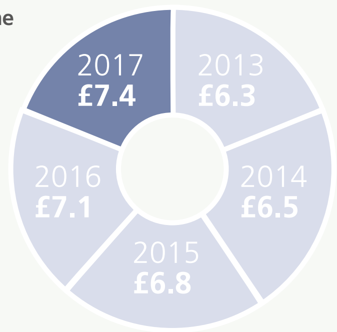
Financial Highlights

Turnover **£175.8m**	Rental income **£7.4m**	Operating profit **before net valuation gains** on investment property **£6.2m**
Operating profit **after net valuation gains** on investment property **£11.0m**	Profit before tax **£9.9m**	Total comprehensive income for the year **£12.9m**
Net Assets **£190.8m**	Earnings per share **1,778p**	**Dividends per share** (paid and proposed) **209p**

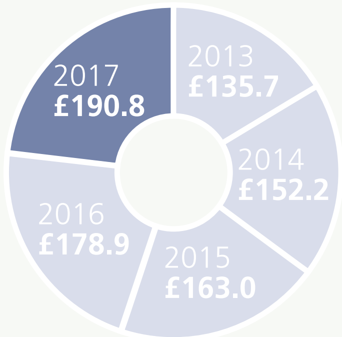
Turnover
£m



Rental income
£m



Net assets
£m



Lucy Group features in The Sunday Times Grant Thornton Top Track 250

This year, Lucy Group featured in the prestigious 'The Sunday Times Grant Thornton Top Track 250' for the second time in four years, improving its ranking to number 105 in the 2017 league table. The Sunday Times Grant Thornton Top Track 250 is compiled by Oxford-based research company Fast Track and published in The Sunday Times each October. It ranks Britain's 250 leading private mid-market growth companies with the biggest sales.

Other companies featured in the Sunday Times Grant Thornton Top Track 250 include Aston Martin, Holland & Barrett, Travelodge, Yeo Valley and number 1 ranked company, McLaren Automotive.

'It is extremely pleasing to be recognised as a Top Track 250 Company.'

Gary Ashton
Group Finance Director

Financial Review

International Financial Reporting Standards

The consolidated financial statements of the Group have been prepared under EU adopted International Financial Reporting Standards (IFRS) to represent the international nature of the Group's business activities. The parent company has elected to prepare its financial statements in accordance with FRS 101.

Revenue

The Group continued to experience challenging market conditions in 2017 with reported sales of £175.8 million, 8% below last year and at constant currency, sales were 11% lower than last year. Geopolitical tensions affected certain key markets and the lower, albeit improving, oil price further dampened sales. We continued to see caution from our customers in terms of their infrastructure investments leading to lower selling prices and volumes during the year. In accordance with our long-term strategy for growth, we introduced new products in new and existing markets and continued to develop our sales channels. Despite lower sales, full year order intake increased to £200 million, 14% above sales, providing a platform for higher sales in the first half of next year.

Rental income increased during the year by 4% from £7.1 million to £7.4 million, reflecting higher rents combined with the on-going property refurbishment programme.

Gross margin and costs

Gross margins reduced from 28.7% to 27.8%, although the key elements within cost of sales were closely managed to mitigate the adverse trading conditions during the year. Material costs are the largest element of cost of sales and during the year they were adversely impacted by increasing commodity prices. Value engineering programmes and sourcing initiatives continue to drive material cost savings and these initiatives were accelerated in 2017. Our diverse business units and product portfolios within each business means breaking this down further is both complex and commercially confidential. Direct labour costs decreased in absolute terms, although in the year they increased as a percentage of sales. The largely fixed cost associated with our manufacturing facilities was responsible for the remaining decrease in gross margin.

Overhead costs, as reported, increased by 1%, whereas on a constant currency basis they decreased by 2% from a combination of ongoing cost containment measures and cost reduction initiatives. Our substantive product development programme continues, as well as an increased focus on value engineering during the year. Lucy Electric completed the roll out of its Microsoft Dynamics AX enterprise resource planning system throughout its sites to standardise business processes, improve operational effectiveness and to support future scalability. The Group also commenced the introduction of a global Oracle Human Resources management system and continued to strengthen its IT infrastructure. Exceptional costs in the year were £0.5m (2016: £0.9m), £0.4m of which was a provision for the integration of Lucy Arteche Equipamentos Elétricos Ltda.

Operating Profit

Operating profit before net valuation gains on investment properties decreased to £6.2 million (2016: £11.9 million) due to lower profits in Lucy Electric. There was a net valuation gain on the Group's investment property assets for the year of £4.8 million (2016: £9.3 million), reflecting a broad increase in market prices, the conversion of a commercial property in Abingdon into residential units and ongoing activities to develop and improve the portfolio. Operating profit after net valuation gains for the year decreased to £11.0 million (2016: £21.2 million).

Profit before tax

Profit before tax for the year was £9.9 million (2016: £20.8 million) after charging net finance costs of £1.1 million.

Taxation

The Group has an overall tax charge of £1.3 million for the year, comprising an overseas tax charge of £0.7 million and a UK tax charge of £0.4 million. Deferred tax on the revaluation of investment properties was £0.2 million for the year (2016: £1.5 million) after an indexation allowance of £3.7 million. The UK Government's 2017 Budget removed future indexation allowances for corporates. 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 121p per share (2016: 115p per share), which taken with the 2017 interim dividend of 88p per share gives a total payment of 209p per share (2016: 203p per share) representing a 3% increase for the year. There was no special dividend paid in the year (2016: 100p per share).

Our dividend policy is to grow core dividends at least in line with the Retail Price Index (RPI) and to supplement core dividends with special dividends when the Board considers it appropriate after reviewing both profits and cash requirements.

Acquisition

On 31st December 2017 the Group acquired the medium voltage, air-insulated electrical switchgear business in Brazil from Arteche Lantegi Elkartea SA. The new company Lucy Arteche Equipamentos Elétricos Ltda (Lucy Arteche) will form part of the Lucy Electric business unit. Lucy Arteche will continue to produce and develop its existing product range for South America and will also introduce a number of Lucy Electric's low and medium voltage electrical distribution and smart automation products and services into the region.

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. Lucy Arteche meets both of these strategic objectives. The total consideration for Lucy Arteche was £0.6 million creating goodwill of £0.4 million which will be subject to an annual impairment review.

Performance in line with expectations

Cash flow

The Group had a free cash outflow of £9.5 million compared to an inflow of £8.7 million last year. Operating cash flow before changes in working capital interest and taxes was an inflow of £13.7 million (2016: £14.8 million). Working capital increased by £17.3 million (2016: £2.4 million decrease) and interest was an outflow of £0.4 million, in line with last year. A number of the elements of working capital all contributed to this substantial cash outflow. Receivables increased by £6.9 million despite lower sales due to delayed payments from a few key customers. These amounts have largely been settled post the year end. Inventory was £4.3 million higher reflecting increased material input in the last quarter of the year to support higher sales in the first quarter of 2018. Trade payables and provisions decreased by £0.9 million and £0.5 million respectively due to reduced activity and expenditure incurred during the year. Changes in the value of derivative financial instruments of £4.6 million were largely attributable to a weaker US Dollar.

Decreased profits resulted in tax payments of £0.3 million compared with an outflow of £1.5 million in 2016. Investing activities of £5.3 million (2016: £6.6 million) comprised capital expenditure of £4.7 million and £0.5 million for the acquisition of Lucy Arteche. Capital expenditure included £0.8 million on the extension of Lucy Zodion's building in Sowerby Bridge completed in September 2017, £0.7 million on Lucy Electric's new technology centre in Vadodara, India, which is planned to be finished in quarter two of 2018, and £0.9 million on various development projects of Lucy Real Estate.

Capital commitments at the end of the year were £3.6 million (2016: £3.1 million) reflecting a number of capital expenditure programmes underway.

Financial position

At 31st December 2017, the Group had committed bank facilities of £35.0 million, while actual borrowings were £16.6 million. The Group's financial metrics were strong with gearing at 8% (2016: 7%) although lower operating profits meant that interest costs were covered 13 times (2016: 24 times). The Group had net debt of £2.9 million compared to £5.2 million net cash last year and net assets increased during the year by 7% to £190.8 million.

Return on net assets

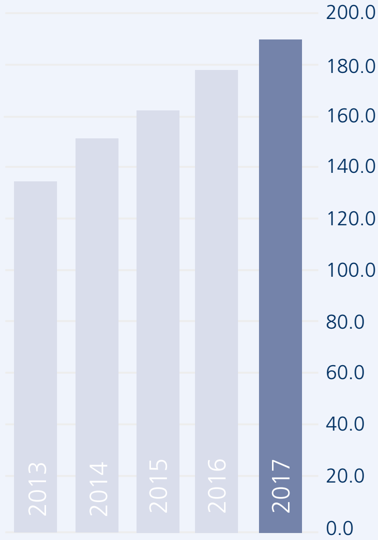
The Group recorded a return on net assets before valuation gains of 3% during the year and a return after including valuation gains of 5% (2016: 11%). The chart above shows the performance of net assets over the last five years.

Post-employment benefits

The Group accounts for post-employment benefits in accordance with IAS 19 Employee Benefits. The balance sheet reflects the net deficit of the W Lucy defined benefit pension scheme as at 31st December 2017 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. This 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 2017 and revealed a surplus of £3.9 million compared with a £1.0 million deficit in the previous valuation. This improvement in funding was attributable to investment outperformance, additional Company contributions and a favourable change in assumptions, which were partly offset by the negative impact of the continued reduction in bond yields, the key determinant of scheme liabilities. As a consequence of this valuation, the Company increased its contributions to the scheme from 19.7% to 24.5% of pensionable salaries from 1st January 2018.

Net Asset Growth
£m



The separate IAS 19 valuation performed as at 31st December 2017 showed that the Group's pension deficit decreased during the year by £5.8 million to £4.3 million and the funding level increased to 93%. This decrease in the scheme deficit was largely attributable to an increase in the fair value of the scheme's assets, experience gains since the last triennial valuation and additional voluntary Company contributions of £0.6 million paid during the year. These improvements were partly offset by a decrease in bond yields by 0.2% per annum to 2.6% per annum. The related deferred tax asset decreased by £1.0 million which resulted in a net pension liability of £3.5 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 £1.1 million.

14%

Growth in order intake as % above sales

Gary Ashton
Group Finance Director

14 March 2018

Business Model & 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.

Vision

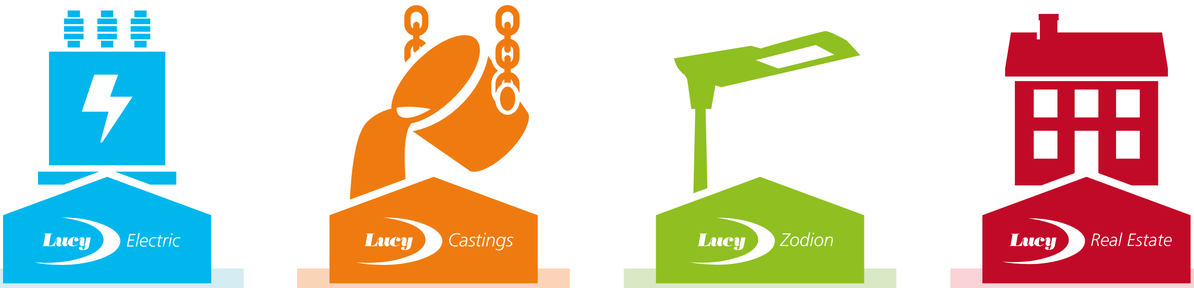
Lucy Group's vision is for its businesses to be the leader in their targeted market segments.

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

- Constantly seeking to improve and develop our products with success being 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 by creating a strong asset base and secure financial 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:



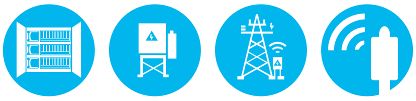
Lucy Electric, a leader in secondary power distribution solutions specialising in high-performance medium voltage switchgear for utility, industrial and commercial applications.

Lucy Castings, a niche producer of iron and aluminium costings 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.

Lucy Electric



Engineering intelligent solutions

Lucy Electric engineers intelligent, future-focused, secondary power distribution solutions which enable the safe and efficient distribution of electricity to homes and businesses worldwide. Our success is built on over 100 years of engineering excellence, strong technical expertise and deep industry knowledge.

Through an international network of design, manufacture and supply channels, Lucy Electric provides innovative and flexible solutions which continue to add value to and support our customers in a rapidly evolving market.

Cut out assembly in Lucy Electric UK

Lucy Electric

Making networks intelligent

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

Optimised for growth
2017 proved to be a turbulent year across many of Lucy Electric's key markets, driven in part by geopolitical and macroeconomic volatility, and a more cautious customer base. Despite these headwinds, Lucy Electric delivered 15% growth in order intake, whilst reported sales decreased by 11% and by 6% on an organic constant currency basis, as a result of a weaker US Dollar. Against this challenging backdrop, we continue to carve out a resilient business, with a sharpened focus on value engineering and cost control giving us the agility to respond to evolving customer needs.

We also maintained a significant programme of investment in product development, innovation and the expansion of our global market reach, enhancing our competitive strengths in the face of these challenges.

Diversifying our global footprint
Lucy Electric now has a direct market presence in nine countries across four continents, each with disparate cultures, business practices and eclectic customer requirements. Whilst we must be sensitive to the unique requirements of each local market,our approach to all our diverse locations is united around the common goal of securing long-term success by delivering excellence to our customers in innovation, products and services.

As recent acquisitions have demonstrated, the synergies and opportunities which flow from bringing new businesses into the Lucy Electric stable serve to make us stronger over the long term. We held fast to this strategy during the year, acquiring the medium voltage ('MV') switchgear business in Brazil from Arteche Lantegi Elkartea SA, an important player in MV and air-insulated switchgear in South America. The deal, which completed on 31st December 2017, fits with Lucy Electric's strategic growth plan and the new business, Lucy Arteche Equipamentos Elétricos Ltda ('Lucy Arteche'), provides a sound platform from which to derive significant value and opportunity from the South American market.


1

Delivering a return on investment
Whilst a key pillar of our strategy remains forward-looking in pursuance of new opportunities, past investments must bear fruit. The challenges associated with opening a new manufacturing facility in Thailand have been considerable, but Lucy Electric's manufacturing hub in South East Asia is bedding in. The Aegis product range which is manufactured by the facility in Rayong province, has found increasing traction during the year and we are pleased to see orders emanating from key developing markets, including Vietnam, Cambodia and Indonesia.

Following the purchase of the remaining 50% of CG Lucy Switchgear in 2015, our Indian operations continue to mature, placing us at the heart of this exciting market. In 2017 we accelerated the pace of our investment in the region, commencing work on a purpose-built centre in Vadodara that will harness engineering talent in the region and capitalise on the considerable opportunities presented by this important growth market.

In response to the rapidly expanding infrastructure demands in East Africa, we also established a branch office in Kenya to meet the needs of this developing region.

Continuous improvement: infrastructure investment
Driving organic growth by broadening our product portfolio and investing in our infrastructure remain important building blocks for Lucy Electric's long term future. We maintained momentum in these areas during the year.

As reported last year, we embarked on a major two-year transformation programme to roll out Microsoft Dynamics AX, a fully integrated enterprise resource planning system which greatly enhances our capability in managing data across the business. 2017 saw this project completed on time, without business interruption; a significant achievement and one which greatly improves the efficiency and accuracy of data flows across Lucy Electric's global operations.

Lucy Electric

New products: answering the call

The commercial landscape for first tier suppliers and distribution network operators is an ever changing one and the challenge of staying ahead of the curve demands that we anticipate and move with industry trends. We have been answering this call by keeping steadfast to our new product development programme, which continued on plan throughout the year.

The launch of Aegis 36, a product attuned to meet the growing demand for renewable energy sources, was particularly timely. With a uniquely small footprint and a virtually maintenance-free design, Aegis 36 provides a strong offer in this growing global market and we are already seeing its application in wind and solar farms; an activity which will be scaled up during 2018.

2

Collaborating and innovating

Lucy Electric is at the forefront of many aspects of smart grid and automation technology. This year has seen our role as a leading partner in key UK innovation projects continue. Using our GridKey technology we are providing data monitoring equipment and expertise to the 'OpenLV' collaboration project with Western Power Distribution. Low voltage networks in the UK and beyond are expected to see radical change as evolving customer needs such as electric vehicle charging and domestic generation and storage devices create significant fluctuations in demand. The OpenLV project will create an open software platform, providing access to real-time information to help manage varying demands and capacity on the LV network.

3

Lucy Electric's GridKey solutions are also contributing to 'Electric Nation', another sector-leading project to evaluate network capacity constraints in the context of wider adoption of electric vehicles. This will see the largest consumer trial of electric vehicles in the world and will examine the opportunities for smart charging using our real-time data monitoring and analysis expertise.

The landscape for power generation and distribution is changing fast, with increasingly fragmented networks and greater use of renewables changing the demands on electricity grids and with it our customers' priorities. One example of this shift is the proliferation of home-based micro-generation clusters. Lucy Electric's 36 kV Aegis switch and GridKey's monitoring system provide the tools to measure and manage these networks, enabling us to maintain a foothold in this changing market.

Engineering our future

Our success depends on the talent of our people, whose expertise spans many different disciplines and professions. We have a sizeable bank of skills in Lucy Electric, at the core of which sits our present and future engineering talent. Investing in their skills, training and career development remains a central pillar of long-term success and to this end, we continued our commitment to Lucy Electric's apprenticeship, internship and graduate training schemes throughout the year, embedding the next generation of talented young engineers in our business.

4

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1. Production of a Lucy Electric Sabre Ring Main Unit
2. Richard Dick at the 'Electric Nation' event
3. The new GridKey graphical database interface
4. Recently launched Aegis 36 kV RMU
5. Electric vehicle prototype at 'Electric Nation' event

Lucy Castings Trusted innovation partner

Our vision
To be a leading niche castings manufacturer.

Fighting back in a tough market

In a globalised economy, intensifying competition from all corners of the planet means customers are hard won and easily lost, never short of choice and demand more for less. As a result, we have to work harder than ever to protect and grow our market share. In the past year we have seen competitors folding under the pressure from overseas competition and Lucy Castings, whilst not immune from the challenges of a volatile trading environment, has proven robust enough to weather the challenge.

Nonetheless 2017 was a difficult year, with sales 3% below 2016 levels and an increased loss before tax of £1 million. Encouragingly, underlying performance indicators remain positive; order intake increased by 7% over the prior year.

A healthier order book is the result of both competitive attrition and organic sales growth and whilst some new business has emanated from the demise of competitors, we have also seen new orders from those who recognise the value of a long-established business and security of supply in an industry which is not always kind to smaller operators. Lucy Castings' agility and responsiveness is also a key strength, enabling us to service low volume orders reliably and quickly whilst maintaining our reputation for quality.

Gravity die investment

Whilst demand ebbs and flows, continual investment in production capabilities and techniques are the oxygen of a healthy manufacturing business. To this end we delivered on our long-term commitment to establish gravity die manufacturing in quarter four to our aluminium operation in Oldbury.

The brand new state of the art facilities and machinery opens up a number of exciting markets for Lucy Castings, giving us the capability to manufacture castings for the important automotive and renewables markets.

Transformed leadership

A particular highlight during the year was the transformation of Lucy Castings' leadership team, spearheaded by the appointment in October 2017 of Emma Holly as CEO, responsible for both the Witney and Oldbury foundries.

Emma has a strong engineering background as well as invaluable experience across the first and second tier supply chain, having joined Lucy Castings from Jaguar Land Rover (JLR), where she had a number of senior roles, latterly managing global chassis suppliers. Prior to this, Emma held a number of senior roles in first-tier automotive supply companies.

The management was further strengthened with a number of key appointments to the commercial team, whilst new Production and Technical Managers were brought on board to ensure our processes and technical expertise remain best-in-class across both sites.

As the refreshed leadership team bed in to their roles, we expect to deliver a more cohesive and consistent challenge to the many and varied pressures which prevail in the castings industry and ultimately breathe profit back into the business.

1. Lucy Castings site, located in Oldbury, West Midlands
2. Finishing a moulding core at Oldbury
3. Emma Holly, CEO of Lucy Castings
4. Casting in progress at Witney, Oxon

Lucy Castings

Over 200 years of expertise

With experience developed over two centuries, Lucy Castings is a niche manufacturer of specialist aluminium and iron-based castings, fusing traditional craftsmanship with the latest technology to deliver bespoke solutions to customers across a range of industries.

Lucy Zodion

Innovation for a smarter tomorrow

Our vision
To have our products on every street around the world.

1


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Shining a spotlight on the future

Energy efficiency and cost savings remain a key focus and continue to drive customers' purchasing decisions. However, looking ahead it is clear that the world and with it, our customers' needs, are changing at an ever accelerating pace; digital and smart technology are transforming the way we live and work.

We know that the companies that survive in such a dynamic environment are those best able to respond innovatively to rapidly changing conditions, which is why new product development remains absolutely central to Lucy Zodion's strategy. For this reason, R&D expenditure increased by 20% over the year, as the influence of smart city thinking and the transition to LED streetlights continue to push our industry in new directions. Our CitiHorizons information hub also remains an active focal point for discussion, putting Lucy Zodion at the heart of the smart cities conversation.

Lucy Zodion's expertise in photocell technology remains a defining strength. This year saw the launch of Precizion$^{\text{HALO}}$ - Lucy Zodion's latest photocell innovation with many features packed into a small, compact design. Precizion$^{\text{HALO}}$, the first Sensor Ready (SR) certified photocell, is of particular interest to customers seeking economy combined with sustainability. Optimised for the latest generation of LED streetlights, the product is easy to install and offers accurate low-level illuminance switching, reducing energy usage. With a 15-year life expectancy and zero maintenance requirements, it has been developed as part of a wider 'eco-system' of products for the connected city.

3


Lighting the way for 60 years

Expanding the business

With an ever more connected world becoming a reality, Lucy Zodion's strategy is to ensure the humble lamp post plays a central role in decarbonising and connecting our urban centres. As we set about meeting the challenge of engaging with this more complex and connected future, ensuring we have the right facilities from which to manufacture, innovate and serve a growing customer base is vital. The year-long project to redevelop our facilities in Sowerby Bridge was completed during 2017, a major investment in our long-term future resulting in larger production facilities and warehousing capacity to store a growing product range.

One of the benefits of the increased capacity is the space to streamline production of the entire Lucy Zodion product range under one roof; in August we moved pre-wired pillar operations from Milton Keynes to the expanded Sowerby Bridge site. At a time when the pressure to deliver cost savings remains ever present, the rationalisation of our production facilities gives the business a simpler structure from which to control its complete product range and ultimately enhance responsiveness to our customers' requirements.

At a time of transition for the industry, it's important to pause and reflect on our achievements not only in the seven years since Lucy Zodion became part of the Lucy Group family, but since the business was formed 60 years ago. Launching in 1957 in an old mill, the company began by making laundry control products, later diversifying into innovative street lighting controls with the introduction of the first Zodion photocell, some 50 years ago.

To mark two significant milestones in September; the expansion of the Sowerby Bridge building, and Lucy Zodion's 60th anniversary, we held an open day; a ceremonious launch for the revitalised site as well as a valuable opportunity to engage with the local community, giving people a chance to learn more about the company, its evolution and its contribution to the local economy.

1. Aerial view of Lucy Zodion building extension
2. A tour of the Lucy Zodion factory during the open day
3. Lucy Zodion launch their Precizion Halo photocell
4. Lucy Zodion designs and manufactures street lighting control products
5. Lucy Zodion bespoke power distribution unit used in award-winning outdoor lighting at Saint Blaise Square, Bradford
6. All Lucy Zodion streetlighting control products are designed and manufactured in the UK

Lucy Zodion

Leading the way in lighting

An innovator in its niche, Lucy Zodion designs and manufactures sophisticated street lighting control and management systems, with a strong focus on providing the most durable, energy efficient and sustainable solutions for its customers.

Serving a market for whom cost and efficiency are paramount, Lucy Zodion's product range includes photocells, isloators, cut-outs, pillars, LED drivers and central management systems.

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Steady performance

The ongoing squeeze on public sector budgets has exerted a stranglehold on the industry over the past few years as our end users seek to make savings wherever possible, so it was encouraging to see Lucy Zodion maintain sales levels in 2017. Underlying financial performance was similar to the prior year, before accounting for the exceptional costs related to the closure of the Milton Keynes site and the expansion at Sowerby Bridge.

6

Lucy Real Estate — Solid returns in uncertain markets

Our vision

To be the leading provider of high quality residential property in Oxford that enables people to increase their housing choices. This entails recognised lettings and residential development brands which are synonymous with high quality and service.

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 when 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.

Continuing confidence in bricks and mortar

Lucy Properties remains the 'go to' name for high quality lettings in Oxford and steady demand across the year saw rental income increase to £7.4m in 2017. Following a sustained programme of capital investment in the portfolio over the past few years, repair expenditure decreased in 2017.

Maintaining standards

As a responsible landlord with a hard-earned reputation to protect, it is incumbent on us to ensure our properties are well maintained, efficient and inexpensive to run. During the year we targeted careful investment across Lucy Properties' portfolio of rental properties, delivering improvements where required to ensure the quality and standards which underpin our reputation are maintained.

Building our portfolio

Oxford remains a desirable city in which to live and as home ownership models evolve, we are seeing ever increasing demand for quality rental property at the right price. As one of Oxford's largest private landlords, with a portfolio spanning approximately 350 houses and flats accommodating some 700 tenants, Lucy Properties is well-placed to position its offering in the centre of this active market.

However, making sure we have the right stock to meet this demand remains a key challenge and we extended our portfolio of rental property further in April, with the conversion of St Edmunds House in Abingdon. This project was conceived from the outset as an addition to our residential portfolio, and involved the transformation of a three-storey office block into three one-bedroom flats and three studios. The project, which also involved the installation of electric car charging points, took twenty-four weeks to complete, finishing in October on time and to budget. Underlining the need for quality rental accommodation, all the flats and studios were let within two weeks of completion.

Strong assets in prime locations

Lucy Real Estate has established itself as a robust and consistent performer, thanks to a deserved reputation for quality and a strong asset base which continues to deliver results. We are pleased to report that 2017 was another good year, as Lucy Real Estate emerged relatively unscathed from the cooling off at the top-end of the residential rental and sales markets.

1. Hawthorne House won an Oxford Preservation Award
2. Work in progress on one of Lucy Developments' latest properties
3. Construction activity at Elizabeth Jennings Way in Oxford
4. Lucy Properties conversion of property in Abingdon from commercial building to residential flats
5. Lucy Real Estate's office

Whilst the total return reduced to 7%, this continues to represent a good result, highlighting the inherent strength of our well-located portfolio. Pre-tax profits increased by £0.8m (20%) as a result of increased sales within Lucy Developments, in line with our strategic objectives. Underpinning this solid operating performance, our property portfolio increased in value by £4.8m to £141m.

Greener houses and greener spaces

Across the varied industries which Lucy Group operates in, energy efficiency continues to be a driving force for change and the housing sector is no different. We pride ourselves on an increasingly 'green' portfolio of rental properties and in 2017, completed a five-year £0.5m sustainability programme, which culminated in the replacement of inefficient heating sources with 'A-rated' efficient gas boilers and where required, the installation of double or secondary glazing to improve insulation.

We also haven't forgotten that in the increasingly urbanised environment in which we operate, the desire to re-connect with our natural environment is ever more compelling. Across both our rental and new development businesses, we are adding green spaces and initiating biodiversity projects. Working with Ecology Conservation and a local wildlife charity, we are focused on creating gardens and buildings that are biodiverse and sustainable.

Sustainability as standard

Lucy Developments is compliant with the stringent Standard Assessment Performance (SAP) regulations for all its developments, but our policy is to go above and beyond these obligations in all our new builds. Recognising the importance of future-proofing our developments for Oxfordshire's rapidly changing transport needs, all of our houses and apartments include an electrical vehicle charging point as standard.


1

Lucy Real Estate

Building value over the long-term

The Lucy Real Estate business comprises three income streams. Lucy Properties is one of Oxford's largest private landlords, with an established reputation for high-quality residential lettings; Lucy Developments specialises in building high quality homes incorporating the latest energy-efficient technology in prime locations throughout Oxfordshire; Lucy Block Management acts for residents' management companies, undertaking their contractual repair and maintenance obligations.

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Our Achievements Recognised

We were delighted to see Lucy Developments handed a prestigious accolade during the year. Hawthorne House, designed by Paul Southouse Architects, received a certificate in the new building category of the Oxford Preservation Trust's 2017 Awards. The apartment building, which replaced a disused care home, was picked out against some stiff competition from much larger, more expensive projects. The award is recognition of the effort which goes into ensuring our projects are sympathetically tuned to Oxford's historic and fiercely protected landscape.

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 uncertainty surrounding the terms of the UK's exit from the EU means these currency fluctuations could be more pronounced.	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 who 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 talent management programme, along with apprentice and graduate schemes are a key example of how these challenges are being met.
Product design	
The success of the Group depends on providing high quality products that meet our customers' needs. There are always inherent risks in the introduction of new technologies and the entry into new markets.	Executive Directors and Senior Management continually review product development programmes to ensure, as far as possible, that they will successfully meet business objectives and customer requirements.

Risk and Impact	Mitigation
Key suppliers and supply chain management	
The Group relies on its supplier base to deliver products on time and to the standard it specifies. Supply chain risks include failure of a key supplier resulting in interruptions to manufacturing or product delivery schedules, which could impact our relationships with customers.	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	
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 Group 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 2010 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.
Economic and political instability	
Political instability and increased protectionism, including the risks emanating from the uncertainty associated with Brexit are becoming more evident in key global markets. Protectionist measures could impact the import of goods and services and cause a loss of economic confidence in key markets, disrupting business and impacting sales. Within other key international markets there is political instability and swift actions by regional governments and councils can lead to markets becoming unavailable at short notice, however it can also lead to new markets opening up and the business remains responsive to these risks and uncertainties as well as the opportunities these may present.	The Group has a strategic network of entities within differing regions which allows access into these markets. The increasing geographical spread of the Group's operations limits the impact of political or economic upheavals in any particular market on the Group's results as a whole. The Group continues to assess differing compliance requirements within the markets it operates in and ensures that it complies with all regulations. Group management regularly reviews its strategy and adapts the structure of the business to reflect its long term outlook on these matters.

Risk and Impact	Mitigation
Health and Safety	
The company follows Health and Safety best practice across all its sites, and works with subcontractors to ensure they meet the same high standards, Key Health and Safety risk areas for the Group include construction sites within the development business, manufacturing facilities within plants and foundries, and risks associated with installing switchgear products into power networks and connecting customers to networks.	Relevant employees are provided with training and equipment appropriate for the environments they work in. Regular audits are undertaken of all sites to ensure that health and safety risks are appropriately mitigated. Subcontractors are rigorously vetted to ensure that they meet relevant health and safety requirements. Regular health and safety reports provided by our construction subcontractors. Regular health and safety reports to the Group Board including results from audits, near misses and accidents from all businesses. Employment of Health and Safety experts within the Group.

Corporate Responsibility

1

Lucy Group believes in doing business the right way - working ethically, sustainably and in a socially responsible manner, whilst supporting human rights and benefitting the communities in which we operate.

With quality, value and integrity at the heart of our business strategy, we respect the interests of all our stakeholders and the wider community.

Our commitment extends beyond complying with legislation, and includes activities such as benchmarking Corporate Responsibility against ISO 26000 guidance in Lucy Electric, an initiative that will be rolled out Group-wide in 2018.

Human Rights

We respect and promote human rights through our comprehensive Corporate and Social Responsibility Policy and ensure compliance with the UK Modern Slavery Act 2015. We have published our Modern Slavery Act Statement, and in accordance with this, we have asked existing suppliers searching questions to check not only their own compliance, but also their supply chains. All new suppliers must meet rigorous compliance standards.

Taking care of our planet

We are striving to be as environmentally conscious as possible and are committed to continuous performance improvement in this area. This is achieved by complying with environmental laws and regulations and adopting codes of practice recognised as setting environmental performance standards. Our policies cover all major environmental aspects, including energy use, waste production, air emissions, deleterious materials and resource use. We manage and implement this through our coordinated Environmental Management System. Our manufacturing locations are chosen to be close to customers to avoid unnecessary transport.

Monitoring electricity and water consumption across the Group ensures the lowest possible waste. All UK sites use energy efficient light bulbs. To avoid office lighting being left on unnecessarily, we are fitting ESensors and display "Switch off" notices where sensors cannot be used. At overseas locations we are increasing the use of LED and Passive Infrared Lights. In Thailand we monitor and conserve energy in conjunction with the Hemeraj Industrial Estate Authority.

Solar power is providing nearly 30% of the energy required to operate the Lucy Electric site in Thame, Oxfordshire, and is also used at other sites around the world.

The Group has a strategic waste management policy and recycles materials wherever possible, including paper, cardboard, pallets, wood and plastics. Sub-contractors must also follow our recycling and disposal regulations. During the year, a global task force successfully eliminated polystyrene packaging throughout Lucy Electric, both internally and throughout the supply chain. A number of our UK sites now achieve 0% landfill.

Solar power is providing nearly

30%

of the energy required to operate the Lucy Electric site in Thame, Oxfordshire.

Energy Efficiency

We design our products to make them as energy efficient and environmentally friendly as possible and to help our customers optimise energy use. Lucy Zodion's lighting controls reduce clients' energy use by up to 40%.

Lucy Electric GridKey products monitor and manage energy usage, and have been involved in two cutting-edge initiatives this year to help decarbonise our environment. These are the 'Electric Nation' project to facilitate widespread use of electric vehicles and the Open LV initiative to make local electricity data openly available.

In 2017, Lucy Real Estate completed a five year £0.5m sustainability programme for its residential properties that has replaced inefficient heating sources with A-rated efficient gas boilers and installed double or secondary glazing on windows for better insulation.

1. The opening of the new classrooms was cause for celebration at Kota Maida school, India
2. In Thailand, staff prepared food parcels for the monks

Corporate Responsibility

1

Our People

We are proud of our workplace ethos within Lucy Group. Our focus is on transparency and engagement with employees to ensure everyone feels valued and can achieve their potential. We comply with all labour laws and have fair and equitable policies and procedures in place. By incorporating these key principles into local policies, we have made them easily accessible by means of our Company intranet and other methods, to everyone who works for us.

All employees are asked to treat each other with respect, regardless of race, disability, ethnicity, gender, belief or age. Staff are encouraged to raise any concerns immediately in accordance with our whistleblowing policy.

Employee welfare and development

By having fair and equitable employment terms and conditions and benchmarking people management practices, we create an engaged, productive and committed workforce. We work hard to develop work/life skills, providing tools, resources and a supportive environment for employees.

English lessons are provided for employees working on sites around the world and we provide career development opportunities by supporting extra studies. There is also extra support and facilities for staff working away from home.

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

The Group complies with relevant government programmes for recruitment of local staff. In Saudi Arabia, we employ a high percentage of Saudi Nationals and in South Africa we are certified under the black empowerment legislation covering the employment and development of staff.

1. Staff in South Africa providing a barbeque for a children's charity
2. Head office took part in Oxford Open Doors

Health & Safety

Our goal is to ensure that all employees think 'safety first'. To complement the Group's Health and Safety Policy, the Health & Safety department circulates regular bulletins with practical advice and guidance on Health & Safety issues.

The Health & Safety team measures the safety status of all our sites every quarter across a range of attributes to target improvement actions, reporting the results, both locally and to the Board. We have secured ISO 18001 certification across all established manufacturing sites in Lucy Electric and are reviewing accreditation in our other businesses.

Staff also regularly take part in safety awareness events organised locally, of which there were a number this year.

In the light of recent events around the world, we have implemented travel safety courses for staff.

Community and Development

We undertake various activities around the world to help improve the future prospects of those local communities and engage with, and support, the most deserving.

Local Engagement

In 2017, Lucy Group participated in a number of Open Doors events to raise its profile and show support for the community. We are also active participants in local business organisations, including Chambers of Commerce.

Our strong links with local schools throughout the world include initiatives such as improving facilities, offering work experience and attending careers' events.

2

In the UK, we sponsor Apprentice Schemes and support the Science, Technology, Engineering and Mathematics programme for schools.

1


In India, we have funded a project to totally refurbish Kota Maida village school that is located close to one of our sites. In 2015/6 two classrooms were built and a play area installed.

This year saw the completion of the project's second phase. Richard Dick attended a ceremony to open another three classrooms that include lights, fans and writing boards along with bigger windows for better air circulation. There is also a computer room with local area network connections and power sockets.

One of the pupils expressed their joy in the new facilities saying 'On behalf of all the students, thank you for all that you have done for our brighter future. Thank you for putting smiles on everyone's faces'.

A team of Lucy Electric young engineers in Thame are Science, Technology, Engineering & Mathematics (STEM) ambassadors, encouraging and supporting young people in STEM in an interdisciplinary and applied approach. For its support of STEM and Science Oxford, Lucy Electric received the Silver Employer Award this year for their excellent engagement with local schools.

Training and opportunities for the next generation

Across the world, Lucy Group offers employment and development opportunities to local people. We link with, and support, education establishments to offer internships and work study programmes for talented graduates and also employ former interns.

In South Africa, we work with Non-Government Organisations (NGO's) to contribute to social uplift of previously disadvantaged populations, such as assisting black people with a disability to find employment.

Apprentices

We are very proud of our Apprentice Scheme and in 2017 we extended the scope of the scheme beyond engineering apprenticeships. Seventy-five percent of our graduate apprentices choose to stay and work for us.

We sponsor and support two Young Engineer Awards in the UK – the High Sheriff Young Engineers Awards and the Oxford and Cherwell Valley Young Engineers awards.

Our apprentices won the following prizes in 2017:

- Freemen of the City of Oxford Apprentice of the year
- Freemen of the City of Oxford Apprentice award in Mechanical Engineering
- The Engineering Trust most improved apprentice in this year's annual apprentice's awards.

2


Charitable, community and social engagement

Lucy Group strongly believes that everyone should have the opportunity to have somewhere to live and to be able to have a good quality of life. This is why we frequently support local initiatives and charities that provide training opportunities and alleviate homelessness, as well as helping health and children's charities and providing sponsorship for the community, arts and other good causes.

Lucy Real Estate is currently working with an Oxford-based organisation, Blackfriars Refugee Aid (BRaid) to house a family of Syrian refugees as part of a community sponsorship scheme. A property has been allocated and we expect to welcome the family in early 2018.

This year in the UK, both the Oxford and Thame sites held a number of fundraising events including cake sales and raffles. The net proceeds from the raffles were donated to a number of local charities selected by employees – this year supporting sick and special needs' children and the homeless. Donations from the other events went to a variety of other good causes.

During Ramadan, staff in Saudi Arabia provided food baskets to the poor and socially vulnerable. In Dubai, boxes of stationery were donated to those with special needs as part of a 'joyful giving' initiative which entered the Guinness Book of World Records as the largest donation of school supplies to date.

In Thailand staff participated in the 'Run against cancer mini marathon 2017' in aid of a local hospital.

Employees in South Africa donated equipment to a pre-school and day care centre that feeds and educates 19 young children.

1. Young Engineers take part in the STEM programme
2. Staff in Saudi Arabia collect food for those in need during Ramadan

Corporate Responsibility

Well-being and intramural activities

Lucy Group staff engages in a wide range of altruistic, sporting and leisure activities. Below is a selection of events undertaken during the year.

- To mark World Blood Donor day, Dubai sites held their first blood donation event, with 50 volunteers giving blood to help maintain local hospital stocks. In India, there was a Mega Blood donation camp where over 105 volunteers donated blood to the Arpan Thalassemia society.
- On the third International Yoga Day, many employees in India celebrated by taking part in yoga. In Dubai, two health events held in 2017 attracted a large audience – a talk by a Breast Cancer ambassador and a stress management workshop.
- Staff in Malaysia held many team building events this year, including the Ramadan dinner celebration.

1. Lucy Electric staff take part in International Yoga Day
2. Staff celebrated Onam, the most important festival of the Kerala state in India
3. On World Blood Donor Day, both our sites in Dubai held blood donation events

- A football pitch was completed on site in Thailand, and a football team formed which took part in a local tournament. There was an annual sports day held again this year.
- Staff also took part in a number of local festivals - in India, staff celebrated Dussehra.
- In Dubai, most staff are Indian nationals who enjoy celebrating festivals as they would at home. This year they celebrated the important occasion of Onam - a harvest festival.
- Employees in Thailand participated in the cultural event 'Making Merit' or 'Them Boom'. This is based on the Buddhist doctrine that if you do well in this life, you will get good Karma in this life and the next and involves giving alms or food to monks.

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 Regulations. 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

C R Dick
Executive Chairman

G D Ashton
Group Finance Director

14 March 2018

Directors' Report

The Directors present their report on the affairs of the Group, together with the audited accounts for the year ended 31 December 2017.

Change of name

As previously advised the Company changed its name to Lucy Group Ltd on 17th February 2017.

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
J. C. Finch-Dick*	Executive Director
R. I. Dick	Non - Executive Director and Chairman of Audit Committee
P. A. J. Latham	Non - Executive Director and Chairman of Remuneration Committee

*On 1 May 2017 Jonathan Finch-Dick became full-time Executive Director of the Company.

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 121p per share which, taken together with the 2017 interim dividend, gives a payment of 209p per share (2016: 203p), representing a 3% increase for the year. This dividend will be payable on 30 April 2018, subject to shareholder agreement, to shareholders on the register on 31 March 2018. There was no special dividend paid to shareholders in the year (2016: 100p per share). 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 same time period.

Investment Property

The Group's investment property is included in the statement of financial position at fair value, after taking independent professional advice.

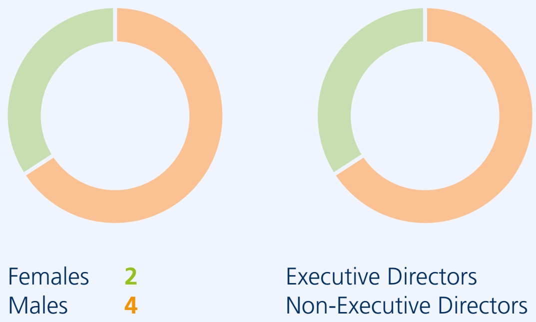
Property occupied by the Group

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.

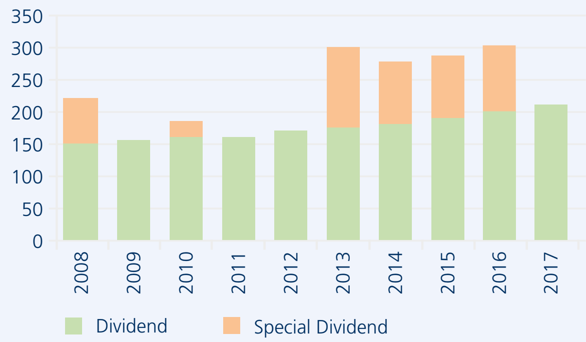
Future Developments

No significant events have occurred since the year end.

Balance of Directors

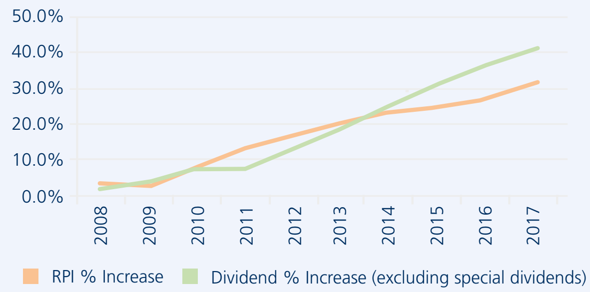


Dividends paid and proposed



Dividend Performance

RPI vs Dividend YoY Growth




Richard Dick


Gary Ashton


Madeline Laxton


Robert Dick


Pippa Latham


Jonathan Finch-Dick

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. Employment policies are designed to generate consistency and fairness in the treatment of employees across the organisation, to promote equal opportunity and encourage diversity. Employees are actively encouraged to undertake targeted training in order to develop their careers. Performance reviews are also conducted with individual employees across the organisation. 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 27 on page 68.

Donations

Total charitable donations during the year were £39.2k (2016: £68.0k). These comprised £36.5k for community projects (2016: £63.5k), £2.0k for educational projects (2016: £0.3k) and £0.7k for other projects (2016: £4.2k). No political contributions were made (2016: 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

14 March 2018

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.

Board Committees

The Board has an Audit Committee and a Remuneration Committee with formal written terms of reference which are reviewed periodically. 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 impact on the environment. The Company Secretary ensures timely information flows within the Board and its committees and between the Executive management and the Non-Executive Directors.

At Board meetings:

- The Executive Chairman presents an update on the business issues across the Group
- The Group Finance Director presents a detailed analysis on financial performance
- An Executive Director presents an update on people issues across the Group

Governance Framework

Executive Chairman

Board:
Four Executive Directors incl. Executive Chairman, Two Non-Executive Directors

Executive

Audit

Remuneration

Head office functions

• Legal & Secretariat • HR • Group Finance & Treasury • IT

Business units hold their own monthly management meetings

Lucy Electric · Lucy Castings · Lucy Real Estate · Lucy Zodion

- 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

- Updates are provided 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 a timely manner on matters affecting the business as and when relevant.

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

Board Meeting dates 2017

JAN	MAY	SEP
FEB	JUN	OCT
MAR	JUL	NOV
APR	AUG	DEC

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 misstatement or loss. The Board holds regular meetings where it approves major decisions, including significant items of capital expenditure, investments, treasury and dividend policy. The Board is responsible for approving annual Group budgets. Performance against budget is reported to the Board and substantial variances investigated. Forecasts of each quarter are prepared and reviewed by the Board. In addition, open and frequent discussions are held and a considerable amount of information is provided to Non-Executive Directors.

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

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. In accordance with Group policy the lead audit partner was rotated for the current year to maintain an appropriate degree of rigour and independence and this rotation will continue to occur periodically.

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

Maintaining a dialogue with and promoting the interests of shareholders remains a key priority of the Board. 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 constructive use of its Annual General Meeting, 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

14 March 2018

Independent Auditors' Report to the shareholders of Lucy Group Ltd

We have audited the financial statements of Lucy Group Ltd and its subsidiaries for the year ended 31 December 2017 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.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2017, 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concerns

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

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 by the parent company, 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 29, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: https://www.frc.org.uk/Our-Work/Audit/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Auditors-responsibilities-for-audit/Description-of-auditors-responsibilities-for-audit.aspx.

This description forms part of our auditor's report.

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

14 March 2018

Consolidated Income Statement

For the year ended 31st December 2017

	Note	2017	2016
		£000	£000
Revenue	3	**175,754**	**192,028**
Cost of sales		(126,810)	(136,923)
Gross profit		**48,944**	**55,105**
Selling and distribution costs		(25,660)	(25,515)
Administrative expenses		(11,010)	(11,084)
Research and development costs		(10,943)	(10,395)
Other operating income/expenses		5,353	4,795
Exceptional items	5	(530)	(959)
Operating profit before net valuation gains on investment property	4	**6,154**	**11,947**
Net valuation gains on investment property		4,823	9,298
Operating profit after net valuation gains on investment property		**10,977**	**21,245**
Finance income	7	508	565
Finance costs	7	(1,625)	(983)
Profit before taxation		**9,860**	**20,827**
Tax expense	8	(1,274)	(541)
Profit for the year		**8,586**	**20,286**
Dividends	10	(999)	(1,466)
Retained profit for the year		**7,587**	**18,820**
Profit for the year attributable to:			
Non-controlling interest		(158)	17
Owners of the parent		7,745	18,803
		7,587	**18,820**
Earnings per share	9	**1,778p**	**4,121p**

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 2017

	2017	2016
	£000	£000
Profit for the year	**8,586**	**20,286**
Other comprehensive income:		
Items that will not be reclassified subsequently to the Income Statement:		
Remeasurement of defined benefit pension scheme	5,930	(3,045)
Taxation relating to remeasurement of pension scheme	(982)	(195)
Items that will subsequently be reclassified to the Income Statement:		
Change in cash flow hedges	667	(68)
Fair value change in net investment hedge	2,466	(1,353)
Currency translation differences	(3,827)	1,330
Gain on revaluation of available for sale investments	81	222
Total comprehensive income for the year, net of tax	**12,921**	**17,177**
Total comprehensive income for the year attributable to:		
Non-controlling interest	(158)	17
Owners of the parent	13,079	17,160
	12,921	**17,177**

Consolidated Statement of Financial Position

As at 31st December 2017

	Note	2017	2016
		£000	£000
Assets			
Non-current assets			
Goodwill	11	3,071	2,717
Other intangible assets	12	870	1,043
Property, plant and equipment	13	31,113	33,388
Investment property	14	141,577	136,049
Other long-term financial assets	16	1,764	1,617
Other receivables	19	467	1,261
Deferred tax assets		1,426	1,495
Non-current assets		**180,288**	**177,570**
Current assets			
Inventories	18	35,901	31,431
Trade and other receivables	19	44,507	36,439
Derivative financial instruments	20	672	-
Cash and cash equivalents		13,730	17,366
Current assets		**94,810**	**85,236**
Total assets		**275,099**	**262,806**
Liabilities			
Non-current liabilities			
Provisions	21	8,745	9,288
Pension and other employee obligations	25	3,544	8,335
Borrowings	26	16,624	12,185
Trade and other payables	23	3,871	3,763
Deferred tax liabilities	24	13,533	13,319
Non-current liabilities		**46,317**	**46,890**

	Note	2017	2016
		£000	£000
Current liabilities			
Trade and other payables	22	34,391	30,577
Current tax liabilities	22	3,571	2,507
Derivative financial instruments	20	-	3,936
Current liabilities		**37,962**	**37,020**
Total liabilities		**84,280**	**83,910**
Net assets		**190,819**	**178,896**
Equity			
Share capital	28	492	492
Other reserves	29	(76)	557
Profit and loss account		190,266	177,551
Equity attributable to owners of the parent		190,682	178,600
Non-controlling interest		137	296
Total equity		**190,819**	**178,896**

Approved by the Board of Directors on 14 March 2018 and signed on its behalf.

C R Dick
Executive Chairman

G D Ashton
Group Finance Director

Consolidated Statement of Cash Flows

For the year ended 31st December 2017

	2017	2016
	£000	£000
Cash flows from operating activities		
Operating profit before net valuation gains on investment property	6,154	11,947
Depreciation and amortisation	5,517	6,901
Other expense	(735)	(29)
Currency revaluation	2,804	(4,033)
Operating cash flow before changes in working capital, interest and taxes	**13,740**	**14,786**
Increase in inventories	(4,309)	(1,620)
Increase in trade and other receivables	(6,942)	(2,380)
(Decrease)/increase in trade and other payables	(937)	4,037
(Decrease)/increase in provisions	(542)	275
Change in derivative financial instruments	(4,608)	2,093
Cash generated from operating activities	**(3,598)**	**17,191**
Interest received	62	145
Interest paid	(444)	(534)
Tax	(260)	(1,533)
Net cash from operating activities	**(4,240)**	**15,269**
Investing activities		
Capital Expenditure	(4,742)	(6,817)
Proceeds from disposal of property, plant and equipment	73	245
Acquisition of subsidiaries, net of cash acquired	(518)	-
Proceeds from disposal and redemption of non-derivative financial assets	125	56
Purchase of non-derivative financial assets	(190)	(42)
Net cash used in investing activities	**(5,252)**	**(6,558)**
Free cash flow	**(9,492)**	**8,711**
Financing activities		
Cash inflow / (outflow) from borrowings	6,855	(6,963)
Dividends paid	(999)	(1,466)
Net cash from / (used in) financing activities	5,856	(8,429)
Net change in cash and cash equivalents	**(3,636)**	**282**
Cash and cash equivalents, beginning of year	17,366	17,084
Cash and cash equivalents, end of year	**13,730**	**17,366**

Consolidated Statement of Changes in Equity

For the year ended 31st December 2017

	Share capital	Capital reserve	Currency reserve	Net investment hedge reserve	Cash flow hedge reserve	Retained earnings	Attributable to owners of the parent	Non-controlling interests	Total equity
	£000	£000	£000	£000	£000	£000	£000	£000	£000
At 1st January, 2017	492	14	3,293	(2,088)	(662)	177,551	178,600	296	178,896
Profit for the year	**-**	**-**	**-**	**-**	**-**	**8,744**	**8,744**	**(158)**	**8,586**
Other comprehensive income									
Foreign currency translation	-	-	(3,827)	-	-	-	(3,827)	-	(3,827)
Gain on revaluation of available for sale investments	-	-	-	-	-	81	81	-	81
Change in cash flow hedges	-	-	-	-	667	-	667	-	667
Fair value change in investments	-	-	-	2,466	-	-	2,466	-	2,466
Actuarial gain on post retirement liability, net of deferred tax	-	-	-	-	-	4,948	4,948	-	4,948
Total comprehensive income	**-**	**-**	**(3,827)**	**2,466**	**667**	**13,773**	**13,079**	**(158)**	**12,921**
Dividends	-	-	-	-	-	(999)	(999)	-	(999)
Reclassifications	-	-	61	-	-	(61)	-	-	-
At 31st December, 2017	**492**	**14**	**(473)**	**378**	**5**	**190,264**	**190,680**	**138**	**190,818**
At 1st January, 2016	492	69	2,024	(735)	(594)	161,748	163,004	-	163,004
Change in reserves on acquisition	-	-	-	-	-	36	36	-	36
Profit for the year	-	-	-	-	-	**20,269**	**20,269**	**17**	**20,286**
Other comprehensive income									
Foreign currency translation	-	-	1,269	-	-	-	1,269	61	1,330
Gain on revaluation of available	-	-	-	-	-	222	222	-	222
Change in cash flow hedges	-	-	-	-	(68)	-	(68)	-	(68)
Fair value change in investments	-	-	-	(1,353)	-	-	(1,353)	-	(1,353)
Actuarial loss on post retirement liability, net of deferred tax	-	-	-	-	-	(3,240)	(3,240)	-	(3,240)
Total comprehensive income	-	-	**1,269**	**(1,353)**	**(68)**	**17,251**	**17,099**	**78**	**17,177**
Dividends	-	-	-	-	-	(1,466)	(1,466)	-	(1,466)
Change in partial interest in subsidiary	-	-	-	-	-	(73)	(73)	218	145
Reclassification	-	(55)	-	-	-	55	-	-	-
At 31st December, 2016	**492**	**14**	**3,293**	**(2,088)**	**(662)**	**177,551**	**178,600**	**296**	**178,896**

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).

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 31 December 2017. Subsidiaries are entities controlled by the Group. Subsidiary companies that have an accounting reporting date other than 31 December prepare additional financial statements to 31 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.

Foreign currency translation

The consolidated financial statements are presented in currency £ 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 £630.2k. On disposal of a business, the gain or loss on disposal includes the goodwill previously written off on acquisition.

Impairment losses 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 the income statement 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.

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 the 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

Principal Accounting Policies

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.

Cash

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks and 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 Benefits

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.

Principal Accounting Policies

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.

‘I wanted to join a company that had great potential and I have found it here at Lucy Castings. We are immensely proud of our heritage, well respected within the industry, and I know we have the ability to thrive as an agile and flexible supplier of choice.’

Emma Holly, recently appointed CEO of Lucy Castings

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 IFRSs as issued by the International Accounting Standards Board (IASB).

New and amended standards which became effective during the year
In the current year, a number of amendments to IFRSs were issued by the International Accounting Standards Board that are mandatorily effective for accounting periods that begin 1 January 2017. These include IAS 12 'Recognition of Deferred Tax Assets for Unrealized Loses, IAS 7 'Disclosure Initiative', which requires additional disclosures of changes in liabilities arising from financing activities and IFRS 12 'Disclosure of Interests in other entities'. The amendments to these standards have had no impact on the Group's reported results.

The various amendments to IFRS through the annual improvements cycle 2014-16 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.

Amendments to IAS28 'Investments in Associates and Joint Ventures', amendments to IAS 40 'Transfers of Investment Properties' and IFRIC 22 'Foreign Currency Transactions and Advance Consideration. These changes are effective 1 January 2018 and are not expected to have a material impact on the consolidated results of the Group.

In addition there are three significant new standards, IFRS 9, IFRS 15 and IFRS 16, of which the impact on the Group's financial reporting are currently being assessed and further detail is provided below.

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 and will be adopted by the Group on this date. IFRS 9 will require certain additional disclosures and the principal change affecting the Group will concern the assessment of the effectiveness of hedging arrangements. The impact of these changes is currently being assessed but is not expected to have a material impact on the Groups' financial reporting.

IFRS 15 - Revenues from Contracts with Customers

This standard will replace IAS 18 and includes a five step approach to recognising revenue, based around the principle that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods and services. IFRS 15 is effective for accounting periods beginning on or after 1 January 2018 and will be adopted by the Group on this date. IFRS 15 is not expected to have a material impact on the Group results however the timing of revenue recognition for certain revenue streams will potentially be effected. These include revenue from installation services, long term contracts and provision of warranties. The majority of revenue contracts, including the sale of residential properties are not anticipated to be effected by the introduction of this standard.

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 1 January 2019, but has not yet been endorsed for use in the EU. The Group is assessing the impact of IFRS 16 and it is expected that there will be a material impact on the Group's financial reporting from adopting the standard. The Group has a high number of operating lease arrangements, the majority of which will need to be included in the statement of financial position as a right of use asset, with a liability recorded for the value of future lease payments. Under current accounting standards no lease assets or liabilities are included in the statement of financial position for operating leases, with the lease rental expensed on a straight line basis and included within operating expenses. The Group is continuing to assess the impact of these changes.

2. Profit for the financial year

The Group profit for the year after taxation includes a profit of £6.8m (2016: £15.6m) 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 £175.8m (2016: £192.0m) of which £7.8m (2016: £6.2m) 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

	2017	2016
	£000	£000
a) Operating profit is stated after charging :		
Depreciation of tangible fixed assets	5,020	5,273
Amortisation of intangible fixed assets	533	534
Operating lease rentals		
Plant & machinery	187	199
Land & buildings	2,436	2,780
Research and development	10,943	10,395
Directors' remuneration (see note 32)	1,063	1,038
Auditors' remuneration (see note 4c)	145	145
Hire of plant	39	22
Gain/(loss) on translation of foreign currency	456	(108)
b) Operating profit is stated after crediting:		
Rental income	7,426	7,082
Less related expenses	(3,006)	(3,129)
	4,420	**3,953**
c) Auditors' remuneration		
Audit of these financial statements	32	26
Amounts received by auditors and subsidiary auditors in respect of:		
Audit of financial statements of subsidiaries	107	106
Other services	6	13
	145	**145**
Fees in respect of and borne by the W Lucy Pension Scheme	4	4

Notes to the Accounts

5. Exceptional items

Integration costs	414	54
Restructuring	116	905
	530	**959**

6. Employee remuneration

	2017	2016
	£000	£000
Wages and salaries	35,750	33,875
Social security costs	2,248	2,389
Pension costs	2,450	2,323
	40,448	**38,587**

The average number of employees during the year was 1,353 (2016: 1,363) of which 147 were administrative (2016: 144).

7. Finance income and costs

Finance revenue		
Income from investments	78	32
Other interest receivable	62	145
Exchange gain on overseas assets	-	236
Ineffective portion of changes in fair value of cash flow and net investment hedges	368	-
Other income	-	152
	508	**565**
Finance cost		
Bank interest	444	534
Exchange loss on overseas assets	836	-
Ineffective portion of changes in fair value of cash flow and net investment hedges	-	192
Pension finance cost	267	257
Other expense	78	-
	1,625	**983**

8. Tax on profit on ordinary activities

	2017	2016
	£000	£000
Current year UK tax	389	545
Current year overseas tax	675	1,393
Group current tax	1,064	1,938
Under / (over) provision in previous years	22	(166)
Total current tax	**1,086**	**1,772**
Deferred tax		
Capital allowances	77	77
Other timing differences and allowances	(142)	(847)
Effect of decreased tax rate on opening liability	-	(1,988)
Investment properties	253	1,527
Total deferred taxation	**188**	**(1,231)**
Total tax on profit on ordinary activities	**1,274**	**541**

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:

Profit on ordinary activities before tax	9,860	20,827
Group profit on ordinary activities before tax	**9,860**	**20,827**
Tax charge at average UK Corporation Tax rate of 19.25% (2016: 20.00%)	1,898	4,165
Adjustments in respect of prior years	13	(166)
Effect of change in non-allowable general provisions	(6)	61
Net effect of differing overseas tax rates	(1,319)	(1,326)
Other non-allowable expenses	(86)	(84)
Depreciation in excess of capital allowances	94	63
Utilisation of tax losses	(20)	415
Utilisation of Group relief	-	(49)
Current year losses	202	-
Other	310	(1,307)
Group current tax charge for the period	**1,086**	**1,772**

Notes to the Accounts

9. Earnings per share

The earnings per share have been calculated using the profit attributable to shareholders of Lucy Group Ltd as the numerator. Profit has been adjusted by £(158)k in 2017 (2016:£17k) to remove that attributable to the non-controlling interest.

	2017	2016
	£000	£000
Profit on ordinary activities after taxation attributable to Lucy Group Ltd shareholders	8,744	20,269
Weighted average number of shares (000s)	492	492
Earnings per share	1,778p	4,121p

10. Dividends

	2017	2016
	£000	£000
Amounts recognised as distributions to shareholders in the year:		
Final dividend for the year to 31st December 2016: 115p (2015: 110p) per share	566	541
Interim dividend for the year to 31st December 2017: 88p (2016: 88p) per share	433	433
No special dividend for the year 31st December 2017 (2016: 100p) per share	-	492
	999	**1,466**
Proposed final dividend for the year to 31st December 2017: 121p (2016: 115p) per share	595	566

11. Goodwill

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

	2017	2016
	£000	£000
Gross carrying amount		
Balance 1st January	2,717	2,717
Additions	354	-
Balance 31st December	**3,071**	**2,717**

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 the year end by comparing the carrying amount of goodwill to recoverable amount of each asset. No impairment has been identified.

	2017
The components of goodwill are:	
Lucy Zodion Ltd	2,261
Truscanian Ltd	139
Lucy Electric India (Private) Ltd	155
Lucy Electric Gridkey Ltd	162
Lucy Arteche Equipamentos Electricos Ltda	354
	3,071

Notes to the Accounts

12. Other intangible assets

	Licences and software
	£000
Gross carrying amount	
At 1st January, 2016	3,860
Additions	390
Disposals	(50)
Translation differences	51
At 1st January, 2017	4,251
Additions	368
Disposals	(2)
Translation differences	(27)
At 31st December, 2017	**4,590**
Amortisation	
At 1st January, 2016	2,485
Charge for year	534
Disposals	(50)
Translation differences	239
At 1st January, 2017	3,208
Charge for year	533
Disposals	(1)
Translation differences	(20)
At 31st December, 2017	**3,720**
Net book value	
At 31st December, 2017	**870**
At 31st December, 2016	**1,043**
At 31st December, 2015	**1,375**

13. Property, plant and equipment

	Freehold land and buildings	Plant and equipment	Fixtures and fittings	Motor vehicles	Total
	£000	£000	£000	£000	£000
Cost or valuation					
At 1st January, 2016	22,689	26,531	12,608	1,860	63,688
Additions	851	1,788	1,527	297	4,463
Disposals	(215)	(1,090)	(207)	(187)	(1,699)
Impairment	-	(10)	-	-	(10)
Translation differences	1,020	4,069	1,839	101	7,029
At 1st January, 2017	24,345	31,288	15,767	2,071	73,471
Additions	861	1,405	1,054	398	3,718
Acquisition of subsidiary undertaking	-	71	-	-	71
Disposals	-	(349)	(288)	(286)	(923)
Translation differences	(666)	(1,309)	(303)	26	(2,252)
At 31st December, 2017	**24,540**	**31,106**	**16,230**	**2,209**	**74,085**
Depreciation					
At 1st January, 2016	5,943	16,381	8,165	1,206	31,695
Charge for year	727	2,605	1,648	293	5,273
Disposals	(127)	(1,049)	(137)	(141)	(1,454)
Impairment	49	796	223	26	1,094
Translation differences	710	1,851	878	36	3,475
At 1st January, 2017	7,302	20,584	10,777	1,420	40,083
Charge for year	716	2,402	1,569	333	5,020
Disposals	-	(323)	(262)	(265)	(850)
Impairment	(1)	(26)	(6)	(3)	(36)
Translation differences	(330)	(763)	(187)	35	(1,245)
At 31st December, 2017	**7,687**	**21,874**	**11,891**	**1,520**	**42,972**
Net book value					
At 31st December, 2017	16,853	9,232	4,339	689	**31,113**
At 31st December, 2016	17,043	10,704	4,990	651	**33,388**
At 31st December, 2015	16,746	10,150	4,443	654	**31,993**

Notes to the Accounts

14. Investment property

	2017	2016

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

Changes to the carrying amounts are as follows:

	£000	£000
Carrying amount 1st January	136,049	124,787
Additions	705	1,964
Revaluation	4,823	9,298
Carrying amount 31st December	**141,577**	**136,049**

Freehold land and buildings which had a value when charged in 2017 of £50.4m (2016: £35.4m) have been pledged to secure borrowings of the company (see note 26).

15. Acquisition of Subsidiary Undertakings

2017

On 31st December 2017, the company acquired100% of the share capital in Lucy Arteche Equipmentos Eléctricos Ltda from Arteche Lantegi Elkartea SA. From the date of acquisition they have been consolidated into the Group financial statements as a wholly-owned subsidiary.

The details of the business combinations are as follows:

	£000
Total cash consideration	644
Recognised amounts of identifiable net assets	
Property, plant and equipment	71
Total non-current assets	71
Inventories	161
Cash and cash equivalents	126
Total current assets	287
Other liabilities	(68)
Total current liabilities	(68)
Identifiable net assets	**290**
Goodwill on acquisition	**354**

16. Other long-term financial assets

	2017	2016
	£000	£000
Equity securities: quoted	1,764	1,617
	1,764	**1,617**

Quoted investments are classified as available for sale and are recorded at the balance sheet date.

17. Principal Group undertakings

Company	Country of incorporation	Principal activity	Proportion of ownership interests held by the Group at year end % 2017	2016
Lucy Electric UK Limited	England	Manufacture and sale of switchgear	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 Gridkey Limited	England	Supply of switchgear monitoring systems and services	100	100
Lucy Arteche Equipamentos Electricos Ltda	Brazil	Manufacture and sale of switchgear	100	-
Lucy Electric Beijing Company Limited	China	Marketing and sale of switchgear	100	100
Lucy Electric India (Private) Limited	India	Manufacture and sale of switchgear	100	100
Lucy Electric Manufacturing and Technologies 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
Lucy Electric South Africa Pty Limited	South Africa	Marketing and sale of switchgear	75	75
Lucy Electric (Thailand) Limited	Thailand	Manufacture and sale of switchgear	100	100
Lucy Switchgear FZE	UAE	Manufacture of switchgear	100	100
Lucy Middle East FZE	UAE	Marketing and sale of switchgear	100	100

Notes to the Accounts

18. Inventories

	2017	2016
	£000	£000
Raw materials and components	14,088	9,053
Work in progress	371	949
Long-term contract balances:		
Net cost less foreseeable losses and payments on account	151	103
Finished goods	12,995	12,838
Development land and buildings:		
Land	1,480	757
Developments in progress	6,816	6,857
Finished properties for sale	-	874
	35,901	**31,431**

19. Trade and other receivables

	£000	£000
Current receivables		
Trade receivables	34,574	28,926
Rent receivables	82	65
Amounts recoverable on long term contracts	986	781
Corporation Tax receivable	962	629
Prepayments and accrued income	6,349	5,668
Other receivables	1,554	370
Total current receivables	**44,507**	**36,439**
Non-current receivables		
Deferred tax asset	1,426	1,495
Other receivables	467	1,261
Total non-current receivables	**1,893**	**2,756**
Total receivables	**46,400**	**39,195**

20. Derivative financial instruments

	2017		2016	
	Asset	Liability	Asset	Liability
	£000	£000	£000	£000
Designated hedge relationships:				
Foreign exchange contracts	672	-	-	4,106
Commodity contracts	-	-	-	(170)
	672	-	**-**	**3,936**

These amounts are included within the disclosure in note 27 - Financial instruments and risk management.

21. Provisions

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

	Restructuring costs	Integration & systems implementation costs	Warranty provision	Other	Total
	£000	£000	£000	£000	£000
Carrying amount 1st January, 2017	3,994	844	3,235	1,215	9,288
Provided in year	306	414	557	5	1,282
Released in year	(216)	(349)	(187)	-	(752)
Charge in year	(684)	(58)	(237)	(94)	(1,073)
Carrying amount 31st December, 2017	**3,400**	**851**	**3,368**	**1,126**	**8,745**

22. Trade & other payables -– current

	2017	2016
	£000	£000
Trade payables	20,395	14,558
Accruals and deferred income	10,122	13,072
Other payables	3,874	2,947
	34,391	**30,577**
Corporation Tax payable	1,787	1,818
Social security and other taxes	1,784	689
	3,571	**2,507**

Notes to the Accounts

23. Trade & other payables — non-current

	2017	2016
	£000	£000
Loans repayable after more than one year	16,624	12,185
Other payables	3,871	3,763
	20,495	**15,948**

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

24. Deferred tax liability

	£000	£000
Investment Properties	13,511	13,259
Capital allowances	(220)	(364)
Other timing differences and allowances	242	424
	13,533	**13,319**

25. Pensions

Lucy Group 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 31 December 2017 in respect of the unfunded unapproved retirement benefit arrangements was approximately £1,544k (2016: £1,314k).

The Company also operates a defined contribution scheme but this is not included in this disclosure note.

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.

Notes to the Accounts

25. Pensions (continued)

Explanation of amounts in the financial statements

Principal actuarial assumptions	2017	2016
Discount rate	2.60%	2.80%
Inflation (RPI)	3.05%	3.10%
Inflation (CPI)	2.05%	2.30%
Salary increases	3.05%	3.75%
Pension increase (RPI max 5%)	2.95%	3.00%
Pension increase (RPI max 2.5%)	2.15%	2.20%
Pension increase (CPI max 3%)	1.80%	1.95%
Post-retirement mortality	112% S2PXA CMI 2016 [1.25%]	112% S2PXA CMI 2013 [1.00%]
Commutation	Members are assumed to take 20 percent of their pension as tax free cash	Members are assumed to take 20 percent of their pension as tax free cash
Life expectancy at age 65 of male aged 45	22.7	22.8
Life expectancy at age 65 of male aged 65	21.3	21.4
Life expectancy at age 65 of female aged 45	24.7	24.8
Life expectancy at age 65 of female aged 65	23.1	23.3

The current asset split is as follows:

	Total assets	**Total assets**
	£000	£000
Equities	38,304	32,943
Corporate bonds	11,600	11,060
Gilts	2,476	2,418
Property	643	606
Target Return	6,929	7,468
Cash	343	699
Total assets	**60,295**	**55,194**

The following amounts at 31 Dec 2017 and 31 Dec 2016 were measured in accordance with the requirements of FRS102:

Fair value of assets	60,295	55,194
Present value of funded obligations	(64,565)	(65,237)
Deficit in scheme	**(4,270)**	**(10,043)**
Deferred tax	726	1,708
Net defined benefit liability at 31 December 2017	**3,544**	**8,335**

Amount recognised in Profit and Loss	2017	2016
Current service cost	788	587
Administration costs	207	189
Interest on liabilities	1,797	2,111
Interest on assets	(1,529)	(1,854)
Total charge to Profit and Loss	**1,263**	**1,033**

Remeasurements over the year		
Gain on assets in excess of interest	(4,769)	(6,131)
Experience gains on liabilities	(1,613)	(848)
Gains from changes to demographic assumptions	(4)	(2,419)
Losses from changes to financial assumptions	456	12,806
Total remeasurements	**(5,930)**	**3,408**

Change in value of assets		
Fair value of assets at start	**55,194**	**47,861**
Interest on assets	1,529	1,854
Company contributions	1,106	2,094
Contributions by Scheme participants	123	123
Benefits paid	(2,219)	(2,680)
Administration costs	(207)	(189)
Return on assets less interest	4,769	6,131
Fair value of assets at end	**60,295**	**55,194**
Actual return on assets	**6,298**	

Notes to the Accounts

25. Pensions (continued)

Change in value of DB liabilities	2017	2016
Defined benefit obligation at start	**65,237**	**55,557**
Current Service Cost	788	587
Contributions by Scheme Participants	123	123
Interest cost	1,797	2,111
Benefits paid	(2,219)	(2,680)
Experience (gain)/loss on liabilities	(1,613)	(848)
Changes to demographic assumptions	(4)	(2,419)
Changes to financial assumptions	456	12,806
Defined benefit obligation at end	**64,565**	**65,237**

Reconciliation of net defined benefit liability

Net defined benefit liability at start	**10,043**	**7,696**
Current service cost	788	587
Net interest expense (income)	268	257
Remeasurements	(5,930)	3,408
Administration costs	207	189
Employer contributions	(1,106)	(2,094)
Net defined benefit liability at end	**4,270**	**10,043**

Sensitivity of the value placed on the liabilities

	Approximate effect on liability
Discount rate	
Discount rate -0.10%	1,088
Inflation	
Inflation +0.10%	676
Salary increases	
Salary increases +0.10%	111
Mortality	
Increase long-term mortality improvement rate to 1.50%	587

Projected Profit & Loss account for next year

	2018
Current service cost	775
Admin expenses	207
Interest on liabilities	1,652
Interest on assets	(1,546)
Total	**1,088**

Effect of the Scheme on Company's future cashflows

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 6 April 2020. In the event that the valuation reveals a worse funding position 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.

The Company expects to pay contributions of £627k in the year to 31 December 2018. The weighted average duration of the defined benefit obligation is 20 years.

Notes to the Accounts

26. Borrowings

The Group's committed loan facilities at the year end were £35.0m, and these were utilised as follows:

	Repayable	2017
Facilities		£000
Revolving facilities		
Secured £20m revolving multi-currency loan at 1.40% above LIBOR	30th September 2021	16,005
Secured £15m revolving multi-currency loan at 1.40% above LIBOR	15th February 2023	-
Other		
Exchange loss on foreign currency borrowings		608
Sales tax deferral loan		11
Total Borrowings		**16,624**

Security

The two revolving loan facilities are secured against specific freehold properties valued at £50.4m in 2017.

Loan drawdown and interest	
The amount of loan drawdown at 31st December 2017 was £16.6m, split as follows:	
Sterling £8.5m loans at variable rates of interest	8,500
US Dollar $2.6m loans at variable rates of interest	1,921
Thai Baht THB273m loans at variable rates of interest	6,191
	16,612

	2017	2016
Maturity of borrowings	£000	£000
In more than one but no more than two years	-	5,756
In more than two but no more than five years	16,624	6,399
More than five years	-	-
	16,624	**12,155**

27. 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, also face credit risk. Where recovery of trade receivables are identified as doubtful, provision for impairment is made. The Group's maximum exposure on its trade and other receivables is the varying amount as disclosed in Note 19.

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 26.

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 Pound 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 Saudi Riyals and UAE Dirhams, because a liquid financial derivative market is unavailable. 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 losses 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.

Notes to the Accounts

27. Financial instruments and risk management (continued)

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 the 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 changes 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.

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:

	2017		2016	
	Asset £000	Liability £000	Asset £000	Liability £000
Level 1				
Listed securities and debentures	1,764	-	1,617	-
	1,764	**-**	**1,617**	**-**
Level 2				
Forward contract swaps	672	-	-	4,106
Commodity swaps	-	-	-	(170)
Investment property	141,577	-	136,049	-
	142,249	**-**	**136,049**	**3,936**

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.

Notes to the Accounts

27. Financial instruments and risk management (continued)

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:

2017	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	-	-	-	1,764	1,764	1,764
Current assets						
Trade and other receivables excluding prepayments	34,656	-	-	-	34,656	34,656
Derivative financial instruments	-	-	672	-	672	672
Cash and cash equivalents	13,730	-	-	-	13,730	13,730
	48,386	-	**672**	**1,764**	**50,822**	**50,822**
Non - current liabilities						
Interest bearing loans and borrowings	16,624	-	-	-	16,624	16,624
Current liabilities						
Interest- bearing loans and borrowings	-	-	-	-	-	-
Trade and other payables	20,395	-	-	-	20,395	20,395
Derivative financial instruments	-	-	-	-	-	-
	37,019	**-**	**-**	**-**	**37,019**	**37,019**
Total net financial assets/(liabilities)	**11,367**	**-**	**672**	**1,764**	**13,803**	**13,803**

2016	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	-	-	-	1,617	1,617	1,617
Current assets						
Trade and other receivables excluding prepayments	28,991	-	-	-	28,991	28,991
Cash and cash equivalents	17,366	-	-	-	17,366	17,366
	46,357	-	-	**1,617**	**47,974**	**47,974**
Non- current liabilities						
Interest bearing loans and borrowings	12,185	-	-	-	12,185	12,185
Current liabilities						
Interest- bearing loans and borrowings	-	-	-	-	-	-
Trade and other payables	14,558	-	-	-	14,558	14,558
Derivative financial instruments	-	(170)	4,106	-	3,936	3,936
	26,743	**(170)**	**4,106**	**-**	**30,679**	**30,679**
Total net financial assets/(liabilities)	**19,614**	**170**	**(4,106)**	**1,617**	**17,295**	**17,295**

28. Equity - share capital	2017	2016
	£000	£000
Authorised :		
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

29. 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 2017 is £101.0m.

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.

30. Commitments

Capital

At 31st December 2017 the Group had authorised the following future capital expenditure :

	2017	2016
	£000	£000
Contracted	2,171	2,669
Not contracted	1,396	473

Operating lease commitments - Group as lessee

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

	2017	2016
Land and buildings		
Payable within one year	1,238	1,073
Payable between two and five years	2,065	3,327
Payable after five years	115	23
	3,418	**4,423**
Plant and Machinery		
Payable within one year	71	64
Payable between two and five years	116	135
Payable after five years	-	-
	187	**199**
Motor Vehicles		
Payable within one year	400	441
Payable between two and five years	397	549
Payable after five years	-	-
	797	**990**

31. Contingent liabilities

The Group has given its bankers guarantees amounting to the equivalent of £6.5m (2016: £5.1m) in respect of tender and performance bonds and counter indemnities.

Legal proceedings issued by the heirs of Sheikh Yacoub Al Rasheed outstanding at the end of 2016 concerning the Saudi Lucy Company were successfully defended during the year.

32. Related parties

The Group's related parties includes 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.

	2017	2016
	£000	£000
Transactions with key management personnel		
Key management of the Group are the executive and non executive members of Lucy Group Ltd's Board of Directors.		
Key management personnel remuneration includes the following expenses:		
Short-term employee benefits	974	952
Post employment benefits	89	86
	1,063	**1,038**
Emoluments of highest paid director	319	358
Pension contribution	49	51
	368	**409**

Notes to the Accounts

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

Two Directors are members of the defined benefit section of the W Lucy Pension Scheme. The Company also operates unfunded unapproved retirement benefit arrangements for these Directors. The Group made contributions of £39,583 (2016: £32,548) to defined contribution schemes in respect of two other Directors.

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, payable immediately, of £175,917 p.a. (2016: £167,414). As at 31 December 2017, pension totalling £102,123 pa (2016: £100,540 pa) is currently in payment from the W Lucy Pension Scheme (£22,243 pa of pension was also forgone in order to pay a cash lump sum benefit). The remaining £73,794 pa of pension as at 31 December 2017 (2016: £66,874 pa), which is payable directly by the Company under the unfunded unapproved retirement benefit arrangement, has not yet been crystalised.

Transactions with the defined benefit plan

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

Parent and ultimate controlling party

Lucy Group Ltd. is a subsidiary of WL Shareholding Company Limited, a private limited company incorporated and domiciled 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

33. Analysis of changes in cash and net debt

	1st January 2017	Cash flows	Exchange loss	31st December 2017
	£000	£000	£000	£000
Cash at bank and in hand	17,309	(3,636)	-	13,673
Liquid resources	57	-	-	57
Loan capital over one year	(12,185)	(6,855)	2,416	(16,624)
Net cash	**5,181**	**(10,491)**	**2,416**	**(2,894)**

Lucy Real Estate was one of the original signatories to the low carbon Oxford charter and has just successfully completed a five year investment programme to reduce carbon emissions in its investment properties.

Company Statement of Financial Position

As at 31st December 2017

	Note	2017	2016
		£000	£000
Assets			
Non-current assets			
Other intangible assets	2	194	64
Property, plant and equipment	3	3,199	3,313
Investments			
Investment property	4	145,700	140,189
Other investments	5	64,536	59,506
Deferred tax assets		-	146
Non-current assets		**213,629**	**203,218**
Current assets			
Trade and other receivables	6	68	54
Derivative financial instruments	12	672	-
Group debtors	6	2,217	2,246
Prepayments and other accruals	6	799	692
Cash and cash equivalents		57	57
Current assets		**3,813**	**3,049**
Total assets		**217,442**	**206,267**
Liabilities			
Non-current liabilities			
Provisions	9	4,491	4,735
Pension and other employee obligations	16	3,544	8,335
Borrowings	8	16,613	12,155
Deferred tax liabilities	10	13,179	13,077
Non-current liabilities		**37,827**	**38,302**

	Note	2017	2016
		£000	£000
Current liabilities			
Borrowings		-	-
Trade and other payables	7	8,367	7,049
Current tax liabilities	7	411	599
Derivative financial instruments	12	-	3,936
Other liabilities	7	7,736	4,137
Current liabilities		**16,514**	**15,721**
Total liabilities		**54,341**	**54,023**
Net assets		**163,101**	**152,244**
Equity			
Share capital	15	492	492
Other reserves		(5,511)	(5,544)
Profit and loss account		168,120	157,296
Total equity		**163,101**	**152,244**

Approved by the Board of Directors on 14 March 2018 and signed on its behalf.

C R Dick
Executive Chairman

G D Ashton
Group Finance Director

Company Statement of Changes in Equity

For the year ended 31st December 2017

	Share capital	Capital reserve	Currency reserve	Cash flow hedge reserve	Retained earnings	Total equity
	£000	£000	£000	£000	£000	£000
At 1st January, 2017	492	31	(4,913)	(662)	157,296	152,244
Profit for the year	**-**	**-**	**-**	**-**	**6,793**	**6,793**
Other comprehensive income						
Foreign currency translation	-	-	(634)	-	-	(634)
Change in cash flow hedges	-	-	-	667	-	667
Fair value change in investments	-	-	-	-	81	81
Actuarial loss on post retirement liability, net of deferred tax	-	-	-	-	4,948	4,948
Total comprehensive income	**-**	**-**	**(634)**	**667**	**11,822**	**11,855**
Dividends	-	-	-	-	(999)	(999)
At 31st December, 2017	**492**	**31**	**(5,547)**	**5**	**168,119**	**163,100**
At 1st January, 2016	492	31	(720)	(594)	146,142	145,351
Profit for the year	**-**	**-**	**-**	**-**	**15,638**	**15,638**
Other comprehensive income						
Foreign currency translation	-	-	(4,193)	-	-	(4,193)
Change in cash flow hedges	-	-	-	(68)	-	(68)
Fair value change in investments	-	-	-	-	222	222
Actuarial gain on post retirement liability, net of deferred tax	-	-	-	-	(3,240)	(3,240)
Total comprehensive income	**-**	**-**	**(4,193)**	**(68)**	**12,620**	**8,359**
Dividends	-	-	-	-	(1,466)	(1,466)
At 31st December, 2016	**492**	**31**	**(4,913)**	**(662)**	**157,296**	**152,244**

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 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 £6.8m (2016: £15.6m). These financial statements present information about the Company as an individual undertaking and not about its Group.

General information and basis of preparation

Lucy Group Ltd is a private company limited by shares incorporated in England, United Kingdom. The address of the registered office is given in the company information on page 89 of this report. 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.

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.

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 2% - 2.5%
- Fixtures and fittings 10% - 33%
- Plant and machinery 5% - 33%
- Motor vehicles 25% - 33%

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.

Notes to the Company Accounts

1. Accounting policies (continued)

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 licenses on a straight line basis over the life of the lease. 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 appropriated professional advice.

Notes to the Company Accounts

2. Other intangible assets

	Licences and software
	£000
Gross carrying amount	
At 1st January, 2017	651
Additions	172
At 31st December, 2017	**823**
Amortisation	
At 1st January, 2017	587
Charge for year	42
At 31st December, 2017	**629**
Net book value	
At 31st December, 2017	**194**
At 31st December, 2016	64

3. Property, plant and equipment

	Freehold land and buildings	Fixtures and fittings	Motor vehicles	Total
	£000	£000	£000	£000
Cost or valuation				
At 1st January, 2017	2,298	5,809	196	8,303
Opening balance adjustment	(650)	611	10	(29)
Restated opening balance	1,648	6,420	206	8,274
Additions	-	447	147	594
Disposals	-	(211)	(30)	(241)
At 31st December, 2017	**1,648**	**6,656**	**323**	**8,627**
Depreciation				
At 1st January, 2017	229	4,609	152	4,990
Charge for year	30	566	53	649
Disposals	-	(204)	(7)	(211)
At 31st December, 2017	**259**	**4,971**	**198**	**5,428**
Net book value				
At 31st December, 2017	**1,389**	**1,685**	**125**	**3,199**
At 31st December, 2016	2,069	1,200	44	3,313

4. Investment property

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

Note 27 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:

	2017	2016
	£000	£000
Carrying amount 1st January	140,189	128,887
Opening balance adjustment	23	-
Restated Opening Balance	140,212	128,887
Additions	705	1,964
Revaluation	4,783	9.338
Carrying amount 31st December	**145,700**	**140,189**

Freehold land and buildings which had a value when charged in 2017 of £50.4m (2016: £35.4m) have been pledged to secure borrowings of the company (see note 11).

Notes to the Company Accounts

5. Other investments

	2017 £000	2016 £000
Equity securities: listed	1,764	1,617
Group undertakings	39,031	29,694
Loans to Group undertakings	23,741	28,195
	64,536	**59,506**

Investments in subsidiaries have been written down to the company net asset value at the year end. Total impairments to investments in subsidiaries were £6.1m (2016: £7.1m), total write backs were £4.1m (2016: £2.2m), additions were £11.7m (2016: £4.7m) and disposals were nil (2016: £0.2m) 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	11,537	11,537
Lucy Electric India (Private) Limited	7,067	7,374
Lucy Electric (EMS) Limited	6,747	2,387
Lucy Electric Manufacturing and Technologies India (Private) Limited	4,077	4,077
Lucy Electric (Thailand) Limited	4,000	-
Lucy Asia Pacific SDN BHD	1,695	871
Lucy Zodion Limited	1,250	1,250
Lucy Arteche Equipamentos Electricos Ltda	644	-
Lucy Electric South Africa (Pty) Limited	549	636
Lucy Switchgear FZE	534	534
Truscanian Foundries Limited	343	343
Lucy Electric GridKey Limited	200	200
Lucy Middle East FZE	174	174
Lucy Electric Beijing Company Limited	132	203
Lucy Block Management Limited	71	82
Sandawana Castings Limited	10	10
Lucy Developments Limited	1	1
Power Connectors Limited	-	15
Truscanian Limited	-	-
Hall Estates (Birmingham) Limited	-	-
	39,031	**29,694**

Power Connectors Limited (company registration number 00516684) is exempt from having its financial statements audited under section 479A of the Companies Act. As at 31 December 2017 the statement of financial position comprised £50 reserves only.

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

6. Trade and other receivables

	2017	2016
	£000	£000
Trade receivables	8	12
Amounts owed by Group undertakings	2,217	2,246
Rent debtors	60	42
Corporation Tax receivable	-	115
Prepayments and accrued income	759	439
Other receivables	40	138
	3,084	**2,992**

7. Trade & other payables - current

	£000	£000
Bank overdrafts	5,285	2,171
Trade payables	70	149
Amounts owed to Group undertakings	8,297	6,900
Corporation Tax payable	266	454
Social security and other taxes	145	145
Accruals and deferred income	1,255	1,090
Other payables	1,196	876
	16,514	**11,785**

8. Trade & other payables - non-current

	£000	£000
Loans repayable after more than one year	16,613	12,155
	16,613	**12,155**

Notes to the Company Accounts

9. Provisions

All provisions are considered current. 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, 2017	4,330	-	67	338	4,735
Provided in year	306	414	-	5	725
Released in year	(216)	-	-	-	(216)
Charge in year	(684)	-	-	(70)	(754)
Carrying amount 31st December, 2017	**3,736**	**414**	**67**	**273**	**4,490**

10. Deferred tax

	2017	2016
	£000	£000
Investment Properties	13,179	13,259
Capital allowances	-	(364)
Other timing differences and allowances	-	182
	13,179	**13,077**

11. Borrowings

The Group's committed loan facilities at the year end were £35.0m, and these were utilised as follows:

	Repayable	2017
Facilities		£000
Revolving facilities		
Secured £20m revolving multi-currency loan at 1.40% above LIBOR	30th September 2021	16,005
Secured £15m revolving multi-currency loan at 1.40% above LIBOR	15th February 2023	-
Exchange loss on foreign currency borrowings		608
Total Borrowings		**16,613**

Security

The two revolving loan facilities are secured against specific freehold properties valued at £50.4m in 2017.

Loan drawdown and interest	
The amount of loan drawdown at 31st December 2017 was £16.6m, split as follows:	
Sterling £8.5m loans at variable rates of interest	8.500
US Dollar $2.6m loans at variable rates of interest	1,922
Thai Baht THB273m loans at variable rates of interest	6,191
	16,613

	2017	2016
Maturity of borrowings	£000	£000
In more than one but no more than two years	-	5,756
In more than two but no more than five years	16,613	6,399
More than five years	-	-
	16,613	**12,155**

12. Derivative financial instruments

	2017		2016	
	Asset	Liability	Asset	Liability
	£000	£000	£000	£000
Designated hedge relationships:				
Foreign exchange contracts	672.0	-	-	4,106.0
Commodity contracts	-	-	-	(170.0)
	672.0	**-**	**-**	**3,936.0**

Notes to the Company Accounts

13. Dividends

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

14. Related parties

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

15. Equity - share capital

	2017	2016
	£000	£000
Authorised :		
495,000 ordinary shares of £1 each	495	495
Allotted, called up and fully paid :		
491,885 ordinary shares of £1 each	492	492

16. Pensions

Disclosure of Company pension schemes is given in Note 25 of the Group financial statements.

Nottinghamshire County Council saves energy on street lighting with Lucy Zodion ZCELL[LED] photocells

Notice of Meeting

Notice is hereby given that the annual general meeting of Lucy Group Ltd will be held at Eagle Works, Walton Well Road, Oxford, OX2 6EE on Tuesday 24th April 2018, 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, 2017.

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
14 March 2018

Lucy Group 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
Oxford OX1 3HY

Pension consultants

Barnett Waddingham LLP
Chalfont Court
Hill Avenue
Amersham HP6 5BB

Investment advisors

Cazenove Fund Management Ltd
6 Worcester Street
Oxford OX1 2BX

Registered Office

Lucy Group Ltd
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OX2 6EE

Principal Locations

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Truscanian Foundries Ltd.
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