Lucy Group Ltd

2019 Annual Report & Accounts

www.lucygroup.com

Front cover illustration is an abstract representation of modern city infrastructure.

Contents

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Chairman's Introduction

Results overview

The Group has delivered improved financial performance and made good progress on delivering its growth plans on a sustainable basis. 2019 was, however, challenging and represented a period of change, evolution and consolidation as we continued to focus on taking action for the Group's longer-term success.

Sustained losses by Lucy Castings resulted in the decision to close this business in 2019 which has ended Lucy's long-established involvement with metal casting. On behalf of the Board, I would like to acknowledge the contribution made by those who worked in Lucy Castings, some for many years, and wish them well in the future.

Continuing businesses saw strong growth in the final quarter of 2019 and, notwithstanding adverse currency movements, we have seen an improvement in the Group's results. Excluding Lucy Castings as a discontinued business, total sales increased by 13% to £189.6m (2018: £167.6m), operating profit increased to £9.4m (2018: £2.5m) and profit before tax to £6.2m (2018: £2.2m), with this including a £4.1m increase in the fair value of the Group's investment properties (2018: £3.0m). There has been a cash inflow of £6.6m (2018: outflow of £12.5m).

Our on-going commitment to product development, value-led innovation and an increasing international presence has positioned the Group to benefit from attractive new commercial opportunities throughout our markets; this is illustrated by our smart city technology and work in the electric vehicle sector, both of which we anticipate to provide long-term sustainable growth. We equally recognise that a competitive market also requires strong cost control to mitigate pricing pressures and we remain committed to managing our overheads and to the identification and delivery of cost reductions and efficiencies in our procurement processes throughout the supply chain.

I reported last year that we were mindful of the potentially disruptive effect that political and economic uncertainty could have across our business. Whilst the recent UK General Election has provided greater clarity on the UK's withdrawal from the European Union and, hence, resulted in a more stable political environment in the UK for the time-being, we recognise that there remains the need for a trade deal to be concluded by the end of 2020. We are also very aware of the potential risks posed by the Coronavirus outbreak to our business and, more importantly, to the health of our employees and are seeking to mitigate these so far as we are able to do so. Furthermore, recent events in the Middle East have underlined the political fragility that continues in that region.

In 2019 we saw substantial progress throughout the Group as we continue to position it for profitable growth in line with our long-term strategic objectives. We continue to invest in our people with our ongoing programme of training to raise skills, encourage individual development and build on performance management activities already underway. Our business systems and quality of management information are integral to our future and Lucy Electric has continued to invest in Microsoft Dynamics AX and commenced work to upgrade it to Microsoft's latest D365 cloud-based product which we expect to further streamline and enhance our processes. Furthermore, we have invested in and launched new websites for our group businesses.

Dividend

The Board recommends that the final dividend be unchanged at 121 pence per share, to be paid on 5th May 2020 to shareholders on the register on 31st March 2020. The total dividend for the year will therefore remain the same as last year at 209p. There was no special dividend paid during the year (2018: none).

Strategic Developments

The Board sets the Group's strategic direction, with each business unit leadership team responsible for developing their strategy and identifying the level of resources required to execute these plans. During the year the Board received regular presentations from each business unit to enable it to review performance against their strategy and take appropriate action to address any identified concerns.

During 2019, Lucy Electric continued to develop its product range and its programme to reduce and restructure its cost base. Innovative new products continued to gain market traction with the Aegis 36KV range introduced to new customers in a variety of countries to address the developing renewables market. In the UK, substation and cut-out demand has been especially strong with the expectation that electric vehicle growth will sustain this trend. We acknowledge the increasing environmental pressures for the reduction of SF6 gas used in the insulation of energy infrastructure and are working towards providing an environmentally friendly, cost effective, alternative solution.

We acquired in February 2019 certain intellectual property and related assets of Harvard Engineering Ltd, which enabled Lucy Zodion to embark on a programme of continued development and support for the Vizion lighting system and to broaden its software activities and commercial services to customers in the street lighting sector. Our continued investment in the development and marketing of Ki, Lucy Zodion's recently launched smart city product, is starting to see commercial success and there are significant opportunities in overseas markets. We have taken action to restructure Lawson Fuses UK Ltd to improve its performance and provide a firm foundation for its future growth. This was acquired in 2018 as a complementary business to Lucy Zodion, and together these constitute our Lucy Controls business.

Lucy Real Estate performed strongly in 2019 with stable demand for both properties held in the rental portfolio and those developed for sale, although development revenue was undoubtedly affected by political uncertainty arising from Brexit and an increasingly challenging planning environment. We remain cautiously optimistic that the clarity provided by the result of the recent UK General

Election will see an improvement in purchaser confidence.

We have introduced this year certain specific and appropriate key financial and non-financial performance indicators used to monitor the Group's performance against its ongoing strategic direction, with these including environmental and safety related indicators in recognition of their importance.

Recognition

I am delighted to report that the Lucy Group continues to feature in the 'Thames Valley 250' ('TV250'), a listing of the Thames Valley's leading private companies, as the 29th largest private company (by most recently published turnover) and received the 2019 TV250 International Business Award which is the second time that we have received this prestigious award, having previously held it in 2016. This recognises the hard work, commitment and achievements of all our employees.

People

Our people are our most important asset and we put their health and safety at the centre of everything that we do. This approach, together with providing opportunities for their development across the business will ensure that they find the Lucy Group a rewarding place to further their careers and that we will continue to attract a diverse range of people for the future growth of the business.

Our leadership programme, launched in 2019, is being further expanded and embedded throughout the Group to enable our leaders of tomorrow to work within a high performance culture and we work closely with local educators to identify, from the next generation, the best candidates for our apprenticeship scheme. Our continued support for the High Sheriff of Oxfordshire Young Engineer Awards, which aims to inspire young people to consider a career in engineering and, in partnership with local schools, promotes involvement in the relevant STEM subjects for this, underlines our commitment to developing the next generation of engineers.

We actively encourage all employees to give their time to local community and social activities and programmes. In 2019 this included our Brazilian business supporting a local children's home, colleagues in India running a marathon for gender equality and women's safety and Thai colleagues helping to revitalise a coral reef and collect plastic from local beaches.

Outlook

Our continuing businesses saw a stronger fourth quarter which has enabled the Group to enter 2020 with cautious optimism. We will continue to review our business strategy carefully and monitor operational performance throughout the year to ensure that its delivery remains aligned with expectation. We believe that the continued focus on our strategic objectives to deliver against our long-term growth plan, supported by strong cost control together with investment in our people, systems and innovative product development, is correct. Furthermore, the Group's diversification, geographical spread and underlying asset base remains a core strength. The Board is committed to delivering its strategic priorities, which remain unchanged.

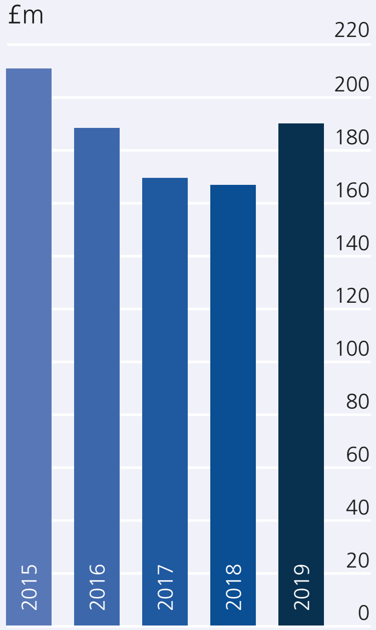
Richard Dick
Executive Chairman

17 March 2020

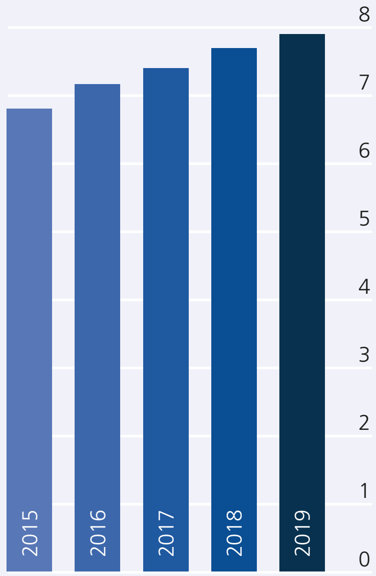
Financial Highlights

Measure	2019	2018
Turnover of continuing operations	£189.6m	£167.6m
Rental Income	£7.9m	£7.7m
Operating profit / (loss) of continuing operations before net valuation gains on investment property	£5.3m	£(0.5)m
Operating profit of continuing operations after net valuation gains on investment property	£9.4m	£2.5m
Profit before tax of continuing operations	£6.2m	£2.2m
Total comprehensive income of continuing operations for the year	£0.4m	£(2.5)m
Net Assets	£186.5m	£187.3m
Earnings per share	241p	26p
Dividends per share (paid and proposed)	209p	209p

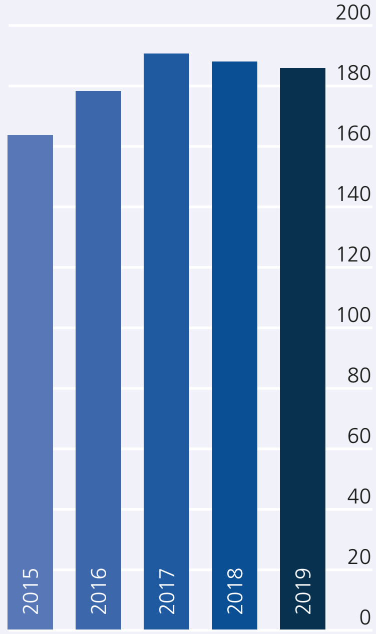
Turnover from continued operations
£m



Rental Income
£m



Net Assets
£m



Key Performance Indicators

Introduction

This year for the first time the Group has selected a number of key financial and non-financial performance indicators which are used to monitor the key drivers of our business and to align our strategy to performance.

Financial KPIs	Reason for choice	Comments
Sales growth of continuing operations 13%	Aligns with our growth strategy.	Sales grew through both new product sales and acquisitions.
PBT growth of continuing operations 185%	Profits generated by the business are a key indicator of our performance and key to our long term financial health.	Sales growth, together with managing gross margins, controlling costs, and increased valuation gains, has created significant PBT growth this year.
Return on Net Assets 3%	We strive to produce positive returns across all businesses and use this measure to monitor how efficiently we are using our capital. Each business sector has differing asset profiles and returns are measured against an appropriate target for that sector.	Improved performance in our business units and valuation gains has increased returns this year. The Group's substantial investment property portfolio provides a balanced risk profile with lower risk and accordingly lower returns.

Non-financial KPIs	Reason for choice	Comments
Occupancy rate for rental properties 99%	The Group has a significant investment property portfolio and occupancy is a useful indicator for income and customer satisfaction.	We continue to invest in the quality of our units and consider having our own maintenance, letting and management team in the local area to be a competitive advantage.
TCO_2e 13.2	We are committed to reducing our impact on the environment, as highlighted in the Corporate Responsibility section on page 18. Lucy Electric purchases sulfur hexafluoride (sf6), a greenhouse gas, for use in some of its products. As this is not consumed by the Company only loss during normal manufacturing process is included in this figure.	Lucy Group voluntarily discloses CO_2 information for Scope 1 (Direct), Scope 2 (Energy Indirect) and Scope 3 (Other Indirect) emissions. Therefore, figures are not comparable with businesses who provide only Scope 1 and 2 emissions. This measure incorporates both CEMARS audited data and indicative figures for Group businesses not yet within the CEMARS reporting framework. It is expected that more of the Group's businesses will come within the CEMARS framework in future (see page 19).
Accident Frequency Rate 45 Accidents per 1,000 employees.	The health and safety of our employees is of paramount importance and we have a proactive approach to monitoring and improving this across the Group. The nature of the core business involves potential risks to health & safety and our commitment to high standards in this area is outlined on page 19.	Our health & safety team continue to work with management and employees in all locations to increase safety awareness. A number of the Group's businesses achieved the new global occupational health and safety management system ISO 45001:2018 certification, demonstrating our commitment to the highest standard of health & safety. Monthly accident reporting by location is undertaken and presented at Board Meetings.

Business Model & Strategy

Who we are

We are a diversified group of three distinct businesses, committed to providing long term value to all our stakeholders through our technology solutions and range of product offerings.

Our Purpose

Improving people's lives - sustainable homes, smart lighting and intelligent power.

Our strategy

We consistently drive long term value for the benefit of all our stakeholders and the communities that we live and work in. We achieve this by focusing on four main strategies:

1. Long term value for stakeholders

Constantly seeking to improve and develop our products with success being measured by sales performance

2. Investment in research & education

Our commitment to investing in research, development and education in order to create technology based solutions, delivered smartly by focusing on customer service and satisfaction levels

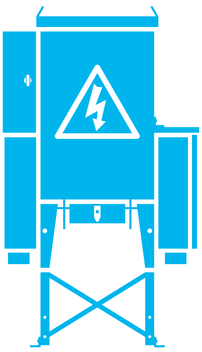
3. Cost control

Managing gross and net margins through efficient material sourcing, product manufacturing, stock management and cost control

4. Financial strength

Maintaining the Group's financial strength by creating a strong asset base and secure financial structure

A balanced risk profile, encompassing a strong underlying asset base, reflecting targeted investment in our diversified businesses, provides investors with stability and opportunity.



Our market focus

We are an industry leader in many of our target markets, providing intelligent engineering, sustainable housing as well as smarter lighting solutions for the benefit of our customers and the communities we live and work in. We continue to enhance our growth profile and market position.

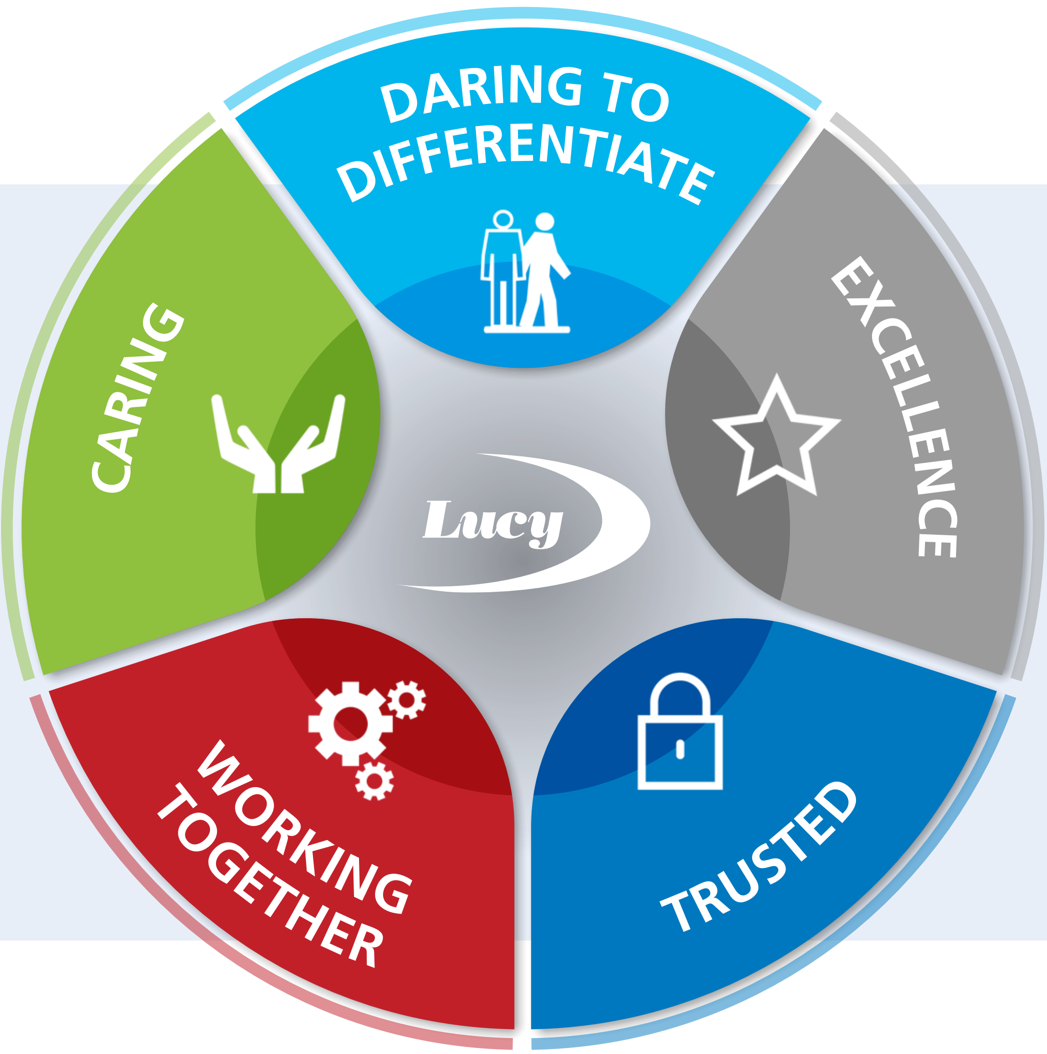
Our Values

Our values officially launched in 2019 as a result of employee collaboration and consolidation in the previous year. Our Values represent Lucy Group as an organisation, demonstrated through our employees' behaviours and actions.

These values were introduced with the issue of posters, mouse mats, badges, digital icons, HR Newsletters and information cards to build awareness and familiarity.

Some of the regions developed a set of local behaviours aligned to their culture that supported the Group values; these were created by the local teams and resulted in their own set of guiding principles to live and lead group values.

We also created a set of in informal recognition tools (aligned to Values), to encourage vertical and horizontal recognition across the business, in both a digital and print version. This information recognition has been shared through internal communications platforms to share the success stories across the group and demonstrate how others are living and leading the Values.



"Achieving Excellence is when we accept our failures & shortcomings to become better at what we do"

Financial Review

In 2019 we saw strong growth in revenue and profit with a profit before tax of £6.2m (2018: £2.2m) from continuing businesses. The year was marked by the closure of Lucy Castings and after tax the Group reported a profit for the year of £1.0m compared to a loss of £0.2m in 2018.

This year the Group has introduced six key performance indicators (KPIs), three financial and three non-financial, to monitor progress towards our strategy. The three financial indicators are discussed in this report.

Revenue

The year started slowly continuing the trend from 2018, but as the year progressed order intake strengthened resulting in the Group reporting sales from continuing operations of £189.6m, 13% above last year and on an organic constant currency (OCC) basis 9% higher than last year.

Whilst market conditions remained challenging we continued developing our sales channels and our new products are increasingly gaining traction in both new and existing markets. In the year significant orders have been secured for Lucy Electric's Aegis ring main units (RMU) and for Lucy Controls Ki smart city solution.

Rental income increased during the year by 3% from £7.7m to £7.9m reflecting higher rents, combined with the ongoing property refurbishment programme. The annual passing rent of our portfolio now stands at £8.1m split 90:10 between residential and commercial tenancies.

Gross Margin

Gross margin from continuing operations remains unchanged at 24% although there have been changes in product mix and lower selling prices continue in certain markets.

As the largest element of cost of sales, material cost continues to be closely scrutinised and a combination of the ongoing value engineering activities and sourcing initiatives have enabled lower costs. Commodity prices have remained relatively stable throughout the year.

Direct labour costs increased in absolute terms although they have remained unchanged as a percentage of sales with improved productivity being cancelled out by the changing product mix. The increased activity has improved the utilisation of our fixed manufacturing facilities providing an additional positive impact.

As previously reported our diverse business units and product portfolios within each business means breaking this down further is both complex and commercially confidential.

Overheads

Overhead costs from continuing operations as reported decreased by 1% compared to 2018 whereas on an OCC basis they decreased by 7% after excluding the recent acquisition of Lawson Fuses UK Ltd and adverse currency movements. These cost reductions reflect cost containment and reduction measures undertaken this year and in 2018 to align expenditure with the competitive markets in which we operate.

Product development programmes continue and there has been an increased spend on value engineering projects to sustain and improve gross margins. This year no development expenditure has been recognised as an intangible asset and an impairment review of intangible development assets has been undertaken.

Operating profit/(loss)

The Group reported an operating profit from continuing operations before net valuation gains of £5.3m (2018: Operating loss of £0.5m) largely due to increased sales and stringent cost control. There was a net valuation gain on the Group's investment property assets of £4.1m (2018: £3.0m) reflecting a stable Oxford property market and resulting in an operating profit from continuing operations after net valuation gains for the year of £9.4m (2018: £2.5m).

Profit before tax

Profit before tax for the year from continuing operations was £6.2m after charging net finance costs of £3.2m (2018: £0.3m), including currency losses of £2.1m and after crediting £0.4m from a re-assessment of contingent consideration payable following the acquisition of Lawson Fuses UK Ltd in 2018. This gives a year on year increase in profit before tax from continuing operations of 185%.

Taxation

The Group has an overall tax charge of £1.4m for the year, comprising a UK tax charge of £0.8m and an overseas tax charge of £0.1m. Deferred tax on the revaluation of investment properties was £0.6m for the year.

The recently elected UK Government has indicated that the legislation to reduce corporation tax to 17% will be reversed. In the event legislation is passed to stop further reductions in the corporation tax rate and 19% becomes the substantially enacted tax rate, the company's deferred tax liability will increase by £1.5m.

The Group's tax strategy seeks to ensure that the key tax risks are appropriately mitigated and that the Group's reputation as a responsible tax payer is safeguarded.

Discontinued operations

In the year following a strategic review the Group's loss making Lucy Castings business was closed at a total cost of £3.7m. This cost comprised trading losses for the year of £1.7m, closure costs for the Oldbury and Witney sites of £1.9m and a £0.1m goodwill write off. This item is reported separately under 'Loss from Discontinued Operations' in the Group's Consolidated Income Statement.

Dividends

The Board recommends an unchanged final dividend of 121p per share, which taken with the 2019 interim dividend of 88p per share gives a total payment of 209p per share (2018: 209p per share). There was no special dividend paid in the year.

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.

Acquisitions

There were no business combinations undertaken in the year although in February 2019 Lucy Zodion acquired the intellectual property and related assets for 'LeafNut', a street lighting management system, at a cost of £0.7m from the Administrator of Harvard Engineering Ltd.

The contingent consideration for Lawson Fuses UK Ltd acquired in August 2018 has meant that there has been limited integration for this business into Group systems and processes. In 2020 integration activities will start to accelerate in both the UK and India.

The Group has a strategy of growing through a combination of organic expansion and acquisition. We continue to seek acquisitions that support the development of our business units.

Cash Flow

The Group had a strong free cash inflow of £6.6m (2018: outflow £12.5m) which largely reflects a reduction in working capital during the year.

Operating cash flow before changes in working capital, interest and taxes was an inflow of £5.7m (2018: £2.0m) largely from an increase in operating profit and from higher depreciation and amortisation costs less increased other expenses.

Working capital decreased by £7.0m (2018: £5.3m increase) due to a reduction in inventory, increased payables and provisions less increased receivables. Inventory decreased by £4.4m largely due to a more stringent local government planning regime which delayed approvals and has adversely impacted land purchases and reduced construction activities. Consequently Lucy Real Estate's development inventory decreased by £3.8m in the year. Receivables increased by £1.5m reflecting higher sales in the fourth quarter, trade payables increased by 2.6m and provisions by £1.6m due to the establishment of the Lucy Castings closure provision. Changes in the value of derivative financial instruments was an outflow of £0.2m (2018: inflow £1.6m).

Interest was an outflow of £0.9m, an increase of £0.2m compared to last year and tax payments were £0.8m (2018: £0.6m).

Investing activities of £4.4m reflected capital expenditure of £4.5m less proceeds from disposal of £0.1m from sales of Lucy Castings plant and equipment.

Capital commitments at the end of the year were £0.1m (2018: £1.8m) reflecting a number of minor capital expenditure programmes underway at the end of the year.

Financial position

Group borrowing facilities remained unchanged during the year at £40.0m while actual borrowings reduced by £3.2m to £28.8m at 31st December 2019.

The Group's financial metrics remain strong with gearing of 15% (2018: 14%) and interest costs covered 5 times (2018: uncovered). The Group had net debt of £11.2m compared to £16.7m last year and net assets decreased during the year by £0.8m to £186.5m.

Return on net assets

The Group recorded a return on net assets for continuing operations of 3% (2018: 1%) during the year.

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 2019 based on the market value of assets at that date, and the valuation of 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 £3.9m compared with a £1.0m deficit in the previous valuation. As a consequence of the reduced number of active members and despite this valuation, the Company increased its contributions to the scheme from 19.7% to 24.5% of pensionable salaries from 1st January 2018.

The separate IAS 19 valuation performed as at 31st December 2019 showed an increase in the Group's pension deficit of £0.3m to £7.6m which due to the relative changes in scheme assets and liabilities resulted in a marginal increase in the funding level from 88% to 89% during the year. The increase in the scheme deficit was largely attributable to a decrease in the yield on AA rated corporate bonds which reduced the discount rate on the scheme's liabilities by 0.9% per annum to 2.0% per annum. This deterioration was largely offset by an increase in the fair value of the scheme's assets, changes in the demographic assumptions following publication of the 2018 mortality tables and from additional Company contributions of £0.4m paid during the year. The related deferred tax asset increased by £0.1m which resulted in a net pension liability of £6.3m 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 £1.2m.

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.

Gary Ashton
Group Finance Director

17 March 2020

Business Overview
Lucy Electric

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

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.

A year of improvement
Order intake has improved across most regions of Lucy Electric and the pipeline of opportunities is improving, notably in intelligent Aegis Plus and Aegis 36kv solutions. Lucy Electric has continued to realise benefits from the ongoing delivery of its long-term strategic and business plans, with sales, largely driven by new products and from new developing markets, increasing by 10% on an organic constant currency basis, with a resultant increase in profitability.

This improved performance has been achieved in what remains a competitive market, with pricing continuing to be under pressure. In response we have maintained, and, wherever possible, built upon, our focus to improve customer service and underpin margins with improved operational performance and processes, including the development and introduction of 'Tacton' product configuration software, a multi-year project due for completion in 2021, to simplify commercial delivery and reduce engineering complexity.

We have seen increasing profits from our long-term strategy of investing in product development, our brand and in our commercial relationships. This, together with ongoing focus of our cost structures is anticipated to deliver increasing benefits over the medium and longer-term. As reported in 2018, our actions included the realignment of our engineering activities, including relocation from Banbury to Thame, which was completed successfully in 2019 and will, moving forward, provide a simplified, focused, engineering structure.

An integrated global presence
Key to Lucy Electric's presence in nine countries across four continents is its understanding of the needs of a diverse range of customers, each with their own cultural requirements, and local business customs and practices. Hence, we recognise the important role of establishing local sales offices and undertaking local marketing initiatives to develop our brand within new markets and, in recent years, have invested in Thailand and Brazil with benefits beginning to be seen and further growth anticipated.

Core to this is investment in both new and existing products and the continual focus on operational and process efficiencies throughout our manufacturing facilities, underpinned by our strong value engineering programme. This ensures that we maintain a competitively priced product range appropriate for those markets in which we operate, whilst managing our margins and delivering a sustainable business for the longer term.

In 2019 Lucy Electric celebrated the 25th anniversary of its first venture into the Indian energy market, originally opening a manufacturing facility in the Maharashtra region. It now operates multiple sites throughout India incorporating engineering, product development and sales functions and has two manufacturing units. The recently completed technology centre in Vadodara is an indication of our investment in this market.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Turning to our more recent investments, Lucy Electric's South East Asian manufacturing site, in Thailand, has benefited from increasing activity levels and improved performance throughout the year and we continue to make steady progress in Lucy Electric Brazil.

We have also seen growth in our energy services offer to customers, which provides expertise and support throughout the lifecycle of Lucy Electric products.

As a key pillar of Lucy Electric's continuous improvement programme to drive, wherever possible, competitive commercial benefits in support of our strategic growth objectives, and to assist with and further improve our quality of management information, we continue to invest in Microsoft Dynamics AX, our fully integrated enterprise resource planning system, and review and streamline our processes to maximise their efficiency. Furthermore, a project has commenced to up-

1 E-house at a wastewater treatment plant in Brazil
2 UK Energy Services team working on site

Making networks intelligent

grade this application in 2020 to Microsoft's latest cloud-based product, D365, which will provide significant additional improvements.

Commercial development of our product range

In an increasingly dynamic commercial landscape, it is vital to invest in both new products and existing ranges with a view to developing their markets and customer base. Lucy Electric remains committed to its product development programme. Recently we have launched products to the Aegis Ring Main Unit ('RMU') range, with the Aegis 36KV catering for the developing renewable energy sector, and the 24KV range designed for specific territories and markets. These have supplemented our existing products and we are seeing important commercial successes throughout our markets; indeed, we have recently introduced the 36KV RMU in Brazil to address the developing renewables market in that country.

Innovation; the lifeblood of our business

Climate change has been consistently high on both the news and political agenda this year and actions to address this growing challenge are having an on-going and profound effect on the electricity industry.

Increasingly, Government commitments to Nationally Determined Contributions (NDCs), set out following the Paris Agreement, are driving the industry away from carbon-based generation and towards renewable generation sources, creating a paradigm shift in the energy supply.

To support this we have an on-going strategy to review our product development to meet the changes in the market.

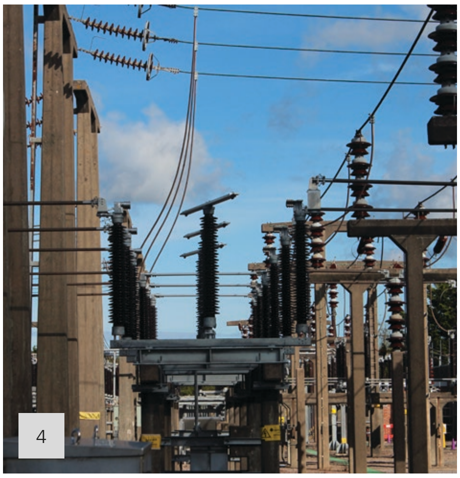
Active network management and intelligent data analytics are key tools in this energy revolution. The right information and a whole network approach will drive the dynamic systems needed to support more diversified and distributed energy generation sources. Our extensive automation range and medium and low voltage monitoring portfolio ensures we are well placed to support utilities and independent power producers as they develop the smart networks of the future.

We continue to look for opportunities to work with innovation partners to provide solutions for network operators in an increasingly digital world.

Our people are our present and future

Our people are at the heart of everything that we do, and we recognise their commitment, technical expertise and endeavours in helping us achieve our goals. We remain committed to recruiting and developing talent with continuous investment in training and career development programmes. In 2019, we launched a leadership programme to identify and equip high performing colleagues to be the leaders of tomorrow. During the year a significant number of managers and senior leaders in the business received training to develop their personal capability to meet the evolving needs of the business.

We also recognise the benefits of identifying enthusiastic, committed individuals who will join our apprenticeship scheme, which is designed to provide Lucy Electric with the next generation of engineers, and is beneficial both for their career growth and the evolving needs of the business. We continue to work closely with the HR team to identify the best candidates for this scheme from local schools, colleges and other educational institutions.



3 Management training, Dubai
4 Refurbished 145kv substation in the UK
5 36kv ring main unit supplied for solar farm in South Africa

Business Overview
Lucy Controls

Lucy Controls comprises Lucy Zodion, the Group's leading street-lighting controls business, and Lawson Fuses, a long-established specialist in the design and manufacture of high rupturing capacity low voltage fuses.

Vision
To have our products on every street around the world

Beyond illumination, we're committed to developing tomorrow's solutions, today.

We are committed to developing future-proof lighting control and power distribution solutions to exceed the growing needs of connected and environmentally conscious communities across the world. Lucy Zodion remains at the forefront of innovation, developing new products that enable citywide connectivity and insight by people, for people. Clear of our heritage we span products from photocells, isolators and cutouts, electrical distribution pillars to software services for central management systems.

A year of consolidation

Lucy Controls' headline sales for the year increased by 28% whilst like for like sales, on a constant currency basis, remained flat.

This year has seen increasing commercial headwinds for the business in what has been a challenging market and increasing local authority budget constraints. In mitigation, we acquired, in February 2019, certain intellectual property and related assets ('IP') of Harvard Engineering Ltd enabling us to embark on a programme of continued development and support for our connected street lighting control system. The acquisition has further enabled the business to enhance its commercial software activities, capabilities and services for our existing, and prospective, customers.

The acquisition has driven additional revenue in 2019, reflected in the headline sales improvement, and enabled the business to fundamentally re-define and expand its software support model, which, once fully implemented, will drive future commercial opportunities and efficiencies, thereby providing bottom-line benefits.

Innovation and Product Development

Innovation and product development remains at the heart of Lucy Zodion's strategy with continued spending on research, development and innovation in 2019. Ongoing innovation will drive the development of our traditional and digital products, such as the Ki smart city platform, in order to meet the developing needs of an evolving marketplace for smart cities. There is a significant pipeline of identifiable opportunities both domestically and internationally for Ki. We have seen commercial success from the Trojan 400i isolator which was introduced in 2018 and can be quickly installed to provide street lighting isolation.

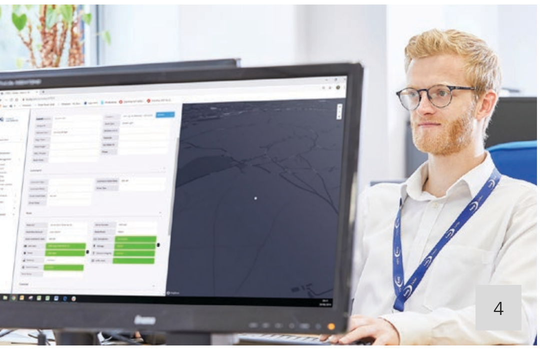
Following acquisition of the IP, the year has seen the launch of Lucy Zodion's new software and support services for customers using the company's Vizion and Ki platforms to ensure their street lighting or smart city schemes are working effectively and efficiently. These services are designed to help customers optimise their urban assets, reduce their costs and assist with their environmental agenda.

Increasing our international focus

Whilst the UK market has remained challenging, we have committed significant resources into further development of our international presence. We sell products into more than 40 countries across the world and see potential for growth in overseas markets, regardless of current economic and geopolitical uncertainties. To develop the smart city market, we have appointed a new European Business Development Manager, based in France, and during the year, in line with our strategy for growth, we attended exhibitions in Paris and Barcelona. In April we attended a further smart city exhibition in Australia and in December, we hosted a street lighting control workshop in Qatar to inform key industry specialists about Lucy Zodion's range of solutions and capabilities in the smart city and street lighting sector.

1 EV charging pillar in use
2 Production at Lucy Zodion

Constant innovation for a smarter tomorrow



LAWSON FUSES LIMITED

Vision

To be the market leading manufacturer of low voltage fuses and fuse-holders

Lawson Fuses is a widely recognised and well respected brand with high quality HRC fuse products and an established international customer base. Building on these foundations, the strategy has been to strengthen the management, broaden the product range, modernise the production processes and grow sales in both existing and new markets. This includes leveraging synergies with Lucy Zodion and Lucy Electric regarding customers and supply chain, both in the UK and internationally.

A year of change

Whilst the year has proven challenging with lower than anticipated sales and profitability, we have taken action to restructure the business to improve its performance and provide a platform for future growth. In recognition of there being an element of contingent consideration for the acquisition of Lawson Fuses, and the period over which this would be calculated, integration of the business into the Group's systems and processes has not been pursued in 2019. Integration into the Group's IT and HR systems and processes will commence in 2020.

There has been significant progress on strengthening the business with additional resources invested into the sales organisation and the appointment of Martin Cain as Managing Director in September 2019, who unfortunately, due to ill-heath, tendered his resignation in January 2020. We would like to thank him for his contribution and extend our best wishes to him for the future. We have commenced a recruitment process to identify and appoint a suitably qualified successor.

We have re-launched the Lawson Fuses product development plan and strengthened the engineering resource in support of new product development. This, together with the business starting to use and benefit from the larger Lucy Group commercial sales network, in both the UK and internationally, is anticipated to provide a firm foundation for future, long-term, growth.

3 Ki app being used to commission street lighting column nodes

4 Ki smart city software

5 Soldering process for fuse cap & tags

6 Brazing process in fuse manufacture

7 Fuses ready for packing

Business Overview
Lucy Real Estate

Lucy Real Estate

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.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Our strategy

To be a leader in the Oxford residential property market, delivering sustainable long-term returns to our stakeholders.

Our core business

To provide quality residential property in Oxford, to undertake development of quality homes in and around 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.

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.

Continuing performance from our portfolio

In an increasingly difficult market, 2019 has seen continued positive performance from Lucy Real Estate with 99% occupancy in our rental property portfolio and an increase in our residential sales, notwithstanding the current challenging planning environment and effect of Brexit on purchaser confidence. This underlines our commitment both as a leading provider of high quality residential rental property and developer of high-quality homes.

There was an increase in rental income and residential sales resulting in an 8% improvement in profitability which represents a strong year, providing a firm foundation for continued good performance and supporting our investments in both our rental portfolio and development sites. In 2019 we invested £0.5m in new rental properties and £1.8m in land which is anticipated to reach the market in 2021.

A high-quality residential portfolio

Lucy Properties' portfolio saw rental income increase by 3%. As one of Oxford's pre-eminent landlords, we recognise the need to be responsive to our tenants' requirements for high quality and well-maintained properties. To this end we have continued our investment programme to deliver improvements and upgrades across our property portfolio, thereby underlining our reputation as a provider of high-quality lettings in the city which, in turn, leads to high occupancy levels and improving revenues and profitability.

In support of our action to maintain and enhance our rental properties for our tenants and, hence, the long-term success of the business, we continue the provision of green spaces wherever feasible and realistic to do so. Our central philosophy of valuing our tenants' well-being is good for the environment and business in an evolving world where sustainability and the environment is increasingly important.

Continuing development in a challenging market

Whilst the lettings market has remained consistently strong throughout the year, we have seen a slowdown in the residential sales market as 2019 has progressed, reflecting caution from prospective customers in light of an increasingly difficult economic and political landscape. Notwithstanding this, we have continued to invest in our development property pipeline and progress with work to build units for onward sale by using our existing landbank.

Our carefully considered development approach incorporates our outlook on environmental sustainability, as set out above, and uses key professionals and subcontractors at all stages of the planning and construction process. We have seen significant progress at our key development sites including North

1 Preparing a property
2 CGI of house at Dean Court Road

Solid returns in uncertain markets


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Hinksey, Oxford, where all units have been completed and sold, and Applegarth, Witney, where 10 of 13 homes have been sold.

Other sites under construction, and in the development process, include:

- Dean Court Road, Oxford;
- Shiplake, Oxfordshire;
- Long Crendon, Buckinghamshire.

We recognise that the planning environment is becoming more difficult, with two important planning applications rejected and an appeal lost. We will lodge appeals where we believe a decision is incorrect and evaluate and progress with the options available to us where an appeal is unsuccessful, including submission of revised planning applications and assessment of the potential for using the judicial review process.

Notwithstanding the market slowdown in 2019, we believe that the clarity provided by the recent UK General Election will result in improved purchaser confidence and that this, with our strategy to develop high quality homes in sought after locations using traditional methods in a sustainable manner, will enable us to move into 2020 with cautious optimism.


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3 Construction site at Dean Court Road Oxford
4 Maintenance team briefing
5 Wildlife garden at a rental property
6 Development planning in Lucy Real Estate office

Corporate Responsibility

Lucy Group takes its responsibility for contributing positively to society, our local communities and the environment very seriously. We benchmark our practices and activities against ISO:26000 international standards for Corporate Social Responsibility (CSR) which incorporates organisational governance; human rights; labour practices; the environment; fair operating practices; consumer issues; and community involvement and development.

We have a Group-wide network of CSR Champions across all of our major locations both in the UK and ten locations internationally. These representatives work with our management teams, employees and stakeholders to ensure that we are upholding our standards and positively contributing to local communities and the environment. Our global CSR activities are captured in our internal Lucy Group CSR newsletter which is published three times a year and on our websites. The newsletter demonstrates the breadth and depth of our businesses' and employees' contributions across the world. Some of the activities from 2019 are highlighted below.

Our Purpose: Improving people's lives – sustainable homes, smart lighting, intelligent power.

The Group's purpose is focused on improving people's lives through our products, services and actions. Each of our businesses provide products and solutions which improve quality of life and positively contribute to the environment. Lucy Electric provides intelligent power network solutions that drive energy efficiency in existing power networks, enable renewable energy connectivity and support new power connectivity to areas which do not currently have established electric grids. Particularly in developing nations, these networks are helping to transform people's lives by facilitating reliable electricity connections to communities. Lucy Controls is working with smart cities applications (through Lucy Zodion's Ki. solution) which provides a platform to improve the efficiency of urban management, resource use, service delivery and environmental targets. Lucy Real Estate creates high quality homes with sustainable design and ecologically-friendly features including electric vehicle charging connections, bug hotels, bee pollination gardens and hedgehog runs.

Living our Values

During 2018, we established and communicated a set of employee-generated Group Values. In 2019, we have continued to embed these into our practices and approach in all our locations via communications, objectives and activities. An example of living the 'Caring' value this year was provided by our staff in Brazil through ongoing support for Lar Baptista Esperanca, a charity for local children who are orphaned or removed from parental care following abuse. Staff showed care and concern for the students by giving a number of talks on topics such as the dangers of drug abuse, as well as discussing their respective career journeys. By acting as role models, they have also encouraged the students to study and shown them it is possible to achieve great things with their lives.

In Thailand, our team have been exemplary in 'Working Together' by organising an event to combat the human impact on coral reefs. Staff worked in teams to undertake coral planting to help regenerate the coral reef, released baby crabs into the sea to help rebuild their populations, as well as collecting beach rubbish that has a detrimental effect on all marine and bird life.

1 Combatting human impact on coral reefs in Thailand
2 Lucy Group now has a staff CSR award scheme

Human Rights

Respect for human rights is at the heart of our business – we have a detailed Corporate and Social Responsibility Policy and comply with legislation in this area, such as the UK Modern Slavery Act 2015. It is central to our ethos that all employees treat each other with respect, regardless of their race, disability, ethnicity, gender (including transgender), age, sexual orientation or beliefs. In 2019, we have rolled out further training to help staff with understanding and dealing with potential issues relating to Modern Slavery, Anti-bribery, Equality & Diversity and Harassment & Bullying.

Engaging and investing in our People

We are committed to engaging with our employees to create a working environment in which everyone feels valued and can achieve their potential. Accordingly, alongside complying with legal requirements, we promote equality and diversity across our operations, basing employment decisions on competence and merit.

We continue to invest and encourage our people to maximise their potential. In 2019, we have rolled out a dedicated program of further internal training courses including leadership, personal effectiveness and project management. These internal courses complement our ongoing targeted approach to externally-provided training and development for staff in all our regions.

We are part of the apprentice scheme in the UK to allow young people to learn whilst working and also qualify simultaneously. This year we have apprentices in every business. This includes Lucy Zodion where one of the newest recruits is our new Software Development Apprentice, James Oxley, who joined the team in August 2019. James chose an apprenticeship because he was keen to gain some real-life industry experience. He chose to join Zodion because he was fascinated by smart cloud-based street lighting, and couldn't be happier with his decision. When asked about his experience as an apprentice James said:

"I love it here. I have learned a lot about the software development industry as a whole and I've loved seeing ambitious projects in their very early stages, which have the potential to change the world."

Health and Safety

The health and safety of our employees and those people working with Lucy Group is of the upmost importance. Our dedicated Health & Safety team works closely with our management and employees in all of our locations to achieve the highest standards of safety and wellbeing. In recognition of this in 2019, Lucy Zodion and Lucy Electric locations in the UK, Dubai, India and Saudi Arabia all successfully migrated from OHSAS 18001 to the new global Occupational Health and Safety Management system ISO 45001:2018. Achieving ISO:45001 certification demonstrates our commitment to the highest standards of health & safety.

The Environment and Sustainability

Lucy Group is committed to reducing its impact on the environment, particularly those relating to climate change. We undertake a wide range of initiatives relating to energy efficiency, water use, recycling, travel and logistics, packaging and plastics.

Lucy Electric UK holds a Certified Emissions Measurement and Reduction Scheme

3 'Run for Kids ' at the Camillian Social Centre, Rayong

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(CEMARS) gold certificate for its continued commitment to reducing greenhouse gas emissions. CEMARS rewarded our efforts having audited our Emissions Management System (ISO14064-1). Lucy Electric achieved an impressive 18.13% reduction in absolute emissions over the past eight years. This Emissions Management System is now being rolled out across Lucy Group, enabling reporting of total emissions and similar reductions in carbon footprint.

We are actively reducing our waste. In the UK, both Lucy Electric and Lucy Zodion comply with the WEEE regulations to minimise waste arising from electronic equipment and have sent 0% waste to landfill since 2015. Single use packaging has been removed from our sites in Thame and Dubai, and we are working to extend this further over the coming year. Other initiatives include Lucy Real Estate's move to entirely digital contracts, saving 30,000 sheets of paper a year.

Our efforts to become more sustainable include generation of electricity from photovoltaic (PV) panels located on our buildings. This year, these generated over 150 megawatts of solar electricity for use in Lucy Electric Thame, and also lit a portion of our site in India. More PV panels are planned in certain locations for 2020.

We acknowledge that there is a lot more to do. Whilst there is a lot of activity across all of our sites to reduce environmental impacts, these need to be better co-ordinated. We are committed to doing this and developing a clear roadmap to further reducing our emissions and environmental impact.

Working with our communities

Lucy Group engages with, and contributes to, communities in all our locations. The range of these activities includes raising money for charitable projects, fostering educational opportunities for local communities, our employees donating their time and energy to local projects, encouraging cultural activities and supporting environmental initiatives. The range of activities undertaken across our locations is captured extensively in our CSR newsletters.

We believe that education can transform life chances and we participate in a range of pro-

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1 National safety week event in India
2 Regenerating a coral reef in Thailand
3 Distinguished Gentlemen's Ride to support Movember Foundation in the UK

grammes and initiatives to support this. For some time we have been an active part of the STEM programme in the UK, which improves lives through science, technology, engineering and mathematics education. In 2019, for the second year running, Lucy Electric Thame received the Silver Employer Award for excellent engagement with local schools, from Science Oxford.

The High Sheriff Engineering Awards, founded by our chairman Richard Dick, and delivered in partnership with Lucy Group, rewards Oxfordshire school students who excel in engineering and design technology. In 2019 the awards attracted 60 student nominations of really high quality, with Katie Blundell named overall winner. The judges were impressed by the quality of her work and the positive social impact of what Katie had produced – an aid for children with motor and balance issues.

Lucy Group also sponsors many educational establishments and charities worldwide, including helping to completely update the previously poor facilities at the Kota Maida primary school in India, something that continued this year.

Many of our staff volunteer their time and knowledge to assist the next generation and the Group Volunteering Policy enables them to do so as part of their duties to the Company. Activities include sharing experience at open days and careers events, providing work experience and raising money to support scholarship and other educational programmes. Such support includes organising fun days for the children at the Abraham Kriel Childcare Home in South Africa, a charity which provides residential care, community services and educational programmes for neglected and traumatised children

In Dubai, Lucy staff took part in the Walk for Education. Held in solidarity with millions of children in developing countries who walk long distances every day to get to school, Walk for Education supports Dubai Cares' efforts to provide quality education to children and young people and help them realise their dreams and aspirations.


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4 Barbecue at children's home in Brazil
5 Gifts for deprived children
6 Football match for youngsters on 'Children's Day' in Brazil
7 Run to raise money for Abraham Kriel Childcare home in South Africa

Risk Management

Improving risk management to enhance stability and growth within the business

Risk management philosophy

Risk and the management of risk are fundamental to the success of our business. We encourage our teams to take risks to ensure the continued growth of the business however the risk and choice of mitigation should be commensurate to the return envisaged. All of our employees are responsible for taking an active part in appropriately assessing and managing risk, as well as highlighting crystallising risks within our businesses.

Continuous improvement in risk management practises

The Group continues to embed its risk management process across all our businesses, to ensure that there is a good understanding of all the potential upsides and downsides of all the key factors that may affect both the individual businesses and the Group as a whole. This is to help the Group to ensure that it has suitable decision making, supported by the requisite control and processes to enable the business to achieve its strategic objectives.

Embedding risk culture across the Group

The Group Board owns the Risk Management process and ensures the risk management processes are embedded and working effectively across the Group. They also have a good understanding of the significant risks facing the Group, and consider the risk implications of the Board's decisions.

The Executive Directors are responsible to the Board for overseeing the risk management of the entire Group, they meet bi-monthly to discuss the risk activities within the Group to ensure that the risk culture is becoming firmly embedded across all our businesses. The Executive also review the core Group activities to ensure these teams are also managing their risks effectively. They also ensure that they consider risk and implications within their own decision making.

Empowering our businesses to enhance their risk management frameworks

The individual entities management teams are responsible for embedding the risk culture into their own operating businesses. They are also responsible for ensuring they understand the risks affecting their businesses and for ensuring their employees are suitably empowered to both identify and deal with these risks appropriately.

The Audit Committee is responsible for overseeing the effectiveness of the risk management processes and reporting to the Board over its views on its adequacy.

Assessment of risk

We consider a wide range of factors within risk management process both from a macro strategic point of view through to operational risks assessed within each business.

We assess each risk identified for both likelihood and impact against a wide range of measures, including,

- Damage to the financial performance of the business
- Damage to reputation
- Production downtime
- Information Security
- Staff Morale
- Management time

From both the business and Group risk assessment, these are aggregated into the nine principle risks affecting the business, which are set out within the Statement of Principle Risks. As we continue to evolve the processes and functions we will seek to enhance and improve the process, and produce information in a more intuitive manner.

Statement of Principal Risks and Uncertainties

Key business risks are currently identified as follows:

Risk and Impact	Mitigation / Controls
1. Strategic	
There is a risk that the Group strategy does not deliver sustainable business growth and profits.	The Board reviews business strategy, annual budgets and longer-term financial plans regularly, to ensure the business has the resources to provide value for all its stakeholders. The Board invests significant time into formulating, reviewing and communicating strategy to ensure that our approach continues to deliver sustainable returns. The governance of the business is reviewed, with continuous investments in the strengthening and development of management teams.
2. Financial	
Failure of the business to deliver the cash flows forecasted, requirements for increased facilities and therefore increased interest payments, inherent currency risk and management of those risks, bank calls on facilities, requirements for further funding for the pension fund; customer and supplier credit risk; losses arising from fraudulent and dishonest activity.	Treasury strategy is defined within the annual accounts, and during the year we have worked to formulate both the supporting policies and procedures. Management review cashflow regularly to ensure the business has access to the funds required to continue with its operations. The Group maintains a dialogue with its lenders to ensure that it has adequate medium-term financing in place to support its business operations for the foreseeable future. Loan covenants are regularly monitored. Hedging activity is undertaken to mitigate the FX exposures The Group reviews options regarding the actions it can take to mitigate its long-term pension risk and consults professional advisors as necessary. There is a whistleblowing policy in place enabling employees to raise fraudulent or dishonest activity.
3. People	
The business struggles to retain and attract the required talent to sustain and improve the Group.	The business has robust polices and procedures in place for recruiting individuals into the business and retention of key employees is important for long term stability and success. Training and mentoring is provided for employees to ensure they can both fulfil their potential and support business success. Training provision is assessed and developed to align with employee development and business requirement. We have a well-defined and published set of values and how this supports our wider company culture to make it an attractive place for people to work Performance reviews are conducted regularly across the business to identify development needs and career opportunities aligned to business needs. Workforce planning and succession planning is undertaken to ensure that the right individuals are in the right roles.

Risk and Impact	Mitigation / Controls
4. 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. There is ongoing investment on designing and building innovative products, applications and services for the Group's markets.
5. Business continuity	
The Group is dependent upon the continued availability and integrity of its computer systems together with a number of differing stakeholders to ensure continuation of the business; any prolonged interruption caused by key suppliers, political unrest, pandemics or systems interruption could affect the continued trade of a business unit.	The Group has developed business continuity, disaster recovery and crisis plans which it continues to appraise, test and refine. A senior executive is responsible for the IT systems with a suitably qualified team ensuring that systems and the IT environment remain resilient. The Group seeks ways to develop and extend its supplier base so as to reduce any over reliance on specific suppliers of products and services and to improve competitiveness. Management continues to monitor the political situation across the globe and can invoke appropriate contingency plans if required.
6. IT Systems and Cyber security	
A third party may seek to disrupt business through either external attacks to disrupt our systems, or seek to steal IP or sensitive data from us. Significant prolonged outages of core systems may affect the efficiency of the business operations.	We use various system protections to reduce the threat from third parties with ongoing assessment and analysis of risks and remediation that could be taken to mitigate such potential risks. Group IT is made up of high quality trained individuals tasked with ensuring systems resilience, and ongoing investment is made to prevent obsolescence within our key operating systems. All our employees receive regular information security training which is regularly assessed and developed to ensure that it remains relevant and appropriate. Systems security policies and procedures are embedded within the business
7. Regulatory and Compliance	
Censure from government or regulators for non-compliance with international and local laws and regulation. Failure of internal control process leads to financial losses In the event of non-compliance with the requirements of the General Data Policy Regulations ("GDPR"), there is a risk of data loss or misuse or other data breaches which could lead to significant fines and reputational damage.	The Group has core policies and procedures in place to address compliance risk. We continue to assess all relevant regulatory developments and review our internal processes, policies and training programmes to ensure that we both mitigate risks and meet evolving compliance requirements. Group management gains assurance on regulatory compliance from all subsidiary management boards annually We work with both internal and external stakeholders to ensure they abide by our code of conduct and complete due diligence over our key external stakeholders. We have revised some of our processes to ensure that we continue to fulfill our responsibilities under GDPR alongside an extensive training programme for our employees. Assurance of compliance with GDPR requirements is provided by the annual compliance confirmation from subsidiary management.

Risk and Impact	Mitigation / Controls
8. Economic and political instability	
Some governments around the world face domestic pressures to support localization of goods, and have put into place increasingly protectionist measures which may prevent access to their markets Sustained recessions or austerity budgets with differing countries could affect demand for some of our products. The world remains, in parts, politically unstable which may affect aspects of the business or impact on employees working or travelling in politically unstable countries.	Management continue to monitor both the political and financial events within key markets, and adjust strategy accordingly to ensure we are not overly exposed within one market. The business has business continuity plans in place should one of our facilities become unavailable for a prolonged period of time. Prior to travel by any employees in high risk countries, risk assessments are undertaken to manage, mitigate and, where possible, eliminate risks associated with political instability and/or terrorist activity. Management teams continue to work towards opening up new markets to diversify risk, and review our longer term strategy to ensure we are not precluded from any key markets for our products and services.
9. Safety	
Some of our colleagues work within a high risk industry, and travel extensively across the globe. Our products are used in the distribution of electricity which has its own inherent risks to both our employees and member of the public.	The Group has health and safety policy, procedures and training in place across all sites. Health and safety experts are employed throughout the Group. Relevant employees are provided with personal protective equipment, and other equipment appropriate for the environments they work in. The Board receives and reviews regular health and safety reports which include results from audits, near misses and accidents from all businesses. Near misses and adverse events are monitored to ensure that we continue to improve the safety environment for all our stakeholders We continue to ensure our products comply with relevant safety requirements and provide a safe working environment for both our employees, our customers and their wider general public. We vet our sub-contractors to ensure that they meet relevant health and safety requirements. As outlined in point 8 above risk assessments are undertaken prior to travel by any employee in high risk countries.

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.

Executive Director & Company Secretary

All Directors have access to the advice and services of the Company Secretary. The Company Secretary ensures that the Board receives appropriate and timely information, that Board procedures are followed and that statutory and regulatory requirements are met.

Board Committees

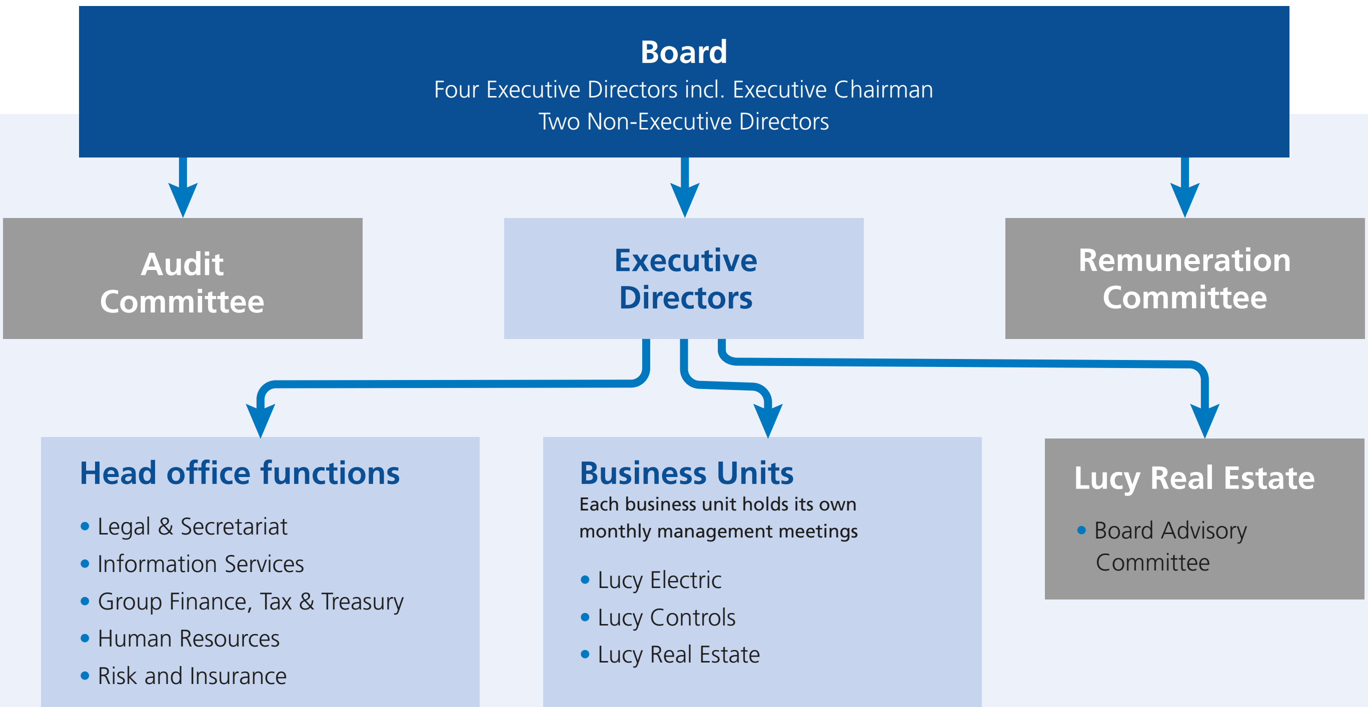
The Board has three committees: an Audit Committee, a Remuneration Committee and a Real Estate Committee each with clearly defined terms of reference which outline their objectives and responsibilities and which are reviewed periodically.

The Audit Committee comprises two Non-Executive Directors and meets on at least two occasions per year with the Group Finance Director and the Company Secretary. Senior management, the external auditors and the Head of Internal Audit are invited to attend for specific items on the Audit Committee's agenda. The Committee reviews the systems of internal control and receives reports from both the internal and external auditors on the effectiveness of those controls and recommendations for their improvement. The Committee has oversight of significant risk issues in the Group and makes recommendations to the Board. 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 Committee manages the internal audit process with the support of the Head of Internal Audit.

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

The Lucy Real Estate Committee has respon-

Governance Framework



sibility for the Group's strategy on property management, refurbishment and development. It oversees the Group's strategy on maintenance and refurbishment of its existing property portfolio with the objective of maintaining and enhancing the underlying value of the company's property asset base. This Committee comprises at least five members including members of the Board, the Head of Lucy Real Estate and three external advisors.

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 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 which minimises our impact on the environment. The Company Secretary ensure 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;
- The Executive Director responsible for people issues provides an update on those issues across the Group for the Board's review;
- The Executive Director responsible for Health & Safety provides an update and reports on Health & Safety matters.
- Business unit heads and other senior managers attend relevant parts of Board meetings in order to make presentations on their area of responsibility and provide updates on developments and changes to the business;
- Updates are provided on the key regulatory, contractual and legal issues that affect the Group.

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

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

Board Meeting dates 2019

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

Internal Control and Risk Management

The Board has overall responsibility for the Group's systems of risk management and internal control and for reviewing their effectiveness. The Board is satisfied that there is an ongoing process for identifying, evaluating and managing the Group's significant risks which it regularly reviews. There is also an agreed programme of internal audits undertaken by the Group's Head of Internal Audit who reports his findings and recommendations to the Audit Committee which then raises its concerns to the Board for discussion and action.

The Board considers that the Group's systems and controls, which have been developed and refined over the years, are appropriately designed to ensure that the Group's exposure to significant risks is properly managed. In reviewing the effectiveness of internal controls, the Directors have considered the key risks and exposures within the Group.

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. There is ongoing review of the Group's systems and controls, which are periodically assessed against market best practice, and internal processes are monitored to ensure adherence to these controls.

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 then reviewed by the Board. In addition, there is open and frequent discussion and detailed information is provided to Non-Executive Directors for their review and challenge.

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. In the event that possible wrongdoing is raised by an employee, or is discovered by any other means, a full investigation is carried out and appropriate remedial steps taken to address any findings that are identified.

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 two years ago 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 have an opportunity to ask questions or represent their views at the meeting.

Development of the Group's Corporate Governance Arrangements

The Board has noted the new requirements for large private companies to disclose their corporate governance arrangements and the publication of "The Wates Corporate Governance Principles for Large Private Companies" ("Wates Principles") which provide a framework for ensuring that companies are well managed and aligned behind a clear purpose. Whilst the Group is not required to conform to these requirements it is committed to high standards of corporate governance and embraces the six Wates Principles which, together with their supporting guidance, will assist with development of a pathway to enhance the Group's governance arrangements. Progress will be reported in the next annual report.

By order of the Board

Madeline Laxton
Company Secretary

17 March 2020

Board of Directors

Richard Dick
Executive Chairman

Appointed as Chairman of Lucy Group in 1990, having been appointed as a Director in February 1981.

Gary Ashton
Group Finance Director

Appointed as a Director of the Company on 1 April 1997.

Madeline Laxton
Executive Director & Company Secretary

Appointed as Company Secretary on 1 January 2006 and as a Director on 23 September 2014.

Jonathan Finch-Dick
Executive Director

Appointed in a Non-Executive capacity on 1 June 2013, subsequently becoming an Executive Director on 1 May 2017.

Robert Dick
Non-Executive Director

Appointed to the Board on 1 September 1998. He is Chairman of the Audit Committee.

Pippa Latham
Non-Executive Director

Appointed to the Board on 1 June 2013. She chairs the Remuneration Committee.

Mrs P.A.J. Latham is the director retiring by rotation and will offer herself for re-election at the Annual General Meeting to be held on 30 April 2020

Balance of Directors

Females 2
Males 4

Executive Directors 4
Non-Executive Directors 2

Report of the Directors

The Directors present their report on the affairs of the Group, together with the audited accounts for the year ended 31 December 2019.

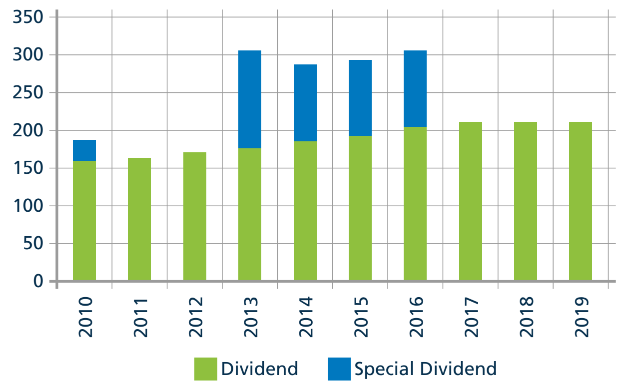
Financial results

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

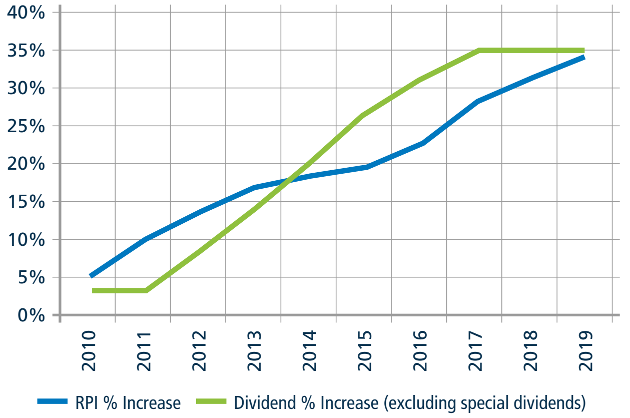
Dividends

The Board recommends an unchanged final dividend of 121p per share which, taken together with the 2019 interim dividend, gives a payment of 209p per share (2018: 209p). This dividend will be payable on 5 May 2020, subject to shareholder approval at the Annual General Meeting to be held on 30 April 2020, to shareholders on the register on 31 March 2020. There was no special dividend paid to shareholders in the year (2018: nil). 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.

Dividends paid and proposed



Dividends paid and proposed



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 statement of financial position 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 and Events since the Balance Sheet date

No significant events have occurred since the year end.

Employee Policies and Engagement

The Group values the commitment of its employees and has maintained its practice of communicating with them regarding the development of the business.

The Directors seek to promote an inclusive workplace in which individuals feel they are respected, valued and have an equal opportunity to progress. As such, employment policies are designed to respect employees' human rights, ensure equal opportunity and promote diversity. Employees are actively encouraged to undertake relevant training and to develop their careers. Performance reiews are also conducted with individual employees. The Group remains supportive of the employment and advancement of disabled persons.

Details of employee engagement are disclosed in the sections on Corporate Responsibility and Relations with Stakeholders.

Business Relationships

Details of how the Directors have had regard to the need to foster business relationships with suppliers, customers and others are disclosed in the sections on Corporate Responsibility and Relations with Stakeholders.

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 Corporate Governance Report is on pages 26-28. 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 management, objectives and policies of the Group, and the exposure of the Group to certain financial risks, see note 28 on page 70.

Donations

Total charitable donations during the year were £44.4k (2018: £41.0k). These comprised £9.0k for community projects (2018: £37.1k), £17.0k for educational projects (2018: £0.6k) and £18.4k for other projects (2018: £3.3k). No political contributions were made (2018: Nil).

Close Company Provisions

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

Directors' Liability Insurance

As permitted by the Company's articles of association, directors' and officers' liability insurance was maintained throughout the financial period.

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.

External Auditor

Wenn Townsend have expressed their willingness to continue in office as Auditor of the Company and, in accordance with section 485 of the Companies Act 2006, a resolution proposing their re-appointment will be put to the members at the 2020 Annual General Meeting.

By order of the Board

Madeline Laxton
Company Secretary

17 March 2020

Relations with Stakeholders

The Board sets the Group's strategic direction and manages its operational performance in the way most likely to promote its long-term success for the benefit of its members as a whole. A key cornerstone of this is engagement with key stakeholders and considering their feedback appropriately. We set out below the key stakeholder groups that the directors have engaged with in the financial year, together with the benefits of doing so for the long-term success of the company.

The directors have had regard to the matters set out in section 172 (1) (a) to (f) of the Companies Act 2006 when performing their duties under S172.

- *Shareholders:* We strive to obtain shareholder buy-in to our strategic objectives and how we go about executing them. We create value for our shareholders by the generation of sustainable results that translate into dividends. We seek to promote an investor base that is interested in a long term holding in the company.
- *Employees:* The company's long-term success is predicated on the commitment and delivery of our workforce to our strategy and its consistent demonstration of our values. To maintain our competitive advantage and meet the growing demands of the environment in which we operate, we need a workforce which is adaptive and whose skill base constantly evolves. We also value employees with long term practical experiences. We engage with our workforce to ensure that we are fostering an environment that they are happy to work in and that best supports their well-being. We invest in our workforce as we believe both that training benefits the individual and the Group and that such investment helps to retain our employees and reduce absenteeism and turnover rates.
- *Lenders:* Continued access to working capital is of vital importance to the long-term success of our business. Ongoing engagement with the Group's lenders is therefore required to ensure that there is adequate working capital available for the Group's needs.
- *Customers:* In a highly competitive environment success depends on meeting customer needs and requirements more effectively than our competitors. We therefore recognise the benefits of engagement with our customers to ensure that both our current products and those in development are fit for purpose in the longer-term.
- *Suppliers:* Our suppliers are fundamental to the quality of our products and to ensuring that as a business we meet the high standards of conduct that we set ourselves and comply with regulatory requirements. The Group relies on its supplier base to deliver products on time and to the standard it specifies. It is important to mitigate against supply chain risk to prevent interruptions to manufacturing or product delivery schedules which could impact our relationships with customers.
- *Pension:* 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. We also recognise the long-term importance of all our pension arrangements for our employees. Ongoing engagement with trustees and professional advisors is therefore mutually beneficial for the Group and members of our pension schemes.
- *Communities and Environment:* Doing business responsibly brings benefits for wider society and assists our commercial success. Details of our community engagement is disclosed in the Corporate Responsibility section of the Strategic Report.
- *Regulatory Bodies and Trade Associations:* We recognise that the Group operates in an environment which can be impacted by regulatory changes and engage with regulators and trade associations to assist with our compliance framework, training and new product development. This assists with the development of the Group's strategic direction.

We define principal decisions as both those that are material to the Group, but also those that are significant to any of our key stakeholder groups. In taking actions and making principal decisions during the year the Board considers that it has acted in the way that, in good faith, is most likely to promote the success of the Group and for the benefit of its members as a whole. It has considered feedback and responses from its stakeholder engagement as well as the need to maintain a reputation for high standards of business conduct and the need to act fairly between the members of the company. Details of our engagement with respective stakeholders and the principal decisions made by the Board during the year are disclosed in the Strategic Report, including the section on Corporate Responsibility, Directors' Report and Corporate Governance report.

Directors' Responsibilities

The Directors are responsible for preparing the strategic report, Directors' report and the Group and Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the 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 Group and Parent Company and the profit or loss of the Group and Parent 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

17 March 2020

Independent auditors' report to the shareholders of Lucy Group Ltd

Opinion

We have audited the financial statements of Lucy Group Ltd (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2019 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 notes to the financial statements, including a summary of significant accounting policies. 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'.

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 2019, 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 and Parent Company 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 concern

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 Group and Parent Company and their 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 33, 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.

Use of our report

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.

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

17 March 2020

Consolidated Income Statement
for the year ended 31st December 2019

	Note	2019	2018
Continuing operations		£000	£000
Revenue	3	**189,637**	**167,597**
Cost of sales		(144,073)	(127,106)
Gross profit		**45,564**	**40,491**
Selling and distribution costs		(26,876)	(25,766)
Administrative expenses		(11,600)	(10,624)
Research and development costs		(7,205)	(9,445)
Other operating income/expenses		5,382	5,858
Exceptional items	5	-	(1,046)
Operating profit / (loss) before net valuation gains on investment property	4	**5,265**	**(532)**
Net valuation gains on investment property		4,087	3,041
Operating profit after net valuation gains on investment property		**9,352**	**2,509**
Finance income	7	814	667
Finance costs	7	(3,986)	(1,009)
Profit before taxation		**6,180**	**2,167**
Tax expense	8	(1,412)	(490)
Profit from continuing operations		**4,768**	**1,677**
Loss from discontinued operations	11	(3,720)	(1,866)
Profit / (loss) for the year		**1,048**	**(189)**
Dividends	10	(1,028)	(1,028)
Retained profit / (loss) for the year		**20**	**(1,217)**
Profit for the year attributable to:			
Non-controlling interest		(135)	(317)
Owners of the parent		155	(900)
		20	**(1,217)**
Earnings per share	9	**241p**	**26p**

Consolidated Statement of Comprehensive Income

for the year ended 31st December 2019

	2019	2018
	£000	£000
Profit / (loss) for the year	**1,048**	**(189)**
Other comprehensive income:		
Items that will not be reclassified subsequently to the Income Statement:		
Remeasurement of defined benefit pension scheme	(236)	(1,836)
Taxation relating to remeasurement of pension scheme	59	514
Fair value change in fixed assets transferred to investment properties	351	-
Items that will subsequently be reclassified to the Income Statement:		
Change in cash flow hedges	225	(230)
Fair value change in net investment hedge	495	(873)
Currency translation differences	(1,720)	274
Gain / (loss) on revaluation of available for sale investments	209	(116)
Total comprehensive income for the year, net of tax	**431**	**(2,456)**
Total comprehensive income for the year attributable to:		
Non-controlling interest	(135)	(317)
Owners of the parent	566	(2,139)
	431	**(2,456)**
Total comprehensive income for the year attributable to owners of the parent arises from:		
Continuing operations	4,286	(273)
Discontinued operations	(3,720)	(1,866)
	566	**(2,139)**

Consolidated Statement of Financial Position

as at 31st December 2019

	Note	2019	2018
		£000	£000
Assets			
Non-current assets			
Goodwill	12	2,930	3,071
Other intangible assets	13	1,234	1,632
Property, plant and equipment	14	34,274	33,176
Investment property	15	150,619	144,710
Other long-term financial assets	17	1,845	1,639
Other receivables	20	277	252
Deferred tax assets	20	455	498
Non-current assets		**191,634**	**184,978**
Current assets			
Inventories	19	42,558	46,991
Trade and other receivables	20	45,666	44,326
Derivative financial instruments	21	60	-
Cash and cash equivalents		17,557	15,270
Current assets		**105,841**	**106,587**
Total assets		**297,475**	**291,565**
Liabilities			
Non-current liabilities			
Provisions	22	11,166	9,566
Pension and other employee obligations	26	6,343	6,053
Borrowings	27	28,799	31,958
Trade and other payables	24	4,132	4,626
Deferred tax liabilities	25	14,450	13,792
Other liabilities	24	4,472	1,197
Non-current liabilities		**69,362**	**67,192**

	Note	2019	2018
		£000	£000
Current liabilities			
Trade and other payables	23	37,367	32,866
Current tax liabilities	23	3,450	3,197
Derivative financial instruments	21	816	983
Current liabilities		**41,633**	**37,046**
Total liabilities		**110,995**	**104,238**
Net assets		**186,480**	**187,327**
Equity			
Share capital	29	492	492
Other reserves	30	(1,929)	(916)
Profit and loss account	30	187,862	187,877
Equity attributable to owners of the parent		**186,425**	**187,453**
Non-controlling interest		55	(126)
Total equity		**186,480**	**187,327**

Approved by the Board of Directors on 17 March 2020 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 2019

	2019	2018
	£000	£000
Cash flows from operating activities		
Operating profit / (loss) before net valuation gains on investment property	1,825	(2,167)
Depreciation and amortisation	7,110	5,847
Other expense	(3,036)	52
Currency revaluation	(243)	(1,691)
Operating cash flow before changes in working capital, interest and taxes	**5,656**	**2,041**
Decrease / (increase) in inventories	4,433	(9,879)
(Increase) / decrease in trade and other receivables	(1,454)	1,272
Increase in trade and other payables	2,600	911
Increase in provisions	1,600	778
Change in derivative financial instruments	(227)	1,655
Cash generated from operating activities	**12,608**	**(3,222)**
Interest received	47	26
Interest paid	(882)	(641)
Tax paid	(831)	(580)
Net cash from operating activities	**10,942**	**(4,417)**
Investing activities		
Capital Expenditure	(4,534)	(6,207)
Proceeds from disposal of property, plant and equipment	145	1
Acquisition of subsidiaries, net of cash acquired	-	(1,918)
Proceeds from disposal and redemption of non-derivative financial assets	194	285
Purchase of non-derivative financial assets	(191)	(277)
Net cash used in investing activities	**(4,386)**	**(8,116)**
Free cash flow	**6,556**	**(12,533)**
Financing activities		
Cash (outflow) / inflow from borrowings	(3,241)	15,101
Dividends paid	(1,028)	(1,028)
Net cash (used in) / from financing activities	(4,269)	14,073
Net change in cash and cash equivalents	**2,287**	**1,540**
Cash and cash equivalents, beginning of year	15,270	13,730
Cash and cash equivalents, end of year	**17,557**	**15,270**
Cash flows of discontinued operations	**263**	**(217)**

Consolidated Statement of Changes in Equity

for the year ended 31st December 2019

	Share capital	Capital reserve	Currency reserve	Net investment hedge reserve	Cash flow hedge reserve	Retained earnings	Attributable to owners of parent	Non controlling interests	Total equity
	£000	£000	£000	£000	£000	£000	£000	£000	£000
At 1st January, 2019	**492**	**3**	**(199)**	**(495)**	**(225)**	**187,877**	**187,453**	**(126)**	**187,327**
Opening balance adjustments - change in accounting policy	-	-	-	-	-	(237)	(237)	-	(237)
Profit for the year	**-**	**-**	**-**	**-**	**-**	**1,183**	**1,183**	**(135)**	**1,048**
Other comprehensive income									
Foreign currency translation	-	-	(1,720)	-	-	-	(1,720)	-	(1,720)
Gain on revaluation of available for sale investments	-	-	-	-	-	209	209	-	209
Change in cash flow hedges	-	-	-	-	225	-	225	-	225
Fair value change in investments	-	-	-	495	-	-	495	-	495
Actuarial gain on post retirement liability, net of deferred tax	-	-	-	-	-	(177)	(177)	-	(177)
Total comprehensive income	**-**	**-**	**(1,720)**	**495**	**225**	**1,215**	**215**	**(135)**	**80**
Dividends	-	-	-	-	-	(1,028)	(1,028)	-	(1,028)
Change in partial interest in subsidiary	-	-	-	-	-	(316)	(316)	316	
Reclassifications	-	-	(13)	-	-	351	338	-	338
At 31st December, 2019	**492**	**3**	**(1,932)**	**-**	**-**	**187,862**	**186,425**	**55**	**186,480**
At 1st January, 2018	**492**	**14**	**(473)**	**378**	**5**	**190,264**	**190,680**	**138**	**190,818**
Opening balance adjustments	-	-	-	-	-	4	4	-	4
Profit for the year	**-**	**-**	**-**	**-**	**-**	**128**	**128**	**(317)**	**(189)**
Other comprehensive income									
Foreign currency translation	-	-	274	-	-	-	274	-	274
Gain on revaluation of available for sale investments	-	-	-	-	-	(116)	(116)	-	(116)
Change in cash flow hedges	-	-	-	-	(230)	-	(230)	-	(230)
Fair value change in investments	-	-	-	(873)	-	-	(873)	-	(873)
Actuarial loss on post retirement liability, net of deferred tax	-	-	-	-	-	(1,322)	(1,322)	-	(1,322)
Total comprehensive income	**-**	**-**	**274**	**(873)**	**(230)**	**(1,310)**	**(2,139)**	**(317)**	**(2,456)**
Dividends	-	-	-	-	-	(1,028)	(1,028)	-	(1,028)
Change in partial interest in subsidiary	-	-	-	-	-	(53)	(53)	53	-
Reclassification	-	(11)	-	-	-	-	(11)	-	(11)
At 31st December, 2018	**492**	**3**	**(199)**	**(495)**	**(225)**	**187,877**	**187,453**	**(126)**	**187,327**

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 2019. 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

Group revenue arises from the sale of various goods and services. It is measured at the fair value of consideration received or receivable, excluding sales taxes and net of returns, trade discounts, penalties and volume rebates. Revenue is recognised when control of the products has transferred to the customer. Detail on the Group's main revenue streams are described in detail below.

Product sales:

The Group manufactures and sells a range of electrical and castings products. Revenue is recognised at the point in time control of the goods is passed to the customer, which is usually indicated by one of the following factors; physical possession of the goods are taken by the customer; legal title passing to the customer; and the risks and rewards of ownership being passed to the customer. Revenue is recognised based on the sales price specified in the contract. The sales price is adjusted for any variable consideration, including volume rebates.

Services and consultancy sales:

Revenue from services provided to customers is recognised in the period to which the services are provided. Revenue is measured based on progress toward completion which is updated as circumstances change.

Long term projects:

Revenue from sales of long term and construction projects are reviewed and the relevant performance obligations identified as being distinct promises to transfer goods or services to the customer. Revenue for each performance obligation is recognised once it has been satisfied. For long term construction contracts revenue is typically recognised over the life of the contract by measuring progress towards completion of each performance obligation. Such measurements are regularly reviewed throughout the life of the contract, with any resulting increase or decrease in revenue reflected in profit and loss in the period in which such changes are identified.

Property development sales:

Revenue from the sale of residential properties is recognised when the risks and rewards have been transferred to the customer and Lucy no longer has any managerial role over the properties to be sold. This usually occurs on passing of legal title to the customer. Revenue is only recognised over time, rather than at the point in time when control is passed, in circumstances where the development has no alternative use to the Group and the Group has a right to payment from the customer for the work completed to date. Revenue is measured at the transaction price as agreed in the contract.

Rental income:

The Group earns rental income from operating leases of its investment properties. Rental income under an operating lease is recognised on a straight-line basis over the lease term at amounts stipulated in the contract with the customer.

Block management services:

Revenue from management services is recognised over the period in which the services are performed at amounts stipulated in the contract with the customer.

Royalty income:

Revenue from royalty income related to the licensing of intellectual property is recognised once the associated sale has occurred.

Warranties:

Warranties are commonly provided to customers as part of the sales contract. An assessment of warranties is made to determine whether it is a service warranty (and therefore accounted for under IFRS 15) or an assurance warranty (and therefore accounted for as a provision under IAS 37) based on; whether the warranty is required by law, the length of the warranty cover period and the nature of the work promised to be performed by the Group. The majority of the Groups warranties are assurance warranties, which are provided for in accordance with IAS 37 Provisions.

Costs to obtain contracts:

The Group recognises the incremental costs of obtaining a contract with a customer as an asset if it expects to recover those costs.

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained, for example sales commission.

Costs to fulfil contracts:

If the costs incurred in fulfilling a contract with a customer are not in the scope of other guidance, for example inventory, intangible assets or property, plant and equipment, then the Group recognises the costs to fulfil the contract as an asset if the fulfilment costs meet the capitalisation criteria.

Practical expedients:

The group has elected to make use of the following practical expedients available in IFRS 15:

- Completed contracts before 1st January 2018 have not been reassessed.
- Contract costs incurred relating to contracts with an amortization period of less than one year have been expensed as incurred.
- Not to disclose information about remaining performance obligations that have expected durations of less than one year, including amounts of transaction price allocated to remaining performance obligations.

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

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.

Leases

The Group recognises a right of use asset and a lease liability at the lease commencement date. The asset is initially measured at cost and subsequently depreciated using the straight line method from the commencement date to the end of the useful life of the asset or the end of the lease term, whichever is earlier.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if this is not available the Groups incremental borrowing rate. Generally the incremental borrowing rate is used. The lease liability is subsequently measured at amortised cost using the effective interest method.

The Group has elected not to recognise right of use assets and liabilities for short term leases of assets that have a lease term of less than 12 months and leases where the underlying asset is of low value. Such leases are recognised as an expense on a straight line basis over the term of the lease.

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 liabilities are recognised in the balance sheet when the Group becomes party to the contractual provisions of the instrument.

The Group classifies financial assets into one of three categories; i) amortised cost, ii) fair value through other comprehensive income ("FVO-

CI") and iii) fair value through profit or loss ("FVTPL"). The Groups' business model for managing the assets and their cash flows determines which classification is applied to each financial asset. Assets held under the 'held to collect' business model are classified at amortised cost, those 'held to collect and for sale' at FVOCI and assets held under any other business model to the above are classified at FVTPL. The following table shows the classification of the common assets the Group holds:

Financial asset	Classification
Cash and cash equivalents	Amortised cost
Trade and other receivables	Amortised cost
Interest bearing loans and borrowings	Amortised cost
Other long term financial assets	FVOCI

Upon adoption of IFRS 9 the Group made an irrevocable election to classify marketable security investments as FVOCI, as they are held as strategic investments rather than held for trading.

Financial assets classified at FVOCI are initially recognised at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising on changes in fair value being recognised in other comprehensive income.

Financial assets classified at FVTPL are initially and subsequently measured at fair value, with gains and losses arising on changes in fair value being recognised in the income statement.

Financial assets held at amortised cost are initially measured at fair value, subsequently measured at amortised cost less any impairment. A loss allowance is recognised for assets measured at amortised cost. Impairment is measured at an amount equal to the 12 month expected credit losses, lifetime expected credit losses or any changes in expected credit losses, depending on the nature of the asset.

Trade receivables

Trade and other receivables are a financial asset and are recognised when the Group becomes party to the contractual benefit of the asset. Trade receivables are generally categorised as being held at amortised cost under the criteria of IFRS 9. They are initially measured at fair value and subsequently measured at amortised cost less any impairment.

The Group recognises a loss allowance at an amount equal to the expected lifetime credit losses if they are short term. Trade and other receivables are assessed by the Group at initial recognition and the expected lifetime credit loss provided for based on current available data, such as customer payment history and forward looking data such as the current economic environment.

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

The Group operates a centralised treasury function which is responsible for managing liquidity, interest, commodity and foreign currency risks. As part of its strategy for the management of these risks, the Group uses financial derivatives in accordance with Group treasury policy.

The Group uses derivative financial instruments, primarily interest rate, currency and commodity (copper) swaps to manage interest rate, currency and commodity risks associated with the Group's underlying business activities and the financing of these activities.

The Group has a policy not to, and does not undertake any speculative activity in these instruments.

Recognition and Measurement

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 formally documented at the initial designation of the hedge, the documentation describes the relationship between the hedged item and hedging instrument, risk management strategy and the method for assessing hedge effectiveness.

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

Cash flow hedging

Derivative financial instruments classified as cash flow hedges are those that hedge the Group's variability in cash flows attributable 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 transaction swaps, forward foreign exchange transactions and options.

Net Investment hedging

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.

The strategy was changed during 2019 to no longer hedge net investments in foreign currencies and at the year end there were no net investment hedges in place.

Risk management policies

Interest rate risk

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

Commodity risk

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

Foreign currency risks

Foreign currency transaction risks typically arise because the Group's sales and purchase in foreign currencies. The Group's policy is to substantially hedge its forecasted net currency exposure using forward currency contracts and options in order to protect forecast gross margins one year ahead.

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.

The Group has elected to take advantage of the RDEC introduced in the Finance Act 2013. A company may surrender corporation tax losses on research and development expenditure incurred on or after 1 April 2013 for a corporation tax refund. Relief is given as a taxable credit on 11% of qualifying research and development expenditure. The Group recognizes research and development expenditure credit as an item of other income, taking advantage of the 'above the line' presentation.

Government grants

Government grants are initially recognised in the Statement of Financial Position as deferred income, or for grants related to assets only, by deducting the grant in arriving at the carrying amount of the assets when there is reasonable assurance that the entity will comply with the relevant conditions and the grant will be received.

Subsequently, deferred income is released to the Income Statement on a systematic basis as the cost that the grant is intended to compensate is expensed.

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. The pension costs of these schemes are charged as incurred.

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

Provisions

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

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

Significant Management Judgement in Accounting Policies

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

Revenue recognition

IFRS 15 requires significant judgements and estimates related to determining performance obligations within contracts with customers. Assumptions are also required in relation to determining appropriate measures of progress towards completion and how and when control of goods or services is transferred to the customer.

Significant Management Judgement

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

Development expenditure

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

Deferred Tax

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

Estimation Uncertainty

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

Impairment of non-financial assets and goodwill

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

Useful lives of depreciable assets

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

Inventories

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

Defined benefit obligation

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

Fair value measurement

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

Notes to the accounts

1. Accounting policies and presentation

Basis of preparation

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

New and amended standards which became effective during the year

IFRS 16 replaced existing revenue standards (IAS 17 and IFRIC 4) from 1st January 2019. Lucy Group has adopted the modified retrospective approach, under which the cumulative impact of application of IFRS 16 is recognised in retained earnings and therefore the comparative information for 2018 has not been restated.

Changes in accounting policies

Previously the Group classified a lease as an operating or finance lease based on whether the risks and rewards of ownership of the leased asset had been transferred to the Group. The 2018 information in these financial statements continues to follow this approach. On adoption of IFRS 16 the Group recognisses assets and lease liabilities for the majority of leases.

For leases classified as operating leases under IAS 17, at 1st January 2019 the lease liabilities were measured at the present value of the remaining lease payments and assets measured at an amount equal to the lease liability (adjusted for any prepaid or accrued lease payments). The following practical expedients have been applied by the Group to leases previously classified as operating leases:

- A single discount rate has been applied to a portfolio of leases with similar characteristics.
- Assets and liabilities for leases with less than 12 months of the lease term remaining have not been recognised.
- Excluded initial direct costs from measuring asset value at the initial application of IFRS 16.

The Group's adoption of IFRS 16 has resulted in changes in accounting policies and adjustments to amounts recognised in the financial statements. The accounting policies for leases are explained in the accounting policies section.

On transition to IFRS 16 the Group recognised £5.3m of right of use assets and £5.5m of lease liabilities. There was a £0.2m decrease in retained earnings of the Group at 1st January 2019. The 2018 results have not been restated in accordance with IFRS 16, as per the modified retrospective approach permitted by IFRS 16.

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 1st January 2019. These include IAS 19: Employee Benefits and IFRS 9: Financial Instruments. 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 2015-17 have been considered and do not have a material impact on the Group in the current period.

Standards and amendments issued by the International Accounting Standards Board (IASB) not effective for the current year and not early adopted by the Group

The amendments to IFRS 3 Business combinations, IAS 1 and IAS 8 that are effective 1st January 2020 are not considered to have a material impact on the future reporting of the Group.

2. Profit for the financial year

The Group profit for the year after taxation includes a loss of £2.2m (2018: profit £2.1m) which is dealt with in the financial statements of the Company.

3. Analysis of turnover and profit between activities and markets

The total turnover from continuing operations of the Group was £189.6m (2018: £167.6m) of which £7.1m (2018: £9.8m) 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.

	2019	2018
	£000	£000
Revenue from contracts with customers	192,854	171,601
Less: Revenue from discontinued operations	(3,217)	(4,004)
Revenue from continuing operations	**189,637**	**167,597**

a) Contract assets and liabilities

	2019	2018
	£000	£000
Costs incurred to fulfill contracts	-	679
Total contract assets	**-**	**679**

Contract assets relate to the Group's rights of consideration for services provided on contracts.

	2019	2018
	£000	£000
Contract liabilities - customer advances	1,183	1,057
Contract liabilities - deferred income	883	537
Total contract liabilities	**2,066**	**1,594**

b) Revenue recognised in relation to contract liabilities

	2019	2018
	£000	£000
Revenue recognised in the current year that was included in previous years contract liability:		
Contract liabilities - customer advances	997	43
Contract liabilities - deferred income	366	507
	1,363	**550**

4. Operating profit

	2019	2018
	£000	£000
a) Operating profit is stated after charging:		
Depreciation of tangible fixed assets	6,771	4,915
Amortisation of intangible fixed assets	339	463
Operating lease rentals		
Plant & machinery	9	293
Land & buildings	307	1,220
Research and development	7,205	9,445
Directors' remuneration (see note 33)	911	892
Auditors' remuneration (see note 4c)	170	173
Hire of plant	50	40
Loss on translation of foreign currency	1,608	1,018
b) Operating profit is stated after crediting:		
Rental income	7,909	7,680
Less related expenses	(3,626)	(3,362)
	4,283	**4,318**
c) Auditors' remuneration		
Audit of these financial statements	33	30
Amounts received by auditors and subsidiary auditors in respect of:		
Audit of financial statements of subsidiaries	131	137
Other services	6	6
	170	**173**
Fees in respect of and borne by the W Lucy Pension Scheme	4	4
Outsourced UK payroll services	27	-

5. Exceptional items

	2019	2018
	£000	£000
GMP equalisation costs	-	1,046
	-	**1,046**

6. Employee Remuneration

	2019	2018
	£000	£000
Continuing operations		
Wages and salaries	35,576	34,724
Social security costs	2,446	2,454
Pension costs	2,401	2,445
	40,423	**39,623**

The average number of employees during the year was 1,505 (2018: 1,466) of which 166 were administrative (2018: 151).

7. Finance income and costs

	2019	2018
	£000	£000
Finance revenue		
Income from investments	33	32
Other interest receivable	38	26
Gain from acquisition	436	538
Ineffective portion of changes in fair value of cash flow hedges	217	-
Other income	90	71
	814	**667**
Finance cost		
Bank interest	580	420
Foreign currency losses	2,129	80
Ineffective portion of changes in fair value of cash flow hedges	-	128
Pension finance cost	202	102
Lease interest	340	-
Other expense	735	279
	3,986	**1,009**

8. Tax on profit on ordinary activities

	2019	2018
	£000	£000
Current year UK tax	769	743
Current year overseas tax	96	159
Group current tax	**865**	**902**
Over provision in previous years	(189)	(284)
Total current tax	**676**	**618**
Deferred tax		
Capital allowances	40	(282)
Other timing differences and allowances	70	(2)
Effect of decreased tax rate on opening liability	-	(6)
Investment properties	626	162
Total deferred taxation	**736**	**(128)**
Total tax on profit on ordinary activities	**1,412**	**490**

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:

	2019	2018
	£000	£000
Profit on ordinary activities (continuing and discontinued) before tax	**2,455**	**311**
Tax charge at average UK Corporation Tax rate of 19% (2018: 19%)	466	59
Current and deferred tax adjustments in respect of prior years	(27)	(279)
Net effect of differing UK tax rates	(62)	(2)
Net effect of differing overseas tax rates	(995)	(749)
Other non-allowable expenses	960	355
Utilisation of tax losses	(28)	-
Current year losses	1,064	934
Other	34	172
Group current tax charge for the period	**1,412**	**490**

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 £(135)k in 2019 (2018:£(317)k) to remove that attributable to the non-controlling interest.

	2019	2018
	£000	£000
Profit on ordinary activities after taxation attributable to Lucy Group Ltd shareholders	1,183	128
Weighted average number of shares (000s)	492	492
Earnings per share	241p	26p

10. Dividends

	2019	2018
	£000	£000
Amounts recognised as distributions to shareholders in the year:		
Final dividend for the year to 31st December 2018: 121p (2017: 121p) per share	595	595
Interim dividend for the year to 31st December 2019: 88p (2018: 88p) per share	433	433
	1,028	**1,028**
Proposed final dividend for the year to 31st December 2019: 121p (2018: 121p) per share	595	595

11. Discontinued Operations

a) Description: On 29th August the group announced that a period of consultation concerning the future of its Castings' businesses would be undertaken. Following this the decision was taken to close the businesses and Truscanian Foundries Ltd closed on 29th November and Sandawana Castings Ltd on 20th December. Financial information relating to these discontinued operations for the year are set out below.

b) Financial performance and cash flow information

	2019	2018
	£000	£000
Revenue	3,217	4,004
Expenses	(6,942)	(5,860)
Loss before tax	**(3,725)**	**(1,856)**
Tax	5	(10)
Loss after tax of discontinued operation	**(3,720)**	**(1,866)**
Net Cash flow from operating activities	(1,958)	(1,589)
Net Cash flow from investing activities	801	(203)
Net Cash flow from financing activities	1,420	1,575
Net increase in cash generated by discontinued operations	**263**	**(217)**

c) Details of the closure. The carrying amounts of assets and liabilities at the date of closure were:

	2019
	£000
Property, plant & equipment	2,341
Trade receivables	676
Inventories	138
Other receivables	(114)
Total assets	**3,041**
Trade creditors	203
Employee benefit obligations	2
Intra Group Loans	7,469
Other liabilities	2,512
Total liabilities	**10,186**

d) Assets of discontinued operations classified as held for sale. The following assets were reclassified as held for sale in relation to the discontinued operations as at 31st December 2019:

	2019
	£000
Assets classified as held for sale	
Property, plant & equipment	1,035
Current assets	472
	1,507

12. Goodwill

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

	2019	2018
	£000	£000
Gross carrying amount		
Balance 1st January	3,071	3,071
Write-off	(141)	-
Balance 31st December	**2,930**	**3,071**

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 assumption used in the value in use calculations is 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 the recoverable amount of each asset. No impairment has been identified.

	2019	2018
	£000	£000
The components of goodwill are:		
Lucy Zodion Ltd	2,261	2,261
Truscanian Ltd	-	141
Lucy Electric India (Private) Ltd	155	155
Lucy Electric Gridkey Ltd	162	162
Lucy Equipamentos Electricos Ltda	352	352
	2,930	**3,071**

13. Other intangible assets

	Licenses and software	Product Development	Total
	£000	£000	£000
Gross carrying amount			
At 1st January, 2018	4,590	-	4,590
Additions	192	969	1,161
Acquisition of subsidiary undertaking	64	-	64
Disposals	(200)	-	(200)
At 1st January, 2019	**4,646**	**969**	**5,615**
Additions	154	-	154
Disposals	(148)	-	(148)
Translation differences	137	-	137
At 31st December, 2019	**4,789**	**969**	**5,758**
Amortisation			
At 1st January, 2018	3,720	-	3,720
Charge for year	463	-	463
Disposals	(200)	-	(200)
At 1st January, 2019	**3,983**	**-**	**3,983**
Charge for year	383	97	480
Disposals	(134)	-	(134)
Translation differences	195	-	195
At 31st December, 2019	**4,427**	**97**	**4,524**
Net book value			
At 31st December, 2019	**362**	**872**	**1,234**
At 31st December, 2018	**663**	**969**	**1,632**
At 31st December, 2017	**870**	**-**	**870**

14. 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, 2018	24,540	31,106	16,230	2,209	74,085
Additions	1,183	3,145	1,190	85	5,603
Acquisition of subsidiary undertaking	700	100	34	32	866
Disposals	-	-	(630)	(49)	(679)
Translation differences	1,002	1,262	318	24	2,606
At 1st January, 2019	**27,425**	**35,613**	**17,142**	**2,301**	**82,481**
Recategorisation of lease assets	4,303	27	-	661	4,991
Lease additions	422	329	-	152	903
Additions	465	2,233	737	333	3,768
Transfer to investment properties	(859)	-	-	-	(859)
Disposals	(5)	(253)	(356)	(343)	(957)
Translation differences	(401)	(920)	(96)	(33)	(1,450)
At 31st December, 2019	**31,350**	**37,029**	**17,427**	**3,071**	**88,877**
Depreciation					
At 1st January, 2018	7,687	21,874	11,891	1,520	42,972
Charge for year	750	2,481	1,380	304	4,915
Disposals	-	-	(630)	(48)	(678)
Impairment	(1)	(26)	(4)	(3)	(34)
Translation differences	1,126	732	245	27	2,130
At 1st January, 2019	**9,562**	**25,061**	**12,882**	**1,800**	**49,305**
Charge for year	1,519	2,820	1,479	572	6,390
Disposals	-	(208)	(346)	(258)	(812)
Impairment	-	345	30	6	381
Translation differences	(131)	(420)	(104)	(6)	(661)
At 31st December, 2019	**10,950**	**27,598**	**13,941**	**2,114**	**54,603**
Net book value					
At 31st December, 2019	**20,400**	**9,431**	**3,486**	**957**	**34,274**
At 31st December, 2018	**17,863**	**10,552**	**4,260**	**501**	**33,176**
At 31st December, 2017	**16,853**	**9,232**	**4,339**	**689**	**31,113**

15. Investment Property

Investment property includes residential, commercial, industrial and agricultural properties in the UK, which are owned, managed and let to earn rentals and for capital appreciation. Note 28 'Financial instruments' sets out how the fair value of the investment properties has been determined.

Changes to the carrying amounts are as follows:

	2019	2018
	£000	£000
Carrying amount 1st January	**144,710**	**141,577**
Additions	612	92
Transfer in from property, plant and equipment	1,210	-
Revaluation	4,087	3,041
Carrying amount 31st December	**150,619**	**144,710**

Freehold land and buildings valued by HSBC at £50.4m in 2017 have been charged to secure borrowings of the company (see note 27).

16. Leases

a) The Group leases a number of assets and property, plant and equipment (note 13) includes £4.9m right-of-use assets that are leased. Details are shown below.

	Property	Vehicles	Machinery & Equipment	Total
	£000	£000	£000	£000
Right-of-use assets				
Balance at 1st January	4,303	661	356	5,320
Additions	422	152	-	574
Depreciation charge for the year	(763)	(226)	(17)	(1,006)
Balance at 31st December	**3,962**	**587**	**339**	**4,888**

b) Lease liabilities

	2019
	£000
Maturity analysis - undiscounted cashflows	
Less than one year	1,713
One to five years	2,813
	4,526
Lease liabilities	
Current	955
Non-current	3,689
	4,644

c) Amounts recongised in income statement

Lease liability interest	340
	340

17. Other long-term financial assets

	31st December 2019	31st December 2018
	£000	£000
Equities, other quoted investments and bonds	1,845	1,639
	1,845	**1,639**

Quoted investments are measured at fair value through other comprehensive income.

18. Principal group undertakings

Company	Country of incorporation	Principal activity	Proportion of ownership interests held by the Group at year end % 2019	2018
Lucy Electic 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
Lucy Developments Limited	England	Property development	100	100
Lucy Block Management Limited	England	Property management	100	100
Lawson Fuses UK Limited	England	Manufacture and sale of fuses	100	100
Lucy Equipamentos Electricos Ltda	Brazil	Manufacture and sale of switchgear	100	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 of switchgear and lighting products	100	100
Lawson Fuses India Limited	India	Manufacture and sale of fuses	75	75
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

19. Inventories

	31st December 2019	31st December 2018
	£000	£000
Raw materials and components	18,605	15,983
Work in progress	332	498
Finished goods	10,599	14,374
Development land and buildings:		
Land	4,653	4,713
Developments in progress	6,651	10,449
Finished properties for sale	1,718	974
	42,558	**46,991**

20. Trade and other receivables

	31st December 2019	31st December 2018
	£000	£000
Current receivables		
Trade receivables	34,373	33,650
Rent receivables	173	141
Amounts recoverable on long term contracts	39	542
Corporation Tax receivable	530	529
Prepayments and accrued income	6,777	7,863
Other receivables	3,774	1,601
Total current receivables	**45,666**	**44,326**
Non-current receivables		
Deferred tax asset	455	498
Other receivables	277	252
Total non-current receivables	**732**	**750**
Total receivables	**46,398**	**45,076**

21. Derivative financial instruments

	31st December 2019		31st December 2018	
	Asset	Liability	Asset	Liability
	£000	£000	£000	£000
Designated hedge relationships:				
Foreign exchange contracts	-	816	-	854
Commodity contracts	60	-	-	129
	60	**816**	**-**	**983**

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

22. Provisions

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

	Closure	Restructuring costs	Integration & systems implementation costs	Warranty provision	Other	Total
	£000	£000	£000	£000	£000	£000
Carrying amount 1st January	**-**	**4,597**	**437**	**3,350**	**1,182**	**9,566**
Provided in year	1,911	275	399	739	1,031	4,355
Released in year	-	(298)	-	(202)	(600)	(1,100)
Charge in year	(901)	(93)	(148)	(442)	(71)	(1,655)
Carrying amount 31st December	**1,010**	**4,481**	**688**	**3,445**	**1,542**	**11,166**

23. Trade & other payables - current

	31st December 2019	31st December 2018
	£000	£000
Trade payables	22,879	20,434
Accruals and deferred income	11,002	9,700
Leases	955	-
Other payables	2,531	2,732
	37,367	**32,866**
Corporation Tax payable	1,095	1,409
Social security and other taxes	2,355	1,788
	3,450	**3,197**

24. Trade & other payables - non-current

	31st December 2019	31st December 2018
	£000	£000
Other payables	4,132	4,626
Leases	3,689	-
Deferred consideration on acquisition	783	1,197
	8,604	**5,823**

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

25. Deferred tax liability

	31st December 2019	31st December 2018
	£000	£000
Investment Properties	14,210	13,489
Capital allowances	(112)	(96)
Other timing differences and allowances	352	399
	14,450	**13,792**

Legislation was introduced in the Finance Bill 2016 to reduce the main rate of Corporation Tax for all non-ring fence profits to 17% for the Financial Year 2020. This rate was considered substantially enacted for the purposes of deferred tax and the company's deferred tax liability has been calculated on this basis. However, following the December 2019 election and the Conservative pledge that the reduction will be reversed, it is not likely that the reduced rate will take practical effect. When legislation is passed to change the long term corporation tax rate this will be reflected in the Group's financial statements. In the event rates are maintained at 19%, the company's deferred tax liability will increase by £1.5m.

26. Pensions

Lucy Group Limited (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 ("UURBs") for certain employees. The details below relate to the cost and liabilities of the W Lucy Scheme and the UURBs in aggregate, and to the assets of the W Lucy Pension Scheme. The value of the liabilities as at 31 December 2019 in respect of the UURBs was approximately £1.9m, compared to £1.6m as at 31 December 2018.

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 meet the Statutory Funding Objective. The future contributions required to meet the Statutory Funding Objective do not currently affect the balance sheet of the Scheme in these accounts.

The most recent comprehensive actuarial valuation of the Scheme was carried out as at 6 April 2017 and the next valuation of the Scheme is due as at 6 April 2020. In the event that the valuation reveals a larger deficit than expected the Company may be required to increase contributions above those set out in the existing Schedule of Contributions. Conversely, if the position is better than expected, it is possible that contributions may be reduced.

The Company expects to pay contributions of £0.5m in the year to 31 December 2020 based on the current Schedule of Contributions dated 15 December 2017.

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 can cause additional funding to be required if 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, the value of the assets and liabilities may not move in the same way.
- **Inflation risk:** A significant 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 will 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 Scheme amendments, curtailments or settlements during the period.

26. Pensions, contd

Explanation of amounts in the financial statements

	31st December 2019	31st December 2018
Principal actuarial assumptions		
Discount rate	2.00% p.a.	2.90% p.a.
Inflation (RPI)	2.90% p.a.	3.05% p.a.
Inflation (CPI)	2.10% p.a.	2.05% p.a.
Salary increases	2.90% p.a.	3.05% p.a.
Pension increase (RPI max 5% pa)	2.80% p.a.	2.95% p.a.
Pension increase (RPI max 2.5% pa)	2.10% p.a.	2.15% p.a.
Pension increase (CPI max 3% pa)	1.80% p.a.	1.80% p.a.
Post-retirement mortality	112% of the S2PA tables with CMI 2018 projections using a long-term improvement rate of 1.25% p.a. and zero initial addition parameter	112% of the S2PA tables with CMI 2017 projections using a long-term improvement rate of 1.25% p.a.
Commutation	Members are assumed to take 20% of their pension as tax free cash	
Life expectancy at age 65 of male aged 45	22.0	22.5
Life expectancy at age 65 of male aged 65	20.6	21.1
Life expectancy at age 65 of female aged 45	24.1	24.6
Life expectancy at age 65 of female aged 65	22.6	23.1

The current asset split is as follows:

	Bid values at 31st December 2019
	£000
Equities	41,293
Corporate Bonds	12,338
Gilts	2,636
Property	667
Target Return	4,864
Cash	359
Total assets	**62,157**

Balance sheet

	At 31st Dec 2019	At 31st Dec 2018
	£000	£000
Fair value of assets	62,157	55,300
Present value of funded obligations	(69,799)	(62,593)
Deficit	**(7,642)**	**(7,293)**
Deferred tax	1,299	1,240
Net defined benefit liability	**(6,343)**	**(6,053)**

Amount recognised in Profit and Loss

	Period to 31st Dec 2019	Period to 31st Dec 2018
	£000	£000
Current service cost	600	702
Administration costs	135	217
Interest on liabilities	1,786	1,653
Interest on assets	(1,584)	(1,551)
Past service costs	-	1,046
Settlement and curtailment cost	-	-
Total charge to Profit and Loss	**937**	**2,067**

26. Pensions, contd

Remeasurements over the year

	Period to 31st Dec 2019	Period to 31st Dec 2018
	£000	£000
(Gain)/loss on assets in excess of interest	(6,653)	5,215
Experience losses/(gains) on liabilities	76	156
Losses/(gains) from changes to demographic assumptions	(1,621)	(409)
Losses/(gains) from changes to financial assumptions	8,434	(3,101)
Total remeasurements	**236**	**1,861**

Change in value of assets

	Period to 31st Dec 2019	Period to 31st Dec 2018
	£000	£000
Fair value of assets at start	**55,300**	**60,295**
Interest on assets	1,584	1,551
Company contributions	824	905
Contributions by Scheme participants	102	112
Benefits paid	(2,171)	(2,131)
Administration costs	(135)	(217)
Change due to settlements and curtailments	-	-
Return on assets less interest	6,653	(5,215)
Fair value of assets at end	**62,157**	**55,300**

Actual return on assets	**8,237**

Change in value of defined benefit liabilities

	Period to 31st Dec 2019	Period to 31st Dec 2018
	£000	£000
Defined benefit obligation at start	**62,593**	**64,565**
Current Service Cost	600	702
Contributions by Scheme Participants	102	112
Past service costs	-	1,046
Interest cost	1,786	1,653
Benefits paid	(2,171)	(2,131)
Change due to settlements and curtailments	-	-
Experience (gain)/loss on liabilities	76	156
Changes to demographic assumptions	(1,621)	(409)
Changes to financial assumptions	8,434	(3,101)
Defined benefit obligation at end	**69,799**	**62,593**

Reconciliation of net defined benefit liability

	Period to 31st Dec 2019	Period to 31st Dec 2018
	£000	£000
Net defined benefit liability at start	**7,293**	**4,270**
Current service cost	600	702
Past service cost & settlement and curtailment cost	-	1,046
Net interest expense (income)	202	102
Remeasurements	236	1,861
Administration costs	135	217
Employer contributions	(824)	(905)
Net defined benefit liability at end	**7,642**	**7,293**

Sensitivity of the value placed on the liabilities

		Approximate effect on liability
		£000
Discount rate	Discount rate -0.10%	1,150
Inflation	Inflation +0.10%	925
Salary increases	Salary increases +0.10%	201
Mortality	Increase long-term mortality improvement rate to 1.50%	672
	Include a 0.5% p.a. initial addition parameter	1,719

Projected Profit & Loss account for next year

	Period to 31 Dec 2020
	£000
Current service cost	682
Administration costs	135
Interest on liabilities	1,375
Interest on assets	(1,227)
Past service costs	-
Settlement and curtailment cost	-
Total charge to Profit and Loss	**965**

The above estimate is based on the assumptions adopted at the Review Date and assumes the following:

i Benefits paid, administration costs and active member payroll are broadly unchanged from the current year's figures.
ii Company contributions to the Scheme are paid in line with the Schedule of Contributions dated 15 December 2017.
iii There are no events that would give rise to a settlement, curtailment or past service cost.

27. Borrowings

The Group's committed loan facilities at the year end were £40.0m, and these were utilised as follows:

	Repayable	2019
		£000
Facilities		
Revolving facilities		
Secured £20m revolving multi-currency loan at 1.40% above LIBOR	30th September 2021	14,476
Secured £20m revolving multi-currency loan at 1.40% above LIBOR	15th February 2023	13,400
Other		
Exchange loss on foreign currency borrowings		923
Total Borrowings		**28,799**

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 2019 was £28.8m, split as follows:	
Sterling £25m loans at variable rates of interest	16,400
US Dollar $9.6m loans at variable rates of interest	7,247
Thai Baht THB 203m loans at variable rates of interest	5,152
	28,799

Maturity of borrowings

	2019	2018
	£000	£000
In more than one but no more than two years	14,476	-
In more than two but no more than five years	14,323	31,958
More than five years	-	-
	28,799	**31,958**

28. Financial instruments and risk management

a. Financial risk management objectives and policies

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

Treasury and financial risk management

The main risk for the Group is the availability of funds to meet business needs. Higher debt levels would result in an increase in the proportion of cash flow dedicated to servicing debt and potentially increase its exposure to interest rate fluctuations. The geographic spread of the Group means that its financial results can be affected by movements in foreign exchange rates.

The Group has a significant proportion of its borrowing denominated in US Dollars to mitigate the risk of movements in foreign exchange rates.

The Group operates a centralised treasury function which is responsible for managing its liquidity, interest and foreign currency risks. The Group's treasury policy allows the use of certain 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 20.

Liquidity risk

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

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

Commodity risk

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

Foreign currency risk

The Group incurs foreign currency risk on transactions that are denominated in a currency other than UK 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 at the beginning of the year using foreign currency loans, forward currency contracts and options were used to translate exposure to currency movements in overseas net assets. This mitigates the currency risk arising from the subsidiary's net assets. The policy changed during the year and the business no longer has any net investment hedges in place.

Interest rate risk

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

b. Derivative financial instruments

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

In accordance with the Group treasury policies, derivative financial instruments are not held for trading purposes and policy sets out the range of instruments that can be used.

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

i. 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

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. There are no net investment hedges held at the end of the year

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:

Quoted equities and securities (Level 1)

The fair value of the Group's quoted securities are derived from observable quoted market prices for the assets.

Investment property (Level 2)

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

Forward contract and commodity swaps (Level 2)

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

c. Categories of Financial Instruments

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

			2019			2018
	Non-current	Current	Total	Non-current	Current	Total
	£000	£000	£000	£000	£000	£000
Financial assets at fair value through OCI						
Listed equity investments	-	1,845	1,845	-	1,639	1,639
Total financial assets at fair value through OCI (a)	**-**	**1,845**	**1,845**	**-**	**1,639**	**1,639**
Trade receivables	-	34,546	34,546	-	33,791	33,791
Total financial assets at amortised cost (b)	**-**	**34,546**	**34,546**	**-**	**33,791**	**33,791**
Derivative financial instruments	-	816	816	-	854	854
Cash and cash equivalents (c)	**-**	**17,557**	**17,557**	**-**	**15,270**	**15,270**
Financial Liabilities						
Derivative financial instruments **(d)**	-	756	756	-	983	983
Interest bearing loans and borrowings	28,799	-	28,799	31,958	-	31,958
Trade and other payables	-	22,879	22,879	-	20,434	20,434
Total	**28,799**	**23,635**	**52,434**	**31,958**	**21,417**	**53,375**

The Group's financial instruments resulted in the following income, expenses, gains and losses recognised in the income statement:

			2019			2018
	Non-current	Current	Total	Non-current	Current	Total
	£000	£000	£000	£000	£000	£000
Financial assets						
Dividends from equity investments held at FVOCI	-	33	33	-	32	32
Hedging gains - hedge ineffectiveness	-	-	-	-	-	-
Total	**-**	**33**	**33**	**-**	**32**	**32**
Financial liabilities						
Finance cost of interest bearing loans and borrowings	-	580	580	-	420	420
Hedging losses - hedge ineffectiveness	-	(217)	(217)	-	128	128
Total	**-**	**363**	**363**	**-**	**548**	**548**

a) Financial assets at fair value through other comprehensive income:

Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading. The company has made an irrecovable election at initital recognition to recognise changes in fair value through other comprehensive income rather than profit and loss.

b) Trade and other receivables

Amounts due from customers for goods and services provided by the group in the course of ordinary business are classified as trade receivables. Settlement terms are generally 30-60 days and as such are all classifed as current assets. The fair value of receivables is considered to be the same as their carrying amount, given the short term nature of the asset. The group's policy for the impairment is shown under principal accounting policies.

c) Cash and cash equivalents

Cash and cash equivalents comprise of cash at bank and in hand and cash balances held by the Group's investment managers.

d) Derivative financial instruments

The Group's policy for derivative financial instruments are disclosed in the principal accounting policies.

29. Equity - share capital

	2019	2018
	£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

30. Other reserves

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

Capital reserves

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

Retained earnings

In accordance with IFRS, retained earnings include revaluation reserves which are not distributable under UK law. The balance in the revaluation reserve at 31 December 2019 is £109.0m.

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 IFRS 9.

Net investment hedge reserve

This includes the fair value of the movements in derivative financial instruments qualifying for hedge accounting under IFRS 9.

31. Commitments

Capital

At 31st December 2019 the Group had authorised the following future capital expenditure:

	2019	2018
	£000	£000
Contracted	62	1,741
Not contracted	57	84

32. Contingent liabilities

The Group has given its bankers guarantees amounting to the equivalent of £8.1m (2018: £4.7m) in respect of tender and performance bonds and counter indemnities.

33. Related parties

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

Transactions with 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:

	2019	2018
	£000	£000
Short-term employee benefits	888	877
Post employment benefits	23	15
	911	**892**
Emoluments of highest paid director	252	257
Pension contribution	-	-
	252	**257**

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 £22.5k (2018: £14.6k) to defined contribution schemes in respect of one other Director and operates unfunded unapproved retirement benefits for another Director.

At the year end the highest paid director had accrued pension benefits within the defined benefit section of the W Lucy Pension Scheme which, excluding the value of benefits arising from additional voluntary contributions, would entitle him to a pension, payable immediately, of £199,510 p.a. (2018: £187,333). As at 31 December 2019, pension totalling £106,609 pa (2018: £104,620 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 £92,901 pa of pension as at 31 December 2019 (2018: £82,713 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 transactions with the defined benefit plan include contributions to the plan and trustee, accounting and administrative services.

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

34. Analysis of changes in cash and net debt

	1st Jan	Cash flows	Exchange loss	31st Dec
	£000	£000	£000	£000
Cash at bank and in hand	**15,196**	**2,361**	**-**	**17,557**
Liquid resources	74	(74)	-	-
Loan capital over one year	(31,958)	3,241	(82)	(28,799)
Net cash	**(16,688)**	**5,528**	**(82)**	**(11,242)**

Company Statement of Financial Position

as at 31st December 2019

	Note	31st Dec 2019	31st Dec 2018
		£000	£000
Assets			
Non-current assets			
Intangible assets	2	106	146
Property, plant and equipment	3	3,006	3,000
Investments			
Investment property	4	154,742	148,833
Other investments	5	67,907	76,962
Non-current assets		**225,761**	**228,941**
Current assets			
Trade and other receivables	6	181	137
Derivative financial instruments	12	60	-
Group debtors	6	2,270	3,228
Prepayments and other debtors	6	1,334	633
Cash and cash equivalents			74
Current assets		**3,845**	**4,072**
Total assets		**229,606**	**233,013**
Liabilities			
Non-current liabilities			
Provisions	9	6,052	4,814
Pension and other employee obligations	16	6,343	6,053
Borrowings	11	28,799	31,958
Trade and other payables	8	980	1,197
Deferred tax liabilities	10	14,111	13,421
Non-current liabilities		**56,285**	**57,443**
Current liabilities			
Trade and other payables	7	11,773	6,210
Current tax liabilities	7	447	966
Derivative financial instruments	12	816	983
Other liabilities	7	2,131	5,776
Current liabilities		**15,167**	**13,935**
Total liabilities		**71,452**	**71,378**
Net assets		**158,154**	**161,635**

	Note	31st Dec 2019	31st Dec 2018
		£000	£000
Equity			
Share capital	15	492	492
Other reserves		(6,852)	(6,613)
Profit and loss account		164,514	167,756
Total equity		**158,154**	**161,635**

Approved by the Board of Directors on 17 March 2020 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 2019

	Share capital	Capital reserve	Currency reserve	Cash flow hedge reserve	Retained earnings	Total equity
	£000	£000	£000	£000	£000	£000
At 1st January, 2019	**492**	**31**	**(6,419)**	**(225)**	**167,756**	**161,635**
Loss for the year	-	-	-	-	(2,246)	(2,246)
Other comprehensive income						
Foreign currency translation	-	-	(464)	-	-	(464)
Change in cash flow hedges	-	-	-	225	-	225
Fair value change in investments	-	-	-	-	209	209
Actuarial loss on post retirement liability, net of deferred tax	-	-	-	-	(177)	(177)
Total comprehensive income	**-**	**-**	**(464)**	**225**	**(2,214)**	**(2,453)**
Dividends	-	-	-	-	(1,028)	(1,028)
At 31st December, 2019	**492**	**31**	**(6,883)**	**-**	**164,514**	**158,154**
At 1st January, 2018	**492**	**31**	**(5,547)**	**5**	**168,119**	**163,100**
Profit for the year	-	-	-	-	2,127	2,127
Other comprehensive income						
Foreign currency translation	-	-	(872)	-	-	(872)
Change in cash flow hedges	-	-	-	(230)	-	(230)
Fair value change in investments	-	-	-	-	(140)	(140)
Actuarial loss on post retirement liability, net of deferred tax	-	-	-	-	(1,322)	(1,322)
Total comprehensive income	**-**	**-**	**(872)**	**(230)**	**665**	**(437)**
Dividends	-	-	-	-	(1,028)	(1,028)
At 31st December, 2018	**492**	**31**	**(6,419)**	**(225)**	**167,756**	**161,635**

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 loss for the year was £2.2m (2018: profit £2.1m). These financial statements present information about the Company as an individual undertaking and not about its Group.

Changes in accounting policies

Previously the Company classified a lease as an operating or finance lease based on whether the risks and rewards of ownership of the leased asset had been transferred to the Company. The 2018 information in these financial statements continues to follow this approach. On adoption of IFRS 16 the company recognises assets and lease liabilities for the majority of leases.

For leases classified as operating leases under IAS 17, at 1st January 2019 the lease liabilities were measured at the present value of the remaining lease payments and assets measured at an amount equal to the lease liability (adjusted for any prepaid or accrued lease payments). The following practical expedients have been applied by the company to leases previously classified as operating leases:

- A single discount rate has been applied to a portfolio of leases with similar characteristics
- Assets and liabilities for leases with less than 12 months of the lease term remaining have not been recognised
- Excluded initial direct costs from measuring asset value at the initial application of IFRS 16

The adoption of IFRS 16 has resulted in changes in accounting policies and adjustments to amounts recognised in the financial statements. The accounting policies for leases are explained in the accounting policies section above.

There were no adjustments required on transition to IFRS 16.

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 90 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
- IFRS 15: Various disclosures in respect of revenue recognition including disaggregation of revenue and details of performance obligations

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 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 control of the products or services has transferred to the customer.

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.

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 license. 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.

Investments

Investments in subsidiaries including long term loans are held at cost less any provision for impairment. Impairment provisions are based upon an assessment of the net recoverable amount of each investment. 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.

Leases

The company recognises a right of use asset and a lease liability at the lease commencement date. The asset is initially measured at cost and subsequently depreciated using the straight line method from the commencement date to the end of the useful life of the asset or the end of the lease term, whichever is earlier.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if this is not available the companies incremental borrowing rate. Generally the incremental borrowing rate is used. The lease liability is subsequently measured at amortised cost using the effective interest method.

The company has elected not to recognise right of use assets and liabilities for short term leases of assets that have a lease term of less than 12 months and leases where the underlying asset is of low value. Such leases are recognised as an expense on a straight line basis over the term of the lease.

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.

Financial Instruments

Financial assets and liabilities are recognised in the balance sheet when the company becomes party to the contractual provisions of the instrument.

The company classifies financial assets into one of three categories; i) amortised cost, ii) fair value through other comprehensive income ("FVOCI") and iii) fair value through profit or loss ("FVTPL"). The Groups' business model for managing the assets and their cash flows determines which classification is applied to each financial asset. Assets held under the 'held to collect' business model are classified at amortised cost, those 'held to collect and for sale' at FVOCI and assets held under any other business model to the above are classified at FVTPL.

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 formally documented at the initial designation of the hedge, the documentation describes the relationship between the hedged item and hedging instrument, risk management strategy and the method for assessing hedge effectiveness.

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 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. Eligible employees were enrolled into a scheme established under Part 1 of the Pensions Act 2008. The pension costs of these schemes are charged as incurred.

Provisions, contingent assets and contingent liabilities

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

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

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

Significant management judgement in applying accounting policies and estimation uncertainty

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

Recognition of deferred tax assets

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

Defined benefit obligation

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

Fair value measurement

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

2. Intangible assets

	Licenses and software
	£000
Gross carrying amount	
At 1st January, 2019	853
Additions	47
At 31st December, 2019	**900**
Amortisation	
At 1st January, 2019	707
Charge for year	87
At 31st December, 2019	**794**
Net book value	
At 31st December, 2019	**106**
At 31st December, 2018	**146**

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, 2019	1,648	6,462	342	8,452
Additions	-	186	86	272
Lease additions	-	329	-	329
Disposals	-	(336)	(108)	(444)
At 31st December, 2019	**1,648**	**6,641**	**320**	**8,609**
Depreciation				
At 1st January, 2019	319	4,879	254	5,452
Charge for year	60	457	59	576
Disposals	-	(336)	(89)	(425)
At 31st December, 2019	**379**	**5,000**	**224**	**5,603**
Net book value				
At 31st December, 2019	**1,269**	**1,641**	**96**	**3,006**
At 31st December, 2018	**1,329**	**1,583**	**88**	**3,000**

4. Investment Property

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

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

Changes to the carrying amounts are as follows:

	2019	2018
	£000	£000
Carrying amount 1st January	**148,833**	**145,700**
Additions	612	92
Transfer in	1,210	-
Revaluation	4,087	3,041
Carrying amount 31st December	**154,742**	**148,833**

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

5. Other investments

	2019	2018
	£000	£000
Equity securities: listed	1,845	1,639
Group undertakings	32,976	41,848
Loans to Group undertakings	33,086	33,475
	67,907	**76,962**

Investments in subsidiaries have been written down to the company net asset value at the year end. Total impairments to investments in subsidiaries were £9.1m (2018: £8.9m), total write backs were £0.1m (2018: nil), additions were £1.2m (2018: £11.8m) and disposals were nil (2018: nil) in the year.

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

Group undertakings

	2019	2018
	£000	£000
Lucy Electric UK Limited	11,537	11,537
Lucy Electric (EMS) Limited	5,775	7,560
Lucy Electric Manufacturing and Technologies India (Private) Limited	4,077	4,077
Lucy Electric (Thailand) Limited	3,022	4,970
Lucy Electric India (Private) Limited	2,343	5,977
Lawson Fuses UK Ltd	1,976	2,780
Lucy Asia Pacific SDN BHD	1,662	1,543
Lucy Zodion Limited	1,250	1,250
Lucy Switchgear FZE	534	534
Lucy Equipamentos Electricos Ltda	338	918
Lucy Electric GridKey Limited	200	200
Lucy Middle East FZE	174	174
Lucy Block Management Limited	53	64
Lucy Electric South Africa (Pty) Limited	20	-
Lucy Electric Beijing Company Limited	14	17
Lucy Developments Limited	1	1
Truscanian Foundries Limited	-	236
Sandawana Castings Limited	-	10
Power Connectors Limited	-	-
Truscanian Limited	-	-
	32,976	**41,848**

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 2019 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

	31st Dec 2019	31st Dec 2018
	£000	£000
Trade receivables	8	8
Amounts owed by Group undertakings	2,270	3,228
Rent debtors	173	129
Other assets and deferred charges	702	-
Prepayments and accrued income	544	624
Other receivables	88	9
	3,785	**3,998**

7. Trade & other payables - current

	31st Dec 2019	31st Dec 2018
	£000	£000
Bank overdrafts	136	4,024
Trade payables	217	59
Amounts owed to Group undertakings	11,450	6,151
Corporation Tax payable	283	791
Social security and other taxes	164	175
Accruals and deferred income	989	680
Leases	106	-
Other payables	1,006	1,072
	14,351	**12,952**

8. Trade & other payables - non-current

	31st Dec 2019	31st Dec 2018
	£000	£000
Finance lease more than one year	197	-
Deferred consideration on acquisition	783	1,197
	980	**1,197**

9. Provisions

All provisions are considered current. The carrying amounts and the movements in the provision account are as follows:

	Closure	Restructuring Costs	Integration Costs	Warranty Provision	Other	Total
	£000	£000	£000	£000	£000	£000
Carrying amount 1st January, 2019	-	4,418	100	10	286	4,814
Provided in year	610	275	-	-	1,023	1,908
Released in year	-	(298)	-	-	-	(298)
Charge in year	(208)	(93)	-	-	(71)	(372)
Carrying amount 31st December, 2019	**402**	**4,302**	**100**	**10**	**1,238**	**6,052**

10. Deferred tax

	31st Dec 2019	31st Dec 2018
	£000	£000
Investment Properties	14,111	13,421
	14,111	**13,421**

11. Borrowings

The Group's committed loan facilities at the year end were £40.0m, and these were utilised as follows:

	Repayable	2019
		£000
Facilities		
Revolving facilities		
Secured £20m revolving multi-currency loan at 1.40% above LIBOR	30th September 2021	14,476
Secured £20m revolving multi-currency loan at 1.40% above LIBOR	15th February 2023	13,400
Other		
Exchange loss on foreign currency borrowings		923
Total Borrowings		**28,799**

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 2019 was £32.0m, split as follows:	
Sterling £25m loans at variable rates of interest	16,400
US Dollar $9.6m loans at variable rates of interest	7,247
Thai Baht THB 203m loans at variable rates of interest	5,152
	28,799

Maturity of borrowings

	2019	2018
	£000	£000
In more than one but no more than two years	14,476	-
In more than two but no more than five years	14,323	31,958
More than five years	-	-
	28,799	**31,958**

12. Derivative financial instruments

	31st December 2019		31st December 2018	
	Asset £000	Liability £000	Asset £000	Liability £000
Designated hedge relationships:				
Foreign exchange contracts	-	816	-	854
Commodity contracts	60	-	-	129
	60	**816**	**-**	**983**

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

	2019	2018
	£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 26 of the Group financial statements.

Registered Office

Lucy Group Ltd
Eagle Works
Walton Well Road
Oxford
OX2 6EE

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1 Welcome to Lucy Group Oxford

Advisors

Auditors	Wenn Townsend Chartered Accountants and Statutory Auditors 30 St. Giles Oxford OX1 3LE	**Pension consultants**	Barnett Waddingham LLP Decimal Place Chiltern Avenue Amersham HP6 5FG
Bankers	HSBC Bank plc 65 Cornmarket Street Oxford OX1 3HY	**Investment advisors**	Cazenove Fund Management Ltd King Charles House Park End Street Oxford OX1 1JD

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

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 Thursday 30th April 2020, 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, 2019.
2) To declare a final dividend.
3) To re-elect as a Director Mrs. 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

17 March 2020

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 this time, 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).

Principal Locations

United Kingdom Companies

Lucy Electric UK Ltd.
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