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LUCY GROUP LTD ANNUAL REPORT & ACCOUNTS 2022

Lucy Group Ltd
Annual Report & Accounts 2022

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

Who we are

Lucy Group is an international group that is making the built environment more sustainable.

Our electric businesses advance the transition to a carbon-free world with infrastructure that enables renewable energy and smart cities. Our real estate businesses support sustainable living, via responsible property development and investment.

Our purpose

Our purpose is to improve people's lives with intelligent power, smart lighting and sustainable homes.

Our portfolio of distinct yet interconnected businesses is well positioned to deliver against the triple bottom line. We advance the built environment, preserve the natural environment and deliver operational efficiencies.

Our products

Our products and services meet three broad commercial needs: reducing energy consumption and associated costs; meeting net zero decarbonisation goals; and enhancing functionality, connectivity and control.

Read more about our businesses on page 7.

Our values

Our culture and business strategy are underpinned by five core values: **caring, trusted, working together, excellence, and daring to differentiate.**

Read more about our values on pages 10-11.

Our businesses

Lucy Electric – electrical equipment and controls for medium and low voltage secondary power distribution.

Lucy Controls – electrical safety, intelligent street lighting, electric vehicle charging infrastructure, and smart city management.

Lucy Real Estate – sustainable property development and investment in Oxfordshire, UK.

For more information visit our website: **www.lucygroup.com**

Lucy Group Ltd **@lucy_group** **@lucy.group**

Chairman's Statement

Read on pages 4 and 5.

Operational Review

Read on pages 24 to 27.

Financial Review

Read on pages 40 to 43.

Contents

Highlights

A year of strong progress, increased revenue, new products developed and a further strengthening of our balance sheet.

Turnover

£313.2m
2022

£263.8m
2021

Rental income

£8.4m
2022

£8.2m
2021

Net assets

£289.1m
2022

£238.4m
2021

Turnover from continued operations £m

2018	167.6m
2019	189.6m
2020	204.0m
2021	263.8m
2022	313.2m

Rental income £m

2018	7.7m
2019	7.9m
2020	7.9m
2021	8.2m
2022	8.4m

Net assets £m

2018	187.3m
2019	186.5m
2020	201.4m
2021	238.4m
2022	289.1m

Operating profit before net valuation gains on investment property

£35.5m
2022

£39.5m
2021

Profit before tax

£35.3m
2022

£42.2m
2021

Total comprehensive income for the year

£52.8m
2022

£39.5m
2021

TCO_2e

17.6
2022

18.1*
2021

Earnings per share

6,989p
2022

6,403p
2021

Normalised dividends per share (paid and proposed)**

264p
2022

233p
2021

*Restated

**Core dividends on a normalised basis excludes special dividends – see Financial Review section for details

Chairman’s Statement

Richard Dick
Executive Chairman

I am pleased to present Lucy Group’s Annual Report and Accounts for the year ending December 2022. The Group’s overall performance was strong, with record sales and an order intake of just under £400m.

Margins were squeezed by external cost pressures throughout the year, impacting Profit Before Tax (PBT), which was down against the previous year. Performance against the Group’s other Key Performance Indicators (KPIs) was generally more favourable.

In Lucy Electric, we saw strong sales growth and product innovation. The Lucy Controls businesses made encouraging progress in building expertise and introducing new technology, while improving market access. In Lucy Real Estate, we continued efforts to systematically upgrade our property rental portfolio and expand our property development capability.

The Group responded well to the many sources of global uncertainty; we expand on these trends in this report, but I would like to thank the teams across the businesses for their dedication and focus. While there may well be headwinds to performance through 2023, the Group is well placed to benefit through the transition from fossil fuels to renewable energy, as well as the push to reduce energy consumption.

Performance

The Group has seen sales growth of 19%, which largely reflects solid organic growth along with benefitting from exchange rates – a substantial proportion of revenue is denominated in US dollar-related currencies. PBT for the year has decreased by 16% (2021: increased by 56%), with margins squeezed by external cost pressure. Cash has been positively impacted, with a free cash inflow of £10.5m (2021: £30.1m). Net assets increased by 21% (2021: 18%).

During most of the year, the Group was adversely affected by high commodity and freight costs. These began to stabilise for a period, but volatility has become the norm. We expect ongoing constraints through 2023, due to the tail end of Covid restrictions interrupting both supply and demand in certain regions.

2022 saw a modest devaluation of our real estate investment property portfolio. Although increased interest rates will likely weigh on UK property prices through 2023, our portfolio is largely based in Oxfordshire, a region that has proven relatively resilient to market pressures in the past. Our investments are long term and the strong balance sheet will continue to allow the Group to be strategic in planning investment decisions.

To mitigate the impact of inflation, Group businesses have worked to pass through increased costs, with some restrictions due to contractual agreements. Because of the Group’s international presence, inflationary pressures were not uniform across all regions.

Strategic developments

Our strategic objective is to consistently drive long-term value for the benefit of our stakeholders; this includes developing growth opportunities and expanding margins through efficiency. In June 2022 we acquired a majority shareholding in Flashnet S.A., a Romanian company that specialises in the design, development and manufacture of smart lighting and intelligent city control systems. Flashnet joins Lucy Zodion and Lawson Fuses under Lucy Controls and will allow us, over time, to increase market reach and restructure the development of smart city solutions.

We operate primarily in the electrical industry; therefore, sustainability is playing an important role in driving the business forward. We are committed to having a positive impact on the environment and are producing concrete plans for a net zero transition. This goal is achieved partly through investment in our product design and partly through the way we operate our manufacturing plants. One example of product design is our upgraded 12kV Aegis Ecotec Ring Main Unit (RMU), which replaces fluorinated gas, thereby complying with the forthcoming European F-gas Regulation. Following significant research and testing, we have soft launched the product this year and expect to have availability in 2023.

As regards internal business processes, we continued to develop and deepen the Microsoft D365 applications used widely throughout the Group. This investment improves the quality of business intelligence, operational performance and information security.

Ongoing value engineering and product development projects will continue into 2023. These will enhance our production and manufacturing efficiencies, meet the growing need for energy efficiency and renewable energy solutions and, ultimately, deliver long-term value for all stakeholders.

Dividend

The Board recommends a final dividend of 160p to be paid on 4 May 2023 to shareholders on the register on 31 March 2023 which, including the interim dividend of 104p per share, represents a full year dividend of 264p (2021: 233p). The Group paid a special dividend of 175p on 8 December (2021: 150p), reflecting a strong end to the year.

Environment, Social and Governance (ESG)

Sustainability is essential for all organisations, and public engagement with climate issues is at an all-time high. In 2021 we introduced a Group sustainability policy and pledged our commitment to the United Nations (UN) global net zero ambitions. This year we continued to report on progress against our sustainability roadmap and to further roll out the Achilles Greenhouse Gas Certification Scheme.

Central to the Group’s product strategy is the drive towards renewables and the decarbonisation of human activity. Many of our products make a positive contribution, including: connecting renewable energy from wind and solar to the grid; distribution substations for electric vehicle charging solutions; energy usage monitoring; smart city controls for optimised lighting; and sustainable home design.

The Board has a clear ethical stance on the UN Sustainable Development Goals (SDGs) and is seeking measured improvements in our operational ESG commitments. As such, our value engineering programmes have a sharp focus on sustainability. The aim is to reduce waste, raw material consumption, time and energy usage in the manufacture and operational costs associated with our products. Each small step reduces our environmental footprint and optimises product reliability and performance.

Our people

We need talented, motivated and committed people to develop quality products and sustain industry-leading client relationships. We therefore place great importance on providing a challenging and rewarding work environment, with opportunities for training and career progression.

Our values instil strong guiding principles for how we lead and how we behave, and it is important that the business culture reflects this. During our regular employee engagement survey, the value of ‘Trusted’ has consistently come out as one of our highest ranked: this is an essential characteristic for long-term relationships with our clients, so I am immensely proud that our employees feel this way about Lucy Group.

We continue to focus on employee engagement, acknowledging that it is our people who are critical to our success. In another challenging year, they have shown resilience and courage to deliver services of the highest standard. Their commitment has allowed us to be agile in our response to customer needs. I would like to take this opportunity to thank every single one of them for their contribution.

Outlook

The outlook in many sectors is challenging, but the Group’s diversified product portfolio provides some risk mitigation, while our strong balance sheet has served the business well over the years. Our approach facilitates flexible strategic thinking, our business activities present long-term opportunities, and the strength of our order book provides assurance going into 2023.

We move forward with confidence in our people, values and strategy. Continued investment in new product technologies and value engineering, an international outlook, and disciplined execution of our objectives provide a strong foundation for future performance. We continue to face headwinds, including ongoing demand constraints in certain regions. Inflation, supply chain restrictions, capital equipment lead times and skills shortages will continue to have some impact on performance for the coming year.

The global trend for renewable energy and electric vehicles is likely to create increased demand for our products. Our equipment and know-how support the transition to renewable energy and the connections to meet increasing demand for electric power. Our intelligent street lighting and EV charging solutions support smart cities, with control automation that delivers operational and cost efficiencies. Our real estate businesses seek to support sustainable living by moving towards energy saving technologies and eco-friendly materials.

My thanks, once again, go to our talented and dedicated employees for their efforts throughout the year. I wish them all a healthy and prosperous 2023.

Richard Dick
Executive Chairman

23 March 2023

Our Geographical Reach

1,600 employees

5 continents

12 countries

Our Business Units

Lucy Electric

Lucy Electric

Lucy Electric is an international leader in intelligent secondary power distribution products and solutions, with remote operation and monitoring. Linking energy generation to consumption, the business specialises in high-performance medium- and low-voltage switchgear for utility, industrial and commercial applications. Lucy Electric enables the safe and reliable distribution of energy to homes and businesses worldwide, while supporting the transition to renewable energy sources. Services include installation, commissioning and maintenance.

Lucy Controls

Lucy Controls

Lucy Controls comprises three international electrical control manufacturing businesses that advance smart city infrastructure, optimise energy conservation and preserve safety:

- Lucy Zodion is an industry leader in advanced street lighting control, power distribution and electric vehicle (EV) supply solutions.
- Flashnet offers a portfolio of smart, Internet of Things (IoT) connected lighting and power grid management systems.
- Lawson Fuses specialises in low-voltage, High-Rupturing Capacity (HRC) fuse links and fuse holders.

Lucy Real Estate

Lucy Real Estate

Lucy Real Estate has two separate property businesses focused on Oxfordshire in the UK:

- Lucy Properties is a lettings and management business that invests in and manages 350 residential properties for over 850 tenants, with in-house service and maintenance.
- Lucy Developments is a developer of high-end, sustainable homes for sale, with prime sites within a 90-minute commute time from Oxford.

Our Business in Action

CASE STUDY

Lucy Electric boosts cyclone-resilient power infrastructure

Lucy Electric India has supplied 11kV and 22kV switchgear to the National Cyclone Risk Mitigation Project (NCRMP) near Alibaug, India.

The NCRMP's aim is to address the risks posed by tropical cyclones, which on average occur five or six times a year and can be severe.

Part of the NCRMP's disaster risk management strategy, the switchgear represents a critical structural measure to ensure power reliability and prevent outages during cyclone activity. The equipment complies with the recommendations made by the Government of India's task force report on cyclone-resilient robust electricity transmission and distribution infrastructure in the coastal areas.

The enclosure was specially built for extreme saline environments and subjected to 1,000 hours of salt spray testing. Stress testing demonstrated impressive mean time between failure figures, performing well against the System Average Interruption Duration Index (SAIDI) and System Average Interruption Frequency Index (SAIFI) for the duration and number of non-momentary power interruptions per year.

CASE STUDY

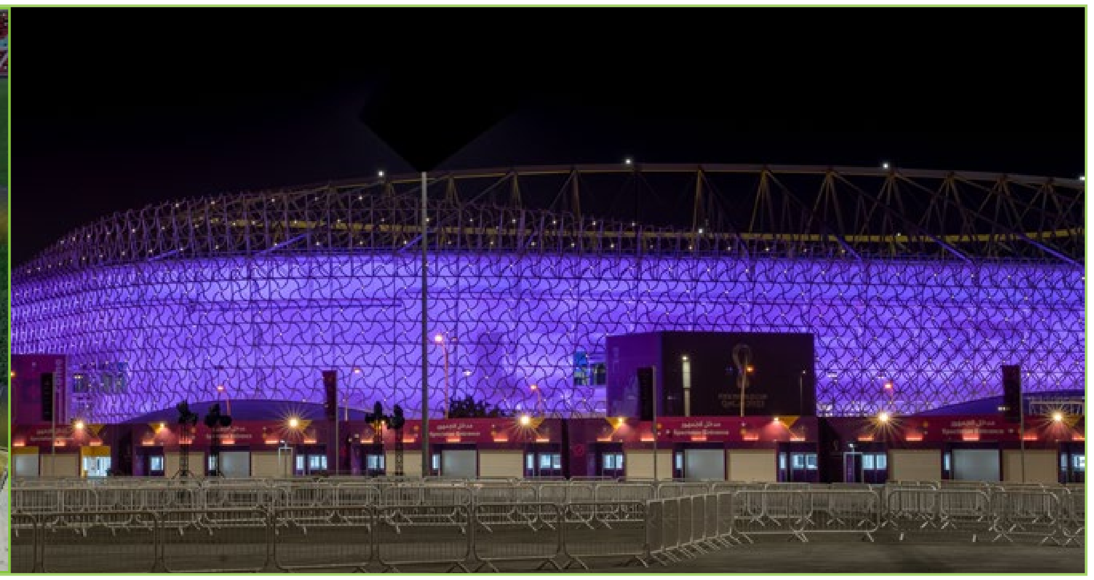
Lucy Zodion wins pitch for 2022 FIFA World Cup

Lucy Zodion has helped to power some of the biggest events and venues in the world. In 2022, we were part of the team that powered the Al Rayyan Ahmed Bin Ali stadium at the FIFA World Cup in Qatar.

When the new venue was designed to meet FIFA's requirements, we were proud to be asked to design and supply 52 feeder pillars, in ten different designs, including our popular ground retractable Westminster product, which sits flush to the surface when not in use.

Innovative customisations included a mesh divider to force airflow around the equipment and a larger canopy; these were added to the pillar footprint to help counter Qatar's extreme heat.

We also created bespoke feeder pillars for Stadium 0974 and Lusail Stadium, meeting all the project requirements and delivering on time and on budget.



CASE STUDY

Lucy Developments makes luxury living sustainable

Small schemes of high-quality new homes in premium south Oxfordshire villages are highly sought after. Lucy Developments' The Rickyard, set in the picturesque village of Marsh Baldon, is ideally located to the south of the historical centre of Oxford and to the east of Abingdon.

The development comprises six homes ranging in size from two to five bedrooms. There is an attractive mixture of designs, leveraging eco-friendly building materials, each blending in with the local architecture of this beautiful village.

The homes all have a modern shaker kitchen in soft neutral colours with integrated appliances, while bathrooms are fitted with contemporary sanitaryware and fittings.

Each home is equipped with air source heat pumps, underfloor heating to the ground floor, and a charging point for an electric vehicle. Externally the properties have patio areas, turfed garden and established shrub and tree planting to help support local biodiversity.

Our Values

The Group operates in sectors that are fundamental to all our lives - principally electrical power, lighting and housing. Increasingly, the common denominators are technology, digitalisation and environmental considerations.

As a Group, we are uniquely placed to combine our knowledge and expertise across these sectors for the benefit of all. Our purpose is to improve people's lives with intelligent power, smart lighting and sustainable homes.

Our purpose is underpinned by a set of values that guides the way we work with our customers, suppliers, partners and colleagues.

Caring

We treat all with fairness and respect. We value diversity. We recognise and develop our people.

Our values extend to how we do business with our customers and external stakeholders, guiding our behaviours.

"I've been really surprised how supportive the team have been to vulnerable tenants, going above and beyond by delivering food packs during Covid restrictions. Lucy has a reputation for reliability with customers and that trust creates a great relationship to work within."

Jemma Foster
Operations Manager
Lucy Properties, UK

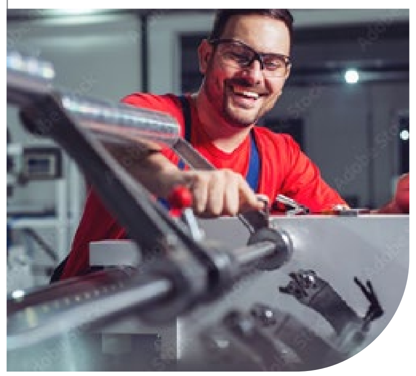
Excellence

Through ingenuity and a dedication to quality, we create smart, sustainable solutions.

We all strive for excellence in everything we do for the company and, for the majority of the time, we deliver it.

"I see first-hand the impact of our commitment to excellence. From the ingenuity of our designs to the attention to detail in our processes, we are shaping the future with smart and sustainable solutions."

Roy Pappachan
Plant Director
Lucy Electric, Dubai



Working together

Teamwork and communication are at the forefront of everything we do. We share our knowledge across our organisation for the benefit of all.

We collaborate to ensure everyone is aligned and working towards a common goal, setting us apart from others.

"As part of a cross-functional team with a focus on improving the customer experience, we worked together to provide first class support, feedback and create a unique, yet simple solution to represent electrical schematics for products. We met deadlines and targets, truly bringing the value to life in a complicated project."

Giles Davidson
Area Sales Manager
Lucy Zodion, UK

Trusted

We build and maintain trusted relationships with all people and partners.

By building and maintaining trusted relationships with everyone we work with, we create an environment of mutual respect and collaboration.

"It's a supportive environment. Relationships with other departments are also trusted – whether that be HR or legal advice or IT – all departments are helpful and supportive."

Saaleha Idrees
Marketing and Communications Executive
Lucy Group, UK

Daring to differentiate

We are market leaders. We make bold decisions. We stand out.

We are able to make bold decisions when working on projects. Our products are sought after and our brand is at the forefront of the market.

"Daring to differentiate is key to unlocking new and exciting opportunities in the field of sustainable infrastructure and smart technology. It's not just a value, it's a commitment to shaping the future."

Greg Fenton
Group Head of Health, Safety and Sustainability
Lucy Group, UK

Our Group Strategy

We consistently aim to deliver sustainable growth and long-term profits for the benefit of all our stakeholders and the communities that we live and work in. We achieve this by focusing on five strategic priorities.

Strategic pillar	Priorities	Performance in 2022	Priorities for 2023
High Performing Businesses in diverse industries	• Deliver long-term profitability and sustainable growth • Drive through improved governance	• Solid sales growth and record targets achieved for the Group • Acquired majority shareholding in Flashnet S.A. to strengthen the controls business • Reviewed governance processes and policies recruiting champions across businesses	• Achieve 2023 revenue and profit budgets and targets • Adopt the Leading Responsibly framework
Customer at the Centre of everything we do	• Give excellent customer service to both internal and external stakeholders • Focus on market intelligence to drive customer value and competitiveness	• Conducted market-led research to drive services and innovations • Product innovations for Indian market with new 12kV Aegis RMU	• Put the customer first – service KPIs • Focus on behaviours that drive expectations and deliver results • Strengthen customer relationships with D365 Sales
Engagement and Development of our people	• Focus on developing our people, giving them new skills and increased engagement • Employ the best people to contribute to the ongoing growth of the Group and improve diversity and inclusion	• Increased overall employee engagement across the Group • Introduced wellbeing initiatives to support charter • Expanded L&D team to focus on skills development and retention	• Promote health and wellbeing to our people • Embed the Group values • Achieve target engagement scores and participation rates • Create development plans and career pathways
Sustainability in solutions, communities and environments	• Operate sustainably to reduce environmental impact and create customer value • Deliver GHG and energy efficiency targets • Engage with and support our communities	• Majority of Group companies achieved certification to the Achilles scheme to monitor emissions • Investment in manufacturing processes to improve energy efficiency	• Deliver targets within the Group Sustainability Framework and respond to customer expectations • Establish targets and processes to improve supply chain sustainability
Excellence through Innovation to differentiate and lead	• Be bold and innovate to create smart products, services and solutions that drive customer value • Create business intelligence transformation through improved data collection and application • Counter the cyber security threat to protect our long-term business opportunities	• Development of dry air insulated Ring Main Unit • Business process mapping to leverage technology and drive efficiencies • Adoption of D365 Sales	• Progress product innovation and service support • Develop improved data capture processes to drive excellence in data-led decision making • Develop and deliver on plans that maximise returns from the investment in new systems • Put in place business processes to meet cybersecurity threats

Our Business Model

Value creation

Our enablers

Our people

Read about **our people** on **pages 50–53.**

Robust financials

Read about the **strength of our financial position** on **page 72**.

Global scale

Read about **our businesses** on **pages 6–7**.

Responsible approach

Read about our **approach to ESG** on **pages 50–55**.

Strong customer relationships

Read about **our relations with customers** on **page 64**.

Good corporate governance

Read about **our corporate governance** on **pages 58–61**.

Stakeholders

Read about **our stakeholder relationships** on **pages 64–65**.

Portfolio management

Read about our **latest acquisition** on **pages 27 and 41**.

Our purpose

Our purpose is to improve people's lives with intelligent power, smart lighting and sustainable homes.

We advance the built environment, preserve the natural environment and deliver operational efficiencies.

Our expertise

Our values

- Caring
- Excellence
- Working together
- Trusted
- Daring to differentiate

Value delivery

Value captured

Our interconnected businesses design, develop, manufacture and distribute a continuously developing product and service offering that meets evolving power usage and living needs:

- Power distribution switchgear products and systems
- Street lighting and EV infrastructure
- Smart automation and control
- Fuses for electrical safety
- Installation, commissioning and maintenance

Value transferred

Consumers

Reliable solutions to provide safe and energy-efficient environments to live their lives.

Customers

Well-supported products and services which can be relied upon to have long life and an increasingly low carbon footprint.

Our People

Enjoyable and engaging careers where they will be rewarded for delivering value.

Shareholders

An ethical investment, providing a growing dividend return from a company with good gearing and stable returns.

Communities

We seek to support local communities by behaving with social awareness and investing in community schemes.

Environment

Our business, both in our operations and products, is working hard to transition to net zero carbon and also drive awareness and behaviour towards improved biodiversity.

Government

Our products support a wide range of government schemes to push forward electrification in many countries and we also contribute by paying appropriate taxes.

Our Route to a Sustainable Future

Lucy Electric, Lucy Zodion, Lawson Fuses

- Switchgear for connection and control of renewable power
- Distribution substations for EV charging networks
- Fuses for safe energy delivery
- Smart grid monitoring and control

Lucy Zodion, Flashnet, Lawson Fuses

- Smart city management and control
- Street lighting infrastructure
- Feeder pillars for EV charging
- Big data capture and digitalisation
- Electrical safety and protection

Lucy Real Estate

- Property development: ecological and energy efficient
- Letting and management: sustainable living

Delivering for our customers

People	• Intelligent control • Better civic services
Planet	• Energy efficiency • Emissions reduction
Progress	• Ongoing cost savings • Less resource wastage

Read more about ESG on **pages 50–55**.

Our Market Drivers

Driver	Description	
Urbanisation and consumption trends	• More than half of the global population currently lives in a city. By 2050, the proportion will rise to two-thirds. (Source: United Nations.) • While cities only account for 2% of the Earth's surface, they consume 78% of the world's energy and produce more than 60% of greenhouse gas (GHG) emissions. (Source: UN Habitat.) • Due to global warming, 70 countries – including the world's biggest polluters – have signed up to the UN goal of net zero emissions by 2050. (Source: United Nations.)	**78%** of the world's energy is consumed by cities **70** countries have signed up to the UN goal of net zero by 2050
Inexorable rise of renewable energy	• The energy sector is the source of around 75% of GHG emissions today and holds the key to averting the worst effects of climate change. (Source: United Nations.) • The global renewable energy market size was valued at US$768.9bn in 2021 and is projected to grow at a compound annual growth rate (CAGR) of 16.6% from 2022 to 2030. (Source: Grand View Research.) • Electricity remains the mainstay of the energy transition, with renewables expected to have an 83% share of the electricity system in 2050. By 2050, solar and wind energy will have grown 20-fold and 10-fold respectively. (Source: DNV Energy Transition Outlook 2022.)	**US$768.9bn** the size of the renewable energy market **83%** share of the electricity system that renewables is expected to have by 2050

Driver	Description	
Smart cities and electric vehicles	• The global smart cities market size was valued at US$1,226.9bn in 2022 and is expected to register a CAGR of 25.8% from 2023 to 2030. Increasing urbanisation, the need for efficient management of resource utilisation, public safety concerns, and increasing demand for an environment with efficient energy utilisation are the major driving factors for smart cities' market growth. (Source: Grand View Research.) • The global market value of electricity for EV charging will grow over 20-fold, reaching about US$190bn by 2030. That is equivalent to one-tenth of the current diesel and gasoline market value. (Source: International Energy Agency Announced Pledges Scenario.) • The global electric vehicle charging infrastructure market size is expected to be worth around US$221.9bn by 2030 from US$19.5bn in 2021, growing at a CAGR of 31%. (Source: Precedence Research.)	**25.8%** CAGR from 2023 to 2030 for the global smart cities market **US$221.9bn** global EV charging infrastructure market size by 2030
ESG consciousness	• Global research shows a 71% rise in searches for sustainable goods over the past five years, with continuing growth during the Covid-19 pandemic. (Source: Economist Intelligence Unit.) • Asset managers globally are expected to increase their ESG-related assets under management from US$18.4tn in 2021 to US$33.9tn by 2026. (Source: PwC's Asset and Wealth Management Revolution 2022 report.)	**71%** rise in searches for sustainable goods **US$33.9tn** ESG-related assets under management by 2026

How we are Responding

CASE STUDY

Lucy Zodion infrastructure equipment drives EV adoption rate

Lucy Zodion recently worked alongside EZ-Charge and Oxfordshire County Council to provide 20 pre-wired Electric Vehicle (EV) feeder pillars. These will support the requirements of 250 new charging points across 20 car parks throughout Oxfordshire.

Background

With over one-third of UK car owners having no access to off-street parking, many local authorities and car park operators are looking to provide convenient, affordable and user-friendly EV charging infrastructure. For Oxfordshire, along with many other local authorities, barriers to widespread EV adoption included range anxiety, a shortfall in charging infrastructure, reliability of existing charging provisions, and failure to meet driver expectations such as charger speed.

The £5.2m Park & Charge Oxfordshire scheme, grant funded by Innovate UK, aimed to make Oxfordshire one of the most EV-connected counties in the UK.

Solution

To meet the demand of the 22kW dual chargers specified, Lucy Zodion provided a three-door feeder pillar cabinet (at each site) to house the power infrastructure and provide controlled access to the distribution network operator (DNO) equipment through its own dedicated door, increasing on-site safety.

With a minimum of 12 charge points per car park, and capacity to upgrade to 16, the feeder pillars were future-proofed for additional demand, with the option to go from 200 amp up to 630 amp. This will ensure that they can cater for charge point supplies from fast (7kW) to ultra-rapid (150kW), subject to load balancing.

The feeder pillars were coated in anti-graffiti paint and utilise an anti-vandal locking mechanism to combat anti-social activity.

To aid the installation process, Lucy Zodion delivered the root section of the pillars before any civil works were undertaken, and before delivery of the pillars themselves.

Results

The Park & Charge Oxfordshire scheme has to date recorded over 200,000kWh of utilisation, powering over 700,000 miles. It contributed to Oxfordshire recently winning an EVIE (Electric Vehicle Innovation and Excellence) Award for "Public Sector Infrastructure Strategy of the Year".

However, perhaps the most important performance indicator is EV-ownership, which is on the rise across the county. In fact, as many as one in three new cars ordered in Oxfordshire is an EV versus the national average of one in ten.

Key Performance Indicators

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.

Strategy key

High-performing Businesses

Customer at the Centre

Engagement and Development

Sustainability

Excellence Through Innovation

Financial KPIs

KPI	Relevance	Performance in 2022	Strategic link
Sales growth 2018 (2)% 2019 13% 2020 8% 2021 29% 2022 19%	Aligns with our growth strategy.	Sales growth exceeded plan and was supported by product introductions, acquisition and a strong US dollar.	
PBT growth 2018 (80)% 2019 185% 2020 339% 2021 56% 2022 (16)%	Profits generated by the business are a key indicator of our performance and key to our long-term financial health.	Sales volumes increased and product mix improved. However, inflation, higher commodity prices and a property devaluation compared with a revaluation last year has reduced PBT in the year.	
Return on net assets 2018 1% 2019 3% 2020 13% 2021 18% 2022 12%	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.	Our business units continued to make good progress and Lucy Electric had another strong year. The Group's substantial investment property portfolio continues to provide a balanced risk profile over the long term, although this year the portfolio reduced in value.	

Operational/non-financial KPIs

KPI	Relevance	Performance in 2022	Strategic link
Occupancy rate for rental properties 2018 99% 2019 99% 2020 98% 2021 98% 2022 99%	The Group has a significant investment property portfolio and occupancy is a useful indicator for income and customer satisfaction.	Market conditions continued to improve post the pandemic, increasing occupancy in the year.	

Sustainability KPIs

KPI	Relevance	Performance in 2022	Strategic link
TCO_2e 2020 17.1k 2021 18.1k* 2022 17.6k * Restated	We are committed to reducing our impact on the environment, as highlighted in the ESG section on page 54. Lucy Electric purchases sulphur hexafluoride (SF6), a GHG, 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.	The Group achieved certification to Carbon Reduce in 2022 and verification that our emissions are measured in accordance with ISO 14064. Throughout the year the businesses have implemented measures to reduce emissions and energy consumption. This has resulted in a 2.8% reduction on our revised 2021 baseline.	
Total Recordable Incident Rate (TRIR) 2020 3.51 2021 4.28 2022 4.43 Injuries 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.	Although there was a slight increase in the TRIR this year, the Group continues to advance safety in the workplace through improved operational procedures and training and by placing our employees' safety as our top priority.	

Operational Review

Board of Directors
Lucy Group Ltd

2022 progress

The Group had a strong year, delivering above target sales and strengthening the balance sheet.

While we operate in competitive markets, the Lucy brand is synonymous with quality, innovation and reliability; our enviable reputation, focus on growth markets and collaborative relationships have contributed to another year of solid progress.

Our values of Caring, Excellence, Working Together, Trusted and Daring to Differentiate continue to be a cornerstone of the way we conduct external and internal relationships. Our purpose of "improving people's lives" provides a guiding principle for the products we develop and manufacture, as well as helping to attract and retain people who are motivated to make a difference.

Our operational performance continues to improve. We have made significant investments in technology to attain better data analysis and capital projects to drive manufacturing efficiency. Our continuously developing central services not only deliver economies of scale but allow our businesses to focus on their core competencies, driving customer value through product innovation and service support.

Adapting to a net zero world

Our products and services are well positioned to support the transition to renewable energy, wider electrification and decarbonisation. This extends to our internal operational performance, where we are undertaking a range of investigations and measurements to better understand our current carbon footprint and the likely timeline for achieving net zero emissions. Our commitment to carbon reduction progressed this year, with most Group companies achieving ISO 14064 certification to the Achilles scheme for the monitoring of GHG emissions. The remaining companies are expected to complete certification in 2023.

Investments across the Group will continue to make our manufacturing processes more energy efficient: we will redesign products to reduce their carbon footprint, educate colleagues on processes and procedures that reduce energy consumption, and start to generate our own energy where practical and meaningful to do so.

"Our Group businesses have delivered well on operational improvement, sustainability and efficiency."

Group strategy

We operate in highly regulated markets and, as such, have extensive testing procedures to ensure that reliability remains a hallmark of our brand. Across the Group, we have a deep understanding of the industries and markets we operate in and continue to deploy our expertise to internationalise and grow, both organically and – where there are attractive opportunities – through acquisition.

On 10 June 2022, we acquired a majority shareholding in Flashnet S.A., a specialist in the design, development and manufacturing of smart lighting and intelligent city control systems. Lucy Zodion has a long history in street lighting controls and the acquisition of Flashnet will augment our IP in the field of lighting automation and smart city management, as well as extending our geographic reach.

Based in Brașov, Romania, Flashnet is at the forefront of technological research and development, integrating the latest hardware and software solutions to create intelligent lighting and IoT platforms which, in conjunction with our commercial, technical and operational expertise, will strengthen the Group's position in this growth market.

Technology innovations

The programme to broaden and deepen the application of Microsoft Dynamics 365 throughout the Group has made further progress in 2022. It provides the essential ability to capture and consolidate organisational data, enabling data-led decision making and actionable insights. In bringing together financial, supply chain and sales information, we can use the data and associated analytics to create management dashboards, which will make the business more agile and help to identify commercial opportunities.

Operational Review continued

At the end of the year, we completed the configuration of D365 Sales, which will trigger the implementation of CRM activities in Q1 2023. This module leverages AI to integrate with other strategic applications, such as behavioural data analytics, a product configurator, and collaborative workflows to generate sales.

Group IS accelerated our investment in cloud computing, supporting big data applications. We continue to implement best practice on cyber security throughout our operating companies. Our risk management processes ensure that we monitor the changing risk landscape externally, share lessons learned and apply protectionary measures accordingly.

ESG

Our governance report on pages 58–61 outlines the approach to policies and appropriate committees to ensure Group compliance. As our business grows, so do the requirements to ensure good governance; therefore, we regularly review our governance structure for best practice and put necessary improvements in place.

Our intention is to ensure that our governance policies and values are made accessible across the Group and are meaningful in different cultures around the world. To that end, we have appointed champions across the Group's geographic territories to interpret and cascade governance policy, thereby enhancing engagement to support compliance.

We continue to invest in our people and actively promote training and development. Externally, the Group's approach to social engagement ensures that the impact of our operations is positive and that local communities can benefit from supply contracts, charitable donations and employment opportunities. In addition to jobs, we offer career fairs, open days, apprenticeships, work experience and learning resources.

Culture and people

A shared belief system is critical in driving business forward, particularly when markets are rapidly changing. Following our annual employee survey, "trusted" came out as the value that resonated most, reflecting the loyalty that many employees feel towards the Group.

Building on our employee engagement initiatives, we have invested in online training resources and a new careers site that feeds applications from social media and job sites into an applicant tracking system. We have also further developed our intranet, which is now multilingual and structured to serve internal audiences throughout our geographically diverse organisation.

Safety is integral to our culture, sharing beliefs, practices and attitudes that reduce hazards and help to prevent workplace injuries. In 2022 we continued our zero-tolerance behavioural safety campaign, reminding employees of the tools available to safeguard themselves and each other at all times.

Summary and outlook

In a data-driven world, we are making it our business to invest in process improvement, data acquisition and analytics. The resulting intelligence and insights will inform our product development, market outreach and customer relationships, ultimately driving competitive advantage for the Group.

We are pleased with the progress made during 2022 and will continue the momentum into 2023, with plans for further operational improvements that will benefit both the Group and the communities we serve.

Flashnet acquisition

On 10 June 2022, we acquired an 80% majority shareholding in Flashnet S.A., a specialist in the design, development and manufacturing of smart lighting and smart city control systems. Lucy Group has a long history in street lighting controls, and the acquisition of Flashnet will combine the technical and commercial strengths of both businesses.

Flashnet's 50-strong team based in Brașov, Romania, are at the forefront of technological research and development, integrating the latest hardware and software solutions to create intelligent lighting and IoT platforms which, in combination with our commercial, technical and operational expertise, will create a truly market-leading business.

Business Review Lucy Electric

John Griffiths
CEO Lucy Electric

> "The strength of sales and forward orders was most encouraging, given challenging market conditions."

Specialising in intelligent, future-focused, secondary power distribution solutions, Lucy Electric has a track record in engineering innovative solutions and applying industry-specific knowledge to support customers.

Our products are used to enable the safe and efficient distribution of electricity, with remote switching and monitoring capability. We have an international network of design, manufacture and supply channels, along with collaborative relationships with specialist third parties. Our products continue to evolve, adding more advanced remote management and data analysis capabilities and responding to the growing needs of the renewables market.

Market overview

Overall, 2022 was encouraging in terms of sales against target and forward orders. Performance across regional markets was mixed. Governments in some jurisdictions held back on financing investment in infrastructure due to the Covid economic drag factor. Lucy Electric established Lucy Electric Australasia Pty Ltd, expanding our footprint in anticipation of an uplift in demand over the medium term.

To meet net zero targets, we expect there to be long-term investment in global electrical distribution networks from governments and utility companies. Our range of approved products and expert services help to solve some of these challenges. As such, there will be ample opportunity for growth in our focused niche segments.

Our products are developed to meet specific market standards and requirements, which facilitates sales in multiple geographies. Cabling arrangements and operating voltages can vary, but the principles for electrical distribution remain the same. To meet the upcoming European F-gas Regulation in 2026, we have been developing and testing replacement 12kV vacuum-based switchgear, with sales due to commence in 2023.

Connecting renewable energy to the grid, often from remote solar and wind farms, has been another area of growth for the business. For the burgeoning Electric Vehicle (EV) market, we have been supplying a customised package substation and have worked closely with Lucy Zodion on EV charging pillars.

Another key trend is for the management and control of power. As electricity use is set to accelerate into the foreseeable future, Distribution Network Operators (DNOs) need to better understand usage patterns to optimise upgrades, maintenance and replacement. Lucy Electric has a proven solution for demand analytics and is working with civic authorities to trial similar technology for the routine testing of street lighting, which would reduce engineering downtime and inconvenience for road users.

Product innovation

Our vision is to become the leader in engineering intelligent switchgear, enabling people to enjoy the benefits of greener, safer, more reliable electricity. We continue to invest in new products and services to equip utility companies with the latest technology and data capture for energy management.

Our focus is to find efficient and effective ways to safely control and manage the flow of energy in the medium and low voltage markets, evolving existing proven products and expanding ranges where we have niche expertise. Some of the more recent innovations include:

- Digital substation for smart and secure management.
- Smart Eco 12kV vacuum-insulated RMU ranges.
- Gemini 4 remote terminal to expand the management of medium voltage switching.
- Acutek range of low voltage distribution products.
- Market competitive 12kV Aegis RMU specification for India.
- Enhanced 36kV switchgear for renewables grid connection.

Manufacturing and supply chain

The drive to decarbonise manufacturing and products has led to changes in the infrastructure of our manufacturing plants and offices, so we have a clear path to being carbon neutral.

To reduce carbon output, meet evolving customer needs, and avoid raw material wastage and cost, we continually invest in value engineering programmes. Our team of highly skilled engineers and suppliers across the globe work together to improve product design and to manufacture more efficiently. This frequently leads to product functionality improvements and the substitution of materials or components with smaller, thinner, more energy efficient and environmentally friendly alternatives.

Supply chain challenges have continued through 2022, particularly from countries still under various forms of Covid restrictions. This has adversely affected the supply of raw materials for the products we make and the investment in new capital equipment for the manufacturing and assembly process. In particular, the severe shortage of semiconductors restricted our manufacturing output, which in turn dampened sales, profit and margin figures.

The locations of our manufacturing plants, whether for full assembly or final assembly, seek where possible to minimise transport emissions and cost.

Our people

We have many talented and committed people in Lucy Electric. We strive to make engineering a desirable and attractive career for all age groups, ensuring that knowledge is transferred to future generations.

Through apprenticeships and our STEM ambassadors, we work hard to develop a pipeline of engineers and operationally skilled independent thinkers. With a strong ethical foundation, our purpose and values attract people with an appetite for the technical execution of environmental improvement.

As the world of digitalisation, big data and IoT evolves, so does the range of skills we need to secure ongoing success. We continuously invest in our people and are now adding more data analytics and systems integration skills to the mix.

Outlook

We continue to benefit from the conversion to renewable energy, the introduction of EVs and the impact on associated infrastructure. Our products assist customers in their pursuit of net zero, and we are ideally suited to provide the safe, reliable and smart electrical solutions that will assist them in achieving their goals.

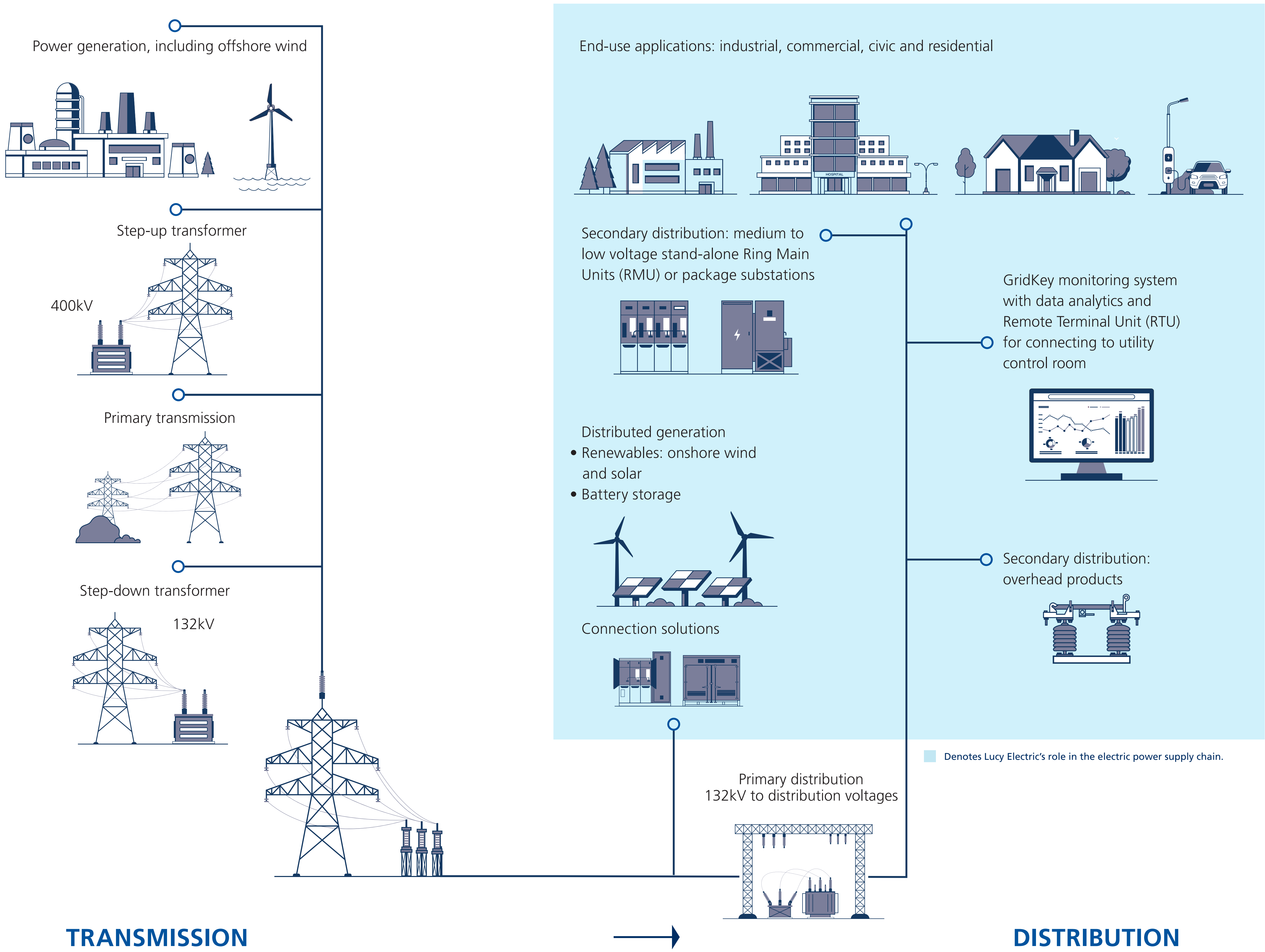
John Griffiths
CEO Lucy Electric

Lucy Electric Capability

"To be the leader in engineering intelligent switchgear solutions."

Our products are used to enable the safe and efficient distribution of electricity, with remote switching and monitoring capability. The diagram shows the role we play in the electric power supply chain, from package substations and switchgear for 12–145kV installations through to end-user termination points.

The range now incorporates solutions for renewable connections, EV charging and data capture to monitor the electrical demand across networks.



Business Review Lucy Controls

Jonathan Finch-Dick
Lucy Group Executive Director

"Controls delivered a solid overall performance against a backdrop of global economic turmoil."

Lucy Controls is made up of three electrical control businesses: Lucy Zodion, Lawson Fuses and Flashnet. Operating as separate entities, these businesses have much in common, contributing to smart city infrastructure and sharing markets, customers and suppliers.

Lucy Zodion is an industry leader in the design and manufacture of advanced street lighting control, power distribution and EV supply solutions in the UK. The business adds value for customers by improving energy efficiency and reducing carbon emissions.

Lawson Fuses specialises in the design, development and manufacture of low-voltage, HRC fuse links and fuse holders. With over 80 years' experience, Lawson Fuses serves international markets, largely through distributors, utilities and OEMs.

Flashnet is our most recent acquisition, joining the Lucy Group in June 2022. Based in Romania, Flashnet designs, manufactures and distributes a portfolio of smart, IoT-connected lighting and power grid management systems. Flashnet complements our existing suite of smart lighting skills, equipment and technology, with a keen focus on 360° energy awareness. It also brings an established network of distribution in attractive international markets.

Where synergies exist across supply chains, products, sectors or customers, we encourage cross-business collaboration. A prime example is Lucy Zodion working closely with Lucy Electric in the EV sector, developing electric infrastructure solutions for low voltage EV feeder pillars. Such solutions also draw upon Lawson Fuses to provide the all-important fuse products that ensure reliable circuit protection.

Market overview

While good progress has been made, 2022 has had its challenges. We are still experiencing market demand issues related to Covid, not least some government authorities deferring capital expenditure on civic infrastructure. Supply chain constraints include an acute shortage of semiconductors, a vital component in the manufacture of equipment at Lucy Zodion and Flashnet; this has limited production output and curtailed the fulfilment of orders, denting profits and margins. Margins were further eroded by the unfavourable pound to dollar exchange rate, which amplified the cost of raw material imports.

Our products contribute to our customers' global net zero targets. This is achieved primarily through intelligent usage patterns, whether that is optimised switching of energy sources when environmental sensors indicate demand, or by operating on lower power modes when safe and efficient to do so. With the rising global demand for safety and efficiency, our products provide innovative solutions as part of the wider growth for internet-connected, remotely managed control systems. The demand for energy efficiency is being exacerbated by the war in Ukraine, which is causing restricted supply and inflated pricing.

The Group has a long track record of manufacturing products to exacting specifications to meet international standards, and our collective knowledge and experience will continue to be invaluable as regulation evolves and innovations require certification.

Government investments in intelligent urban infrastructure and smart energy conservation continue to drive demand for Lucy Controls' products and services.

This is more evident in certain parts of the world, such as Europe and the UK, with other regions set to follow. While investments have faltered in some regions due to Covid, the trend is likely to gather pace as economies recover in a post-pandemic era.

Investment in new product development

We have begun work between Lucy Zodion and Flashnet to optimise product focus and minimise overlap. Lucy Zodion will focus on infrastructure products related to street lighting and electric vehicles, while Flashnet will focus on software, connectivity and technology applications, particularly for smart lighting. Strong collaboration between the respective business teams is essential to benefit from cross-fertilisation opportunities and to ensure that we develop class-leading solutions that are fit for purpose in rapidly changing markets.

In response to the growth in solar power, Lawson Fuses introduced a new range of DC fuse links for PV applications. The products are designed to interrupt low overcurrents associated with faulted solar cell string arrays.

Manufacturing and supply chain

Where inflation increases have hit input prices, and contractual circumstances permit, these costs have been passed through.

Our Group-wide culture of continuous improvement leads to regular value engineering initiatives. At Lawson Fuses, investments were made at the UK manufacturing facility in Ponteland, while the new factory in India became fully operational. The focus on increased automation, optimised production cycles and improved product design has had a positive impact, enhancing overall competitiveness of the business. This has contributed to the business winning new Distribution Network Operator (DNO) tenders in England and Northern Ireland, as well as new distribution partners in the Middle East.

Supply chain challenges have required Lucy Zodion and Flashnet to pivot production according to component availability: both businesses have fine-tuned their ability to dynamically redesign products when components are in limited supply and remain committed to capital investment where operational efficiencies can be found.

Our people

Our teams have done a sterling job in a demanding market environment. I would like to take this opportunity to thank every one of you for your contribution and commitment.

In October 2022, a new General Manager – Harsha Raghavan – was appointed at Lawson Fuses. The management, product and business development teams were also strengthened, with a view to identifying strategic market segments into which niche products can be sold, either direct or via distributors.

We strive to recruit the best talent and retain it through training, upskilling, reward and engagement. Recruitment in many countries has been challenging, and the demand for skilled labour remains a constraint to growth. We are confident that Lucy Controls remains an attractive employer that can offer long-term career opportunities.

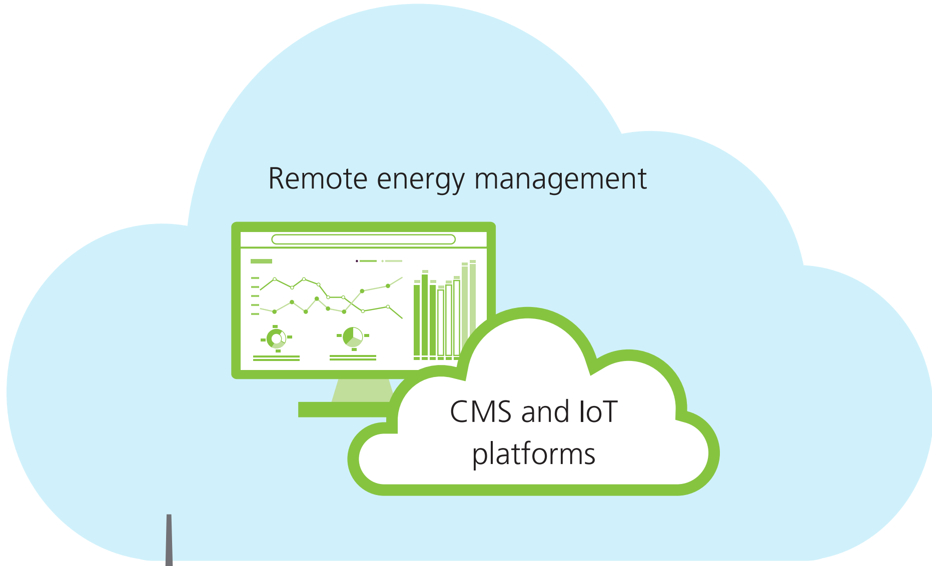
Outlook

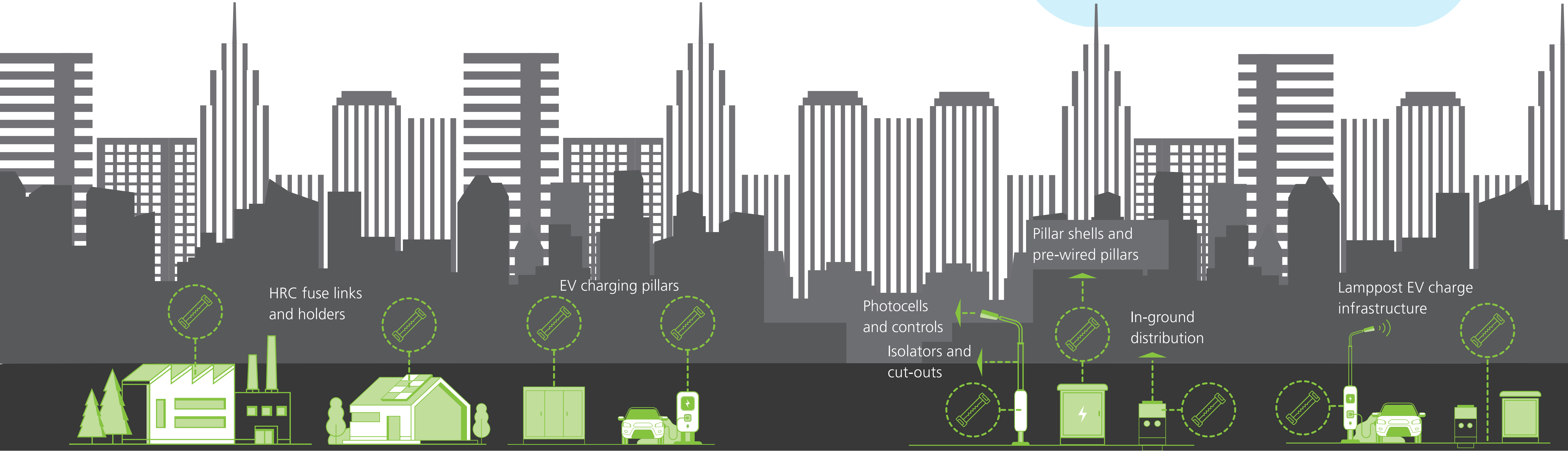
While 2022 has presented some challenges, we operate in attractive markets with long-term growth potential and our order pipeline is encouraging. Our unrelenting focus on leading-edge technology, value engineering, product evolution, internationalisation and strategic growth gives confidence in our future prospects.

Jonathan Finch-Dick
Lucy Group Executive Director

Lucy Controls Capability

Our products are used to advance smart city infrastructure and to optimise energy conservation while maintaining safety. From fuse products to intelligent street lighting, EV charging infrastructure and automation & control, we play a vital role in modernising urban environments. The diagram shows the range of solutions we provide.





Flashnet

"To be at the core of IoT integration into smart city infrastructure."

Loránd Mózes
Chief Executive Officer at Flashnet

Lucy Zodion

"To have our products on every street around the world."

John Fox
Managing Director at Lucy Zodion

Lawson Fuses

"To be the market leader in low voltage fuses and fuse holders."

Harsha Raghavan
General Manager at Lawson Fuses

Business Review Lucy Real Estate

Ian Ashcroft
CEO Lucy Real Estate

"A successful year, but a cautious outlook due to headwinds in the UK housing market."

Introduction

Lucy Real Estate comprises two distinct businesses: Lucy Properties and Lucy Developments.

Lucy Properties is a residential property lettings and management business based in Oxford, UK, with a strong focus on the Oxfordshire region. We are one of Oxford's largest private landlords. We invest in and manage over 350 properties with over 750 tenants. Service and maintenance are managed in-house to provide the high levels of care that our tenants expect.

Lucy Developments is a property development business, also based in Oxford, with prime sites within a 90-minute commute time from the city. We buy land, devise planning schemes, obtain planning permission, develop and sell high-end properties. We primarily build to a premium specification using high quality, traditional materials to create distinctive and desirable homes.

Market overview

Both Lucy Properties and Lucy Developments have seen another solid year. Rental income has increased, rental properties have been invested in and we end the year with marginally improved occupancy rates. With Lucy Developments, we have increased our landbank and continue to look for sites in prime locations to deliver the planned medium-term growth.

Operations

Lucy Properties manages a range of property types in Oxford and Abingdon, both residential and commercial. In the Oxfordshire region the current imbalance between the supply of rental properties and the demand for housing – coupled with the quality of our accommodation – has delivered a 99% occupancy rate. We are investing in a drive to improve the energy efficiency of our rental properties and, at Lucy Developments, are committed to building highly energy-efficient new homes for sale and rent.

Lucy Developments experienced a challenging year with contractor and utility provider delays, which has had a knock-on effect on our timelines for new builds and subsequently sales. We intend to become more integrated into the build cycle and in 2022, for the first time, operated as the main contractor on a construction project in Ludgershall. Over time, we will become more active in the direct management of trades and materials supply and anticipate the company's development projects progressing more smoothly in 2023.

Lucy Real Estate has invested in a business process mapping exercise, using an external consultancy in advance of implementing a new management information system. The objective is to ensure the business adopts best practice processes moving forward. By leveraging IT, we can refine our handling of repairs, maintenance and administration, thereby enhancing tenant satisfaction. The first milestone of this two-year project will be in Q1 2023.

Sustainability innovations

Feedback from our regular tenant events tells us that sustainability is important to the people who inhabit our properties. It is also high on the UK government's agenda: in their recent report, 'Building for 2050', the department for Business, Energy and Industrial Strategy estimated that current UK housing stock contributes 17% towards the country's total carbon emissions.

In 2022, we reviewed our portfolio and began the long-term process to improve the energy efficiency of our rental stock. Carbon reduction is part of the wider challenge, but our plans also include small steps to improve biodiversity and healthy living. Where applicable, we have installed swift boxes and redesigned gardens to protect habitats and preserve the natural world.

EPC ratings

With our portfolio of properties under Lucy Properties, we are working towards all properties having an Energy Performance Certificate (EPC) rating of at least C. This will reinforce the attractiveness of our high-quality homes. In a similar vein, we are building new properties within Lucy Developments to achieve an EPC rating of A or B. This initiative underpins our commitment to providing quality accommodation for sustainable living.

Our people

Our experienced and knowledgeable people forge enduring relationships with stakeholders across the community, from town planners, surveyors and builders to university estate services and tenant groups. In Lucy Properties, these relationships are enhanced through direct letting, maintenance and management, instead of relying on agents.

During 2022, steps were taken to strengthen the management team with key hires and to invest in training and development for existing members of the workforce. The aim is twofold: to facilitate Lucy Developments becoming a larger business that undertakes the role of prime contractor; and to equip Lucy Properties with extra administrative skills, after Oxford City Council introduced a licensing scheme in Q4 for all rental properties in the city.

Outlook

The fundamentals of the industry are strong. Limited housing stock and a growing population drive long-term demand. The property market in Oxford is particularly resilient: it is an aspirational place to live; new business enterprises are being set up; the county remains at the forefront of technology and research; and the population is environmentally conscious, Oxford being the first UK city to hold a citizens' assembly on climate change.

Lucy Properties stands to benefit from strong rental demand due to rising interest rates on mortgages. The post-pandemic return of postgraduate students and visiting academics will also have a positive impact, given the close ties between Lucy Properties and Oxford University.

Lucy Developments will be impacted by headwinds in the UK housing market, with housing affordability hit by rising interest rates and cost-of-living increases. This is affecting market confidence and slowing sales as buyers wait to see the impact on house prices. However, we remain confident that the fundamental local economy remains robust and the shortage of new-build, energy-efficient homes in prime locations will drive our sales at the forecasted levels in 2023 and 2024.

Ian Ashcroft
CEO Lucy Real Estate

Lucy Real Estate Capability

“To be the leading provider of high-quality residential property in Oxford and the surrounding area, that enables people to increase their housing choices.”

Our real estate businesses are centred on Oxfordshire, where we are one of the region’s leading private landlords and niche property developers. We aim to support sustainable living via eco-friendly property construction and rental. The case study demonstrates one of our ongoing development projects.

CASE STUDY

St Paul’s House – Oxford City Council joint venture

This is a complex project to regenerate and enhance the former Jericho Health Centre, a dilapidated 1970s building on Walton Street in Jericho. The work involves adding an extra nine apartments, significantly refurbishing the existing eight apartments, and creating 7,000 square feet of commercial space on the ground floor.

This new project is being developed with sustainability and eco-friendly features in mind, including air source heat pumps and solar panels that will help to deliver a net zero carbon rating for the new apartments. The podium level garden and balconies will enable residents to have the amenity space that is so sought after in Oxford city.

A supermarket has taken the lease for retail space and the remaining commercial unit is being marketed.

Feedback from the local community has been positive and the informative and eye-catching hoarding wrapped around the building has generated a great deal of interest. The refurbishment will totally transform this rather unloved building and will create an impressive piece of architecture in this prominent Jericho location. The development is due to complete in Q2 2023.

St Paul’s House, Walton Street
Corner of Walton Street and Cranham Street

Financial Review

Gary Ashton
Group Finance Director

"A strong performance in a challenging year."

The Group continued to benefit from its position in growth markets, reporting a record order intake of £398.6m and sales of £313.2m in 2022 despite the wider challenging economic conditions.

As signalled in last year's report, there was a decrease in profit before tax (PBT) to £35.3m, a 16% reduction, and a free cash inflow of £10.5m.

A solid balance sheet supports organic and acquisitive investment in alignment with the Group's strategy. In 2022 the acquisition of a majority shareholding in Flashnet S.A., an intelligent street lighting and smart city controls company, was completed to strengthen Lucy Controls' capabilities in the growing energy management market. There have also been notable organic investments in expanding Lucy Real Estate's land bank and redeveloping St Paul's House, the former Jericho Health Centre in Oxford. Investments to automate manufacturing processes have improved efficiency and increased capacity in both Lucy Electric and Lucy Controls.

Revenue

Group sales for the year were £313.2m (2021: £263.8m), an increase of 19% on last year or 10% on an organic constant currency (OCC) basis after excluding foreign currency movements and acquisitions. This year, both the strength of the US dollar and the acquisition of a majority shareholding in Flashnet S.A. helped drive sales, although Covid continues to subdue demand in certain markets.

Real estate rental income increased during the year by 3.2% to £8.4m and occupancy levels increased to 99% (2021: 98%). The annual passing rent of our portfolio now stands at £8.8m, split 90:10 between residential and commercial tenancies.

Gross margin

Gross margin reduced by 2.5 percentage points from 29.8% in 2021 to 27.3% in 2022, due to rising inflation, as well as higher commodity and semiconductor prices throughout the year. While price increases have been introduced to mitigate these costs, they only started to become effective in the second half of the year. There are also fixed price contracts that continued throughout the year where pricing benefits cannot be achieved until new contracts are realised. An improved product mix and increased utilisation of the Group's manufacturing facilities provided some respite.

Material costs as the largest element of cost of sales continues to be closely monitored. Our purchasing teams have strengthened supply chains to help mitigate product constraints and significant engineering resource was diverted to re-engineer existing products in response to global semiconductor supply chain shortages. Our value engineering teams are focused on sustainability and cost reduction, with a clear objective to optimise raw material usage and to reduce waste.

Overheads

Overhead costs increased by 18% compared to 2021 and, on an OCC basis, they increased by 13% after excluding currency movements and acquisitions.

While higher business activity and inflationary pressure have resulted in increased overhead costs, these continue to be carefully managed. We have continued to make good progress with our strategic product developments, which increased engineering costs by 33% to £7.7m, although no development expenditure was recognised as an intangible asset this year.

Other operating income was lower at £2.9m (2021: £5.6m), largely because the annual review of Lucy Zodion's goodwill identified that a £2.3m impairment charge was required following a reassessment of future cash flows.

Operating profit

Group operating profit before valuation gains was £35.5m, 10% lower than last year. There was a £0.9m loss from the annual valuation of the Group's investment property assets compared with a gain of £4.2m last year. This devaluation was driven by increased interest rates dampening activity in the Oxford property market, leading to softer prices and resulting in an operating profit after valuation gains and losses of £34.7m (2021: £43.7m).

Profit before tax

PBT for the year was £35.3m (2021: £42.2m) after crediting net finance income of £0.6m compared with net finance costs of £1.5m last year. Finance income increased by £2.2m including a foreign exchange gain of £1.5m on foreign currency assets and liabilities.

Taxation

The Group's headline effective tax rate decreased from 26% to 3%. These rates include a reduction to the current tax charge respective to adjustments from earlier years and the recognition of a deferred tax asset for earlier losses in Saudi Arabia, whereas last year an increase in the enacted UK corporation tax rate significantly increased the tax charge and the deferred tax liability on the revaluation of investment properties. Removing the impact of the non-recurring adjustments provides a more reliable measure: on this basis, the adjusted effective rate of tax is 12% (2021: 13%). The Group expects its adjusted effective tax rate to remain lower than the standard UK tax rate due to lower tax rates in many of the countries in which it operates.

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

Dividends

The Board recommends an increased final dividend of 160 pence per share which, taken together with the interim dividend of 104 pence per share, gives a full year dividend of 264 pence per share (2021 normalised full year dividend: 233 pence per share). This represents a 13% increase.

A special dividend of 175 pence per share was paid in December, reflecting the Group's strong performance compared with a normalised special dividend of 150 pence per share last 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

On 10 June 2022 the Group acquired an 80% shareholding in Flashnet S.A., a leader in intelligent energy management systems, for a total consideration of £4.5m from Engie Energy Services International S.A. The Group also purchased £1.5m of loans to the acquired company from Engie CC SCRL. Based in Braşov, Romania, Flashnet S.A. will strengthen the Group's technology portfolio and increase our global reach, two important criteria of our growth strategy. The business is complementary to Lucy Zodion's street lighting activities and will be part of the Lucy Controls business unit.

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 free cash inflow of £10.5m (2021: £30.1m) and £0.8m of foreign currency borrowings were repaid during the year.

Operating cash flow before changes in working capital, interest and taxes was an inflow of £46.6m (2021: £43.5m), largely driven by strong operating profits.

Control of working capital is key to achieving our cash generation during this period of growth. In 2022 working capital increased by £18.4m (2021: £5.4m) in support of both this year's sales and future sales. Inventory increased by £10.5m (2021: £11.3m) to support higher volumes and to mitigate the disruption in the supply chain, while an investment of £9.0m in Lucy Real Estate's land bank was required to facilitate its strategic growth plan.

Receivables increased by £11.5m as higher volumes continued throughout the year compared with lower sales in quarter four last year, although overdue balances have decreased. Payables increased by £4.8m, while provisions decreased by £1.1m, and there was a minimal outflow from changes in the value of derivative financial instruments.

Net interest paid was an outflow of £0.6m (2021: £0.5m) and tax payments were £3.2m compared with £3.8m in 2021.

Investing activities at £14.0m (2021: £3.7m) comprised £4.0m net of cash for the acquisition of the

Financial Review continued

majority shareholding in Flashnet S.A. and £1.5m for loans. There were no changes in the quoted equity portfolio during the year compared with net purchases of £0.2m last year. Capital expenditure was £8.6m (2021: £4.8m) and proceeds from disposals of property, plant and equipment were £0.1m (2021: £1.3m).

Capital commitments at the end of the year were £11.2m (2021: £5.1m), reflecting the St Paul's House development and covering several investments to increase manufacturing automation and capacity.

Financial position

A five year £20.0m Revolving Credit Facility (RCF) with HSBC Bank PLC was refinanced during the year, leaving Group borrowing facilities unchanged at £43.0m.

Actual bank borrowings increased by £0.5m to £15.4m at 31 December 2022. The acquisition of Flashnet S.A. introduced two minority shareholder loans totalling £0.3m repayable on 1 July 2023.

The Group had net cash of £40.7m (2021: £31.4m) and net assets increased during the year by £50.7m to £289.1m.

The Group's financial metrics remain strong, with gearing of 5% (2021: 6%) and interest costs covered 55 times (2021: 75 times).

Return on net assets

The Group recorded a return on net assets of 12% (2021: 18%) 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 surplus of the W Lucy defined benefit pension scheme in the UK as at 31 December 2022 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 to reduce the risk of volatility of the Group's liabilities.

The most recent triennial valuation of the scheme was performed as at 6 April 2020. However, given the extreme market conditions created by Covid-19, a post valuation was undertaken as at 31 August 2020. This valuation revealed a scheme deficit of £4.4m and a funding level of 93% compared with a surplus of £3.9m in the previous valuation. Consequently, the Company agreed a recovery plan requiring deficit-reducing contributions of £0.7m per annum from 1 January 2021 to 1 December 2023, increasing to £0.8m per annum from 1 January 2024 to 31 December 2027 with a final payment of £0.3m by 31 May 2028. Additionally, the Company increased its contributions in respect of active members of the scheme from 24.5% to 28.8% of pensionable salary from 6 April 2021.

A significant increase in bond yields during the year moved the Scheme from a deficit to a surplus and, following actuarial advice, the Trustees and the Company agreed to suspend deficit-reducing contributions from October 2022 until the next triennial valuation in April 2023.

The separate IAS 19 valuation performed as at 31 December 2022 showed a Scheme surplus of £14.7m compared with a deficit of £2.9m last year. This represents an increase in the funding level from 96% to 130% during the year. This improvement arose from a significant increase in bond yields over the period, resulting in a higher discount rate than last year, which has significantly decreased the value placed on the Scheme's liabilities. Expectations of future inflation have also fallen slightly, leading to an actual gain from changes to the financial assumptions of £25.2m. Experience gains have reduced this gain as the Scheme's assets underperformed their expected rate of interest, reducing this surplus by £5.6m, while inflation above its assumed rate decreased the surplus by £1.7m. Further accrual of pension benefits of £0.7m and a discretionary increase of £0.2m have decreased the surplus. Company contributions and a small increase in the mortality assumptions were responsible for the balance.

The related deferred tax liability of £3.7m resulted in a net pension liability of £11.0m at the end of the year. The amount of the surplus 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 surplus by £0.6m.

The value of non-UK post-employment benefits was £6.2m (2021: £5.2m) at the end of the year.

International Financial Reporting Standards

The consolidated financial statements of the Group have been prepared under UK-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
23 March 2023

The rise in grid-edge technologies

The British Electrotechnical and Allied Manufacturers Association (BEAMA) and the Energy Systems Catapult's March 2022 report – "Growing the Supply Chain for a Net Zero Energy System" – forecast that electricity demand may grow by 70% by the year 2050. The report also highlights the consequent need for more coordination and planning between utilities, which will require intelligent command and control.

Smart automation brings multiple benefits:

- Enables real-time monitoring and control over generation, transmission, distribution and outage management.
- Delivers resource optimisation and alleviates pressure across the whole power enterprise.
- Makes data available for engineers both at desks and on-the-go, providing actionable information that enables timely reaction and improved planning.
- Facilitates accurate matching of supply and demand and allows macro and micro-grids to better utilise latent capacity, opening up networks to a larger ratio of variable renewable sources including solar, wind, hydrogen power and advanced battery storage technologies.
- Responds to the increase in 'prosumer' households selling electricity generated from solar panels or other devices back to the network, rather than just consuming it.

Risk Management

Improving risk management to enhance stability and growth within the business.

Risk management philosophy

Risk and its management are fundamental to the success of our business. We encourage our teams to take risks; however, the risk and its mitigation should be commensurate with the expected return. All our employees are responsible for assessing and managing risk appropriately, as well as highlighting and responding to emerging risks within our businesses.

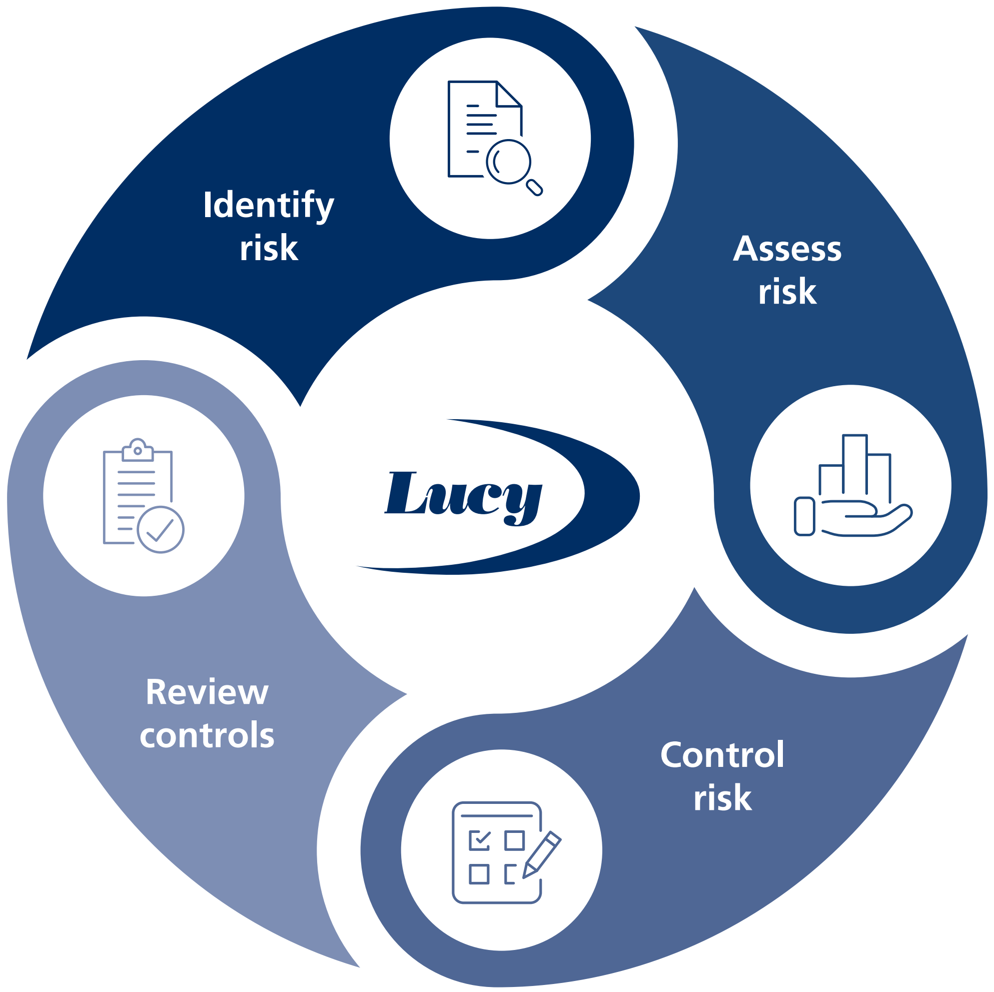
Continuous improvement in risk management practices

The Group continues to embed risk management processes across all our businesses, to ensure that there is a good understanding of all the potential positives and negatives of key factors that may affect both individual businesses and the Group as a whole. This helps to ensure suitable decision making, supported by the necessary controls and processes, to achieve our strategic objectives.

We review and measure our strategic risks, determining both the likelihood and impact of key risks to the business, using a wide range of measurements to ensure that multiple factors are considered as part of the assessment of risk. We concentrate on the residual risk and proportionate actions that could be taken to manage the identified risks.

Embedding risk culture across the Group

The Group Board owns the risk management processes and ensures that they are embedded and working effectively across the Group. The Board also has a good understanding of the significant risks facing the Group and considers the implications of the Board's decisions.



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

The Audit Committee is responsible for overseeing that there is an effective risk management process in place and for reporting to the Board on its adequacy.

Empowering our businesses to enhance their risk management frameworks

The individual entities' management teams are responsible for defining and embedding the risk culture into their own areas. They are responsible for ensuring that they understand the risks affecting their businesses and that their employees are able to both identify and deal with these risks appropriately. They are also responsible for creating a culture of openness to allow wide-ranging and difficult discussions to be had over the risks the businesses may face.

Assessment of risk

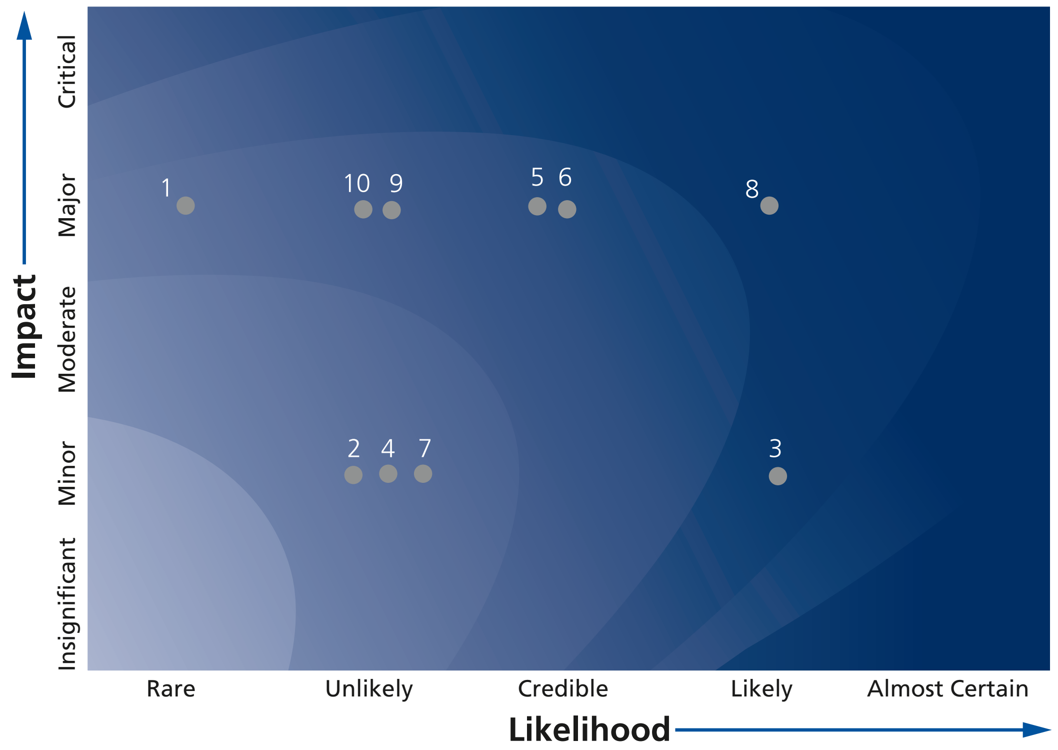
We consider a wide range of factors within risk management processes from macro strategic points through to operational risks within each business. We assess each risk identified for likelihood and impact against a wide range of measures, including:

- Damage to the financial performance of the business
- Damage to reputation
- Production downtime
- Information security
- Employee morale
- Management time

Principal risks and uncertainties

Key business risks are currently identified as shown in the figure below.

The results are aggregated into the ten principal risks affecting the Group, which are set out within the Statement of Principal Risks and Uncertainties. We will continue to seek to improve the process and produce information in a more intuitive manner.



Key

1	Strategic
2	Business continuity
3	People
4	Financial
5	Product design
6	IT systems and cybersecurity
7	Regulatory and compliance
8	Economic and political instability
9	Safety
10	Supply chain

Statement of Principal Risks and Uncertainties

Risk and Impact	Mitigation/Controls
1. Strategic 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 it needs. The Board spends significant time formulating, reviewing and communicating strategy to ensure that our approach delivers sustainable returns. The governance of the business is reviewed, with management teams continuously strengthened and developed. We also look for opportunities to acquire businesses and talent that will help deliver our strategy.
2. Business continuity The Group depends on the continued availability and integrity of its computer systems together with a number of stakeholders to ensure continuation of the business. Any prolonged interruption caused by key suppliers, political unrest or systems interruption could affect the trade of a business unit. Covid-19 still has the power to disrupt the global and regional economies as differing regions continue to deal with the pandemic in different ways. Novel viruses may appear in the future that could lead to similar disruption to the Covid-19 pandemic and to significant disruption within either the specific territories or the entire globe if governments and health authorities feel the need to bring in similar controls to reduce the impact of any outbreak.	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 has taken the lessons from the global pandemic and this will help to inform our response should another arise. Group management continues to monitor the situation with Covid-19 and the impacts it still has on some parts of the globe, and works to ensure it is not disruptive to supply chains. Group management also works with local governments and agencies to protect our employees' wellbeing.
3. People Making sure that we retain and attract the required talent to sustain and improve the business. In particular, tight global markets for specific talent may impact on the availability of suitable candidates to support the growth of the business.	The business has robust policies and procedures in place for recruiting individuals. The retention of key employees is important for long-term stability and success. Training and mentoring are 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 information on how this supports our wider company culture, to make it an attractive place for people to work. Performance reviews are held regularly to identify development needs and career opportunities aligned to business needs. We undertake workforce and succession planning to ensure that the right individuals are in the right roles.

Risk and Impact	Mitigation/Controls
4. Financial Failure of the business to deliver the cash flows forecasted; inherent currency and inflationary risks and management of those risks; requirements for further funding for the pension fund; customer and supplier credit risk; losses arising from fraudulent or dishonest activity. Inflation is driving pressures on margins across the world, with pressures on commodity and other input costs. Central bank and government decisions made in efforts to reduce inflation may impact on demand and increase financing costs.	Treasury strategy is defined in the annual accounts and we have written supporting policies and procedures. Management reviews cash flow regularly to ensure the business has access to the funds it requires to continue with its operations. The Group has regular contact with its lenders to ensure adequate medium-term financing to support its business operations for the foreseeable future. Loan covenants are regularly monitored. Hedging activity is used to mitigate exposure to currency exchanges. Within the budgeting process, increases in input prices due to inflation are modelled through to the sale prices offered to our customers. The Group reviews options for the actions it can take to mitigate its long-term pension risk and consults professional advisers as necessary. There is a whistleblowing policy in place enabling employees to bring attention to fraudulent or dishonest activity.
5. 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 in designing and building innovative and sustainable products, applications and services for the Group's markets.
6. IT systems and cyber security A third party may seek to disrupt business through either external attacks to 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. Any increase in cyberattacks sponsored by state actors means the likelihood of target attacks may also increase.	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 them. The Group IT team consists of high-quality trained individuals tasked with ensuring systems' resilience and ongoing investment 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.

Statement of Principal Risks and Uncertainties continued

Risk and Impact	Mitigation/Controls
7. Regulatory and compliance Censure from government or regulators for non-compliance with laws and regulation. Failure of internal control process leads to financial losses. Failure to respond to significant changes in legislation or regulations leaves the Company exposed to censure, or obsolete products or services within our portfolio. Continued use of compliance and regulation by countries seeking to create barriers of entry for non-domestic suppliers of goods and services to protect domestic enterprises and in response to wider political disputes across the globe. Countries choosing to trade only with neighbouring countries or those deemed politically friendly ("friendshoring").	The Group has policies and procedures in place to address compliance risk. We 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. Management across the business make the necessary changes to either control environments or product designs as necessary. Group management receives 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 we complete due diligence over our key external stakeholders.
8. Economic and political instability Some governments around the world face domestic pressures to support localisation of goods and have put in place measures that may prevent access to their markets. Governments and central banks in developed nations are now dealing with an inflationary risk that has not been prevalent in developed economies in recent memory. Policies to deal with these threats and the impact on pricing of raw materials, goods and services could have a detrimental effect on the Company. Conflict continues within Ukraine which continues to distort world energy markets, which in turn leads to inflationary pressures within the markets for raw materials, which then affects pricing. This conflict may also see more proxy wars in other regions or significant cyberattacks on key infrastructure which could impact on core parts of our business and customer resilience. China continues to try and exert more influence over global trade, which may lead to indirect confrontation with the US; this may lead to increased friction between the East and West and more pressure to consider the origins of goods within the supply chain, or cause breaks within the supply chain. Parts of the world remain politically unstable, which may affect aspects of the business or impact on employees working or travelling in those areas.	Management continues to monitor both the political and financial events in key markets, and adjust strategy accordingly. Management constantly reviews the prevailing sanction regimes across the globe and ensures that the Company complies with all relevant sanctions. Management teams keep a firm watch over input costs and adjust sales pricing as required. Business continuity plans are in place should one of our facilities become unavailable for a prolonged period. Management teams 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. Prior to travel by any employees in high-risk countries, they undertake risk assessments to manage, mitigate and, where possible, eliminate risks associated with political instability and/or terrorist activity.

Risk and Impact	Mitigation/Controls
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 members of the public.	The Group has a health and safety policy, procedures and training in place across all sites. Health and safety experts are employed throughout the Group. Relevant employees are given personal protective equipment and other equipment appropriate for their particular environments. We have engineers that work on third party sites. They hold the requisite qualifications for the work they do in what can be a dangerous environment, and they undertake full risk assessments before starting work, and follow the relevant health and safety guidelines for their environments. The Board receives and reviews regular health and safety reports from all businesses, with results from audits, near misses and accidents. 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 our employees, customers and the wider general public. We vet our subcontractors to ensure that they meet relevant health and safety requirements.
10. Supply chain Recovery from Covid-19 and geopolitical pressures between the Eastern and Western powers could lead to further shocks in the global supply chain. Some countries and businesses have yet to return to pre-Covid outputs. The economic outlook is also reducing capacity within the market, which may lead to disruption to or difficulties in sourcing raw materials and components at reasonable prices. Both geopolitical and sustainability pressures may push businesses in certain jurisdictions to either onshore or "friendshore" supply chains to provide security of delivery and to decarbonise products.	The Group seeks ways to develop and extend its supplier base so as to reduce any overreliance on specific suppliers and to improve competitiveness. The Group works closely with all suppliers to understand potential issues ahead of time to allow us to continue to produce goods our customers require. Management continues to monitor the political situation across the globe and can invoke appropriate contingency plans if required.

Environmental, Social and Governance (ESG)

We are committed to enabling sustainable living through all our activities, including our everyday operations, products and services.

Group sustainability policy and strategy

Our selected goals focus on the material issues relevant to us, grouped into three interlinked pillars: People, Planet and Progress. Within our three pillars we have eight priority areas, against which we have set time-bound and measurable goals to drive improvement, reduce waste and lower our emissions.

Our Sustainability Policy and Strategy is guided by and supports the UN SDGs, putting people and the planet at the heart of everything we do. Although we recognise the importance of all 17 SDGs, we have chosen to focus on eight SDGs where we can make direct contributions.

SUSTAINABLE DEVELOPMENT GOALS

People

Health and safety

Our aim is to ensure our employees return home safe and well each day to their families. Our commitment to health and safety is reflected in our health and safety management systems, with ISO 45001:2018 certification held in Lucy Zodion, Flashnet and our Lucy Electric locations in the UK, Dubai, India, Saudi Arabia, Thailand and more recently Brazil.

We set health and safety targets annually and assess our performance by continually monitoring a combination of leading (proactive) and lagging (reactive) indicators. In 2022, we improved our Hazard Identification Ticket (HIT) process and used SharePoint to generate, track and upload HIT forms. Management can track HIT data via a live dashboard, which has greatly improved the speed at which corrective actions are implemented. We make continual improvements by reporting, classifying and investigating all incidents to establish the root cause. Our Total Recordable Incident Rates (TRIR) are calculated per 1,000 employees and in 2022 our TRIR was 4.43, a slight increase on 2021.

Our sustainability strategy		
People	**Planet**	**Progress**
Supporting our people as well as the communities in which we are present	Operating in a sustainable way to reduce our impact	Being committed to providing the tools for our stakeholders to prosper, in the form of our products and services, as well as encouraging ethical practices through our supply chain

Our priority areas		
• Providing a safe and healthy environment that promotes wellbeing and quality of life for all • Valuing our employees and promoting diversity, equality and inclusion • Supporting charitable, environmental and education initiatives within the community	• Reducing emissions, improving efficiency, material recycling and prioritising the use of renewable energy • Promoting the responsible use of natural resources in our businesses and by our stakeholders • Protecting and enhancing ecosystems and biodiversity	• Designing and producing innovative, smart, sustainable products • Promoting a culture of ethical behaviour and transparency • Actively encouraging sustainable and ethical practices across the supply chain

Our selected UN SDGs

Wellbeing

We continue to develop and deliver on wellbeing initiatives that expand our programme to move with an ever-changing world, through a more proactive and integrated approach underpinned by a clear philosophy, with aims and objectives.

Our global wellbeing committee focuses on:

- Embedding health and wellbeing into business planning and risk management.
- Providing training to raise levels of awareness and competence to deal with health and wellbeing issues at all levels.
- Developing clear pathways and a support infrastructure to enable early interventions.
- Creating a global network of volunteer Mental Health and Wellbeing Ambassadors trained to implement local initiatives, signposting employees and contributing to the development of our charter.

Our Health and Wellbeing Charter shows our strategic aims as focus areas for the Group. Each focus area on the charter highlights key components.

These key drivers and determinants of health and wellbeing give us a solid infrastructure and clear sense of direction.

Environmental, Social and Governance (ESG) continued

Employee development and engagement

Employee development and engagement remained a top priority for the Group in 2022, and will continue to do so as part of our strategic pillars. We recognise our employees' contributions to the Group by investing in their personal and professional development, and by ensuring their health, safety and wellbeing are our priority.

To support our ambitious people development programmes through 2023 and beyond, we have grown our in-house Learning & Development team, with regional development partners. This expands our in-house capabilities and reach to ensure that we take a global approach to employee development providing opportunities to all. The L&D team in turn work on objectives and initiatives aligned to health and safety, wellbeing and sustainability programmes.

Achievements in 2022

Built a skills library mapped to roles to understand skills gaps and training needs

25%
Almost 25% of employees were either:
- trained through in-house and accredited training programmes, or
- assessed via talent reviews to better understand people capabilities

New graduate programme for India designed in preparation for the 2023 intake

New onboarding programme designed for a 2023 launch

73%
of employees have active development objectives

87%
of employees have active performance objectives

25%
The skills of over 400 employees were assessed against business needs

Employee engagement

In 2022 we focused on shorter, targeted rounds on specific themes/topics, including goal setting, health and wellbeing, strategy, diversity and inclusion, and Group values; aligned to the timings of key initiatives.

Engagement overall has improved from 7.2 to 7.6 points across the Group since its introduction, with loyalty and satisfaction moving up 0.3 and 0.4 points respectively. Our employee engagement programme is a continual process, with feedback and results helping to shape our future strategies across the Group. Our results are an aggregated snapshot of employee sentiment for 2022 and allow us room for growth through 2023.

Highlights for 2022

73%
are likely to recommend Lucy as a place to work

71%
are inspired by the purpose and mission for Lucy

83%
know what they're expected to deliver

69%
say that Lucy does a good job at communicating its goals and strategies

76%
believe that the overall business goals are taking Lucy in the right direction

76%
believe that people of all backgrounds are treated fairly

65%
know they will be recognised for their great work

72%
say they get enough feedback to know they're doing their job well

72%
are satisfied with the health and wellbeing benefits

75%
say they are provided with information and support

82%
see how their work contributes to the positive outcome for our customers

81%
believe their co-workers are committed to doing quality work

Environmental, Social and Governance (ESG) continued

Planet

Carbon emissions reporting and reduction

We recognise that global warming linked to GHG emissions is a significant threat to the environment, society and economy. We have developed a plan that focuses explicitly on emissions reductions to meet the needs and expectations of our customers, employees and communities. By using Achilles' carbon accounting software (E-Manage) we have verified our outputs and ensured our GHG inventory meets or exceeds the requirements for ISO 14064–1:2018 certification and the GHG accounting protocol. During 2022 most of our operating businesses were certified to the internationally recognised Carbon Reduce programme. We are now taking decisive action in lowering our energy consumption and moving towards a low-carbon future by reducing our emissions by 4.2% annually and following a science-based approach to be net zero by 2050. During 2022 we recorded total emissions of 17.6 TCO_2e, compared to 2021's figure of 18.1 TCO_2e.

Increasingly, our product portfolio enables the transition to renewable energy and the adoption of electric vehicles. Our smart management systems deliver energy savings, while our properties are equipped to support sustainable living.

Total emissions

2021	**18.1k** (restated)
2022	**17.6k**

Community engagement

Our extensive sustainability programme recognises our commitment to local communities by championing charitable, educational and environmental initiatives. We provide employment opportunities, apprenticeships and work experience, and we safeguard the environment and nurture biodiversity. In 2022 we supported 52 different charities and participated in 129 activities.

We are really proud of the work we have been doing across our communities:

- Fundraising and donations – for health-related projects and resources across all our locations. Vaccination drives (India) and raising money for Cancer Research (UK).
- Vital work with local schools – supporting young people in education, work experience and scholarships; assisting young people with technology needed to receive an education; school visits to inspire engineering and understanding of the world of work (UK, Thailand, India).
- Supporting youth organisations – in their education and by providing essential equipment.

CASE STUDY

Supporting education and underprivileged children

We renovated the Gopipura village school located near the Lucy Electric Manufacturing and Technologies site.

The school supports a population of 2,250 and the provision of three new classrooms will ensure access to education for the children in the local community. We also gave the school three new smartboards and installed an overhead water tank to provide the students with access to clean water. The Head Teacher has reported that, as a result of these improvements, he has had a substantial increase in parents wanting their children to attend the school.

- Supporting orphanages and children in care – with much needed clothes, school equipment and resources (Brazil, Saudi Arabia, South Africa).
- Running mental health awareness and virtual group events – in the UK, Dubai, India and Thailand.
- Supporting biodiversity within schools and the community by building bug hotels and sensory gardens in schools and establishments supporting those with special needs; tree planting (UK and India) and mangrove planting (Thailand); teaming up with Composta (Brazil) to recycle food waste.
- Supporting local and national charities, local community activities and cultural events across all our locations.

Care in the community

Our focus has been to provide support for those who are ill, weak and vulnerable. Being a global company gives us the unique opportunity to support those in crisis where it is most needed. Our global workforce has contributed their time, money and efforts to support many organisations that provide care and assistance to those in need.

Progress

We recognise the potential impacts of the Group's activities on society, the environment and the economy, as well as on our workforce. We aim to make a positive contribution to all these areas through our Corporate Social Responsibility (CSR) programme.

The programme is fully integrated into all our businesses and is underpinned by strong operating policies to ensure we comply with all applicable legislation. The policies ensure fair and objective treatment in recruitment and employment regardless of age, race, nationality, ethnic origin, disability, gender, sexual orientation, religious belief and marital status.

To encourage a more informed decision-making process, we measure our CSR performance across seven elements and 274 attributes within a CSR Scoring Matrix based on ISO 26000 Social Responsibility. By understanding how our decisions affect society, we can identify opportunities to improve our social responsibility and ensure we help make changes for the good.

CASE STUDY

Care in the community

Lucy Electric Brazil (LEBR) purchased new clothes for young girls in their community who have either lost their parents or are in a children's home because of neglect.

The girls had only ever been given ill-fitting second-hand clothing before and being given clothes that were new brought many of these young girls to tears with delight. In addition, LEBR brought children of all ages from the local home to the site for Brazil's Children's Day, where they were given gifts they had specially requested. Activities like this help give vulnerable children something to look forward to and the feeling that they are not forgotten by their local community. In addition, LEBR regularly donates warm clothes and food to poor people in the local area.

Board of Directors

Richard Dick
Executive Chairman

Richard was appointed as Executive Chairman in 1990, having been appointed as a Director in February 1981. He is also Chairman of W.L. Shareholding Company Ltd.

Richard is a past president of and plays an active role in BEAMA. He is also a past president of Orgalim, the body that represents Europe's technology industries at EU level. As High Sheriff of Oxfordshire, he started the High Sheriff Young Engineer Awards in 2009, which is now an annual event. Richard's active charity interests are in young people, education and homelessness in the Oxford area. He has a degree in Engineering from the University of Cambridge.

Gary Ashton
Group Finance Director

Gary joined the company as Group Finance Director in April 1997 and also oversees the Group Information Systems function.

He is an experienced finance leader, having previously held senior positions in several large multinational companies in the electrical engineering sector. Gary has played a significant role in the transformation and growth of the company and brings strong stewardship and an appetite for innovation, collaboration and simplification. He is a Chartered Accountant and holds an MBA.

Madeline Laxton
Executive Director and Company Secretary

Madeline was appointed as Company Secretary in January 2006 and as a Director in September 2014.

She oversees a number of Group functions including HR, Marketing & Communications and Legal. She also has active charity interests in Oxfordshire. Prior to joining the Group, Madeline spent 15 years in senior legal leadership roles at several large international engineering and construction companies. She has degrees from the University of Leeds and King's College, University of London.

Jonathan Finch-Dick
Executive Director

Jonathan was appointed as a Non-Executive Director in June 2013, subsequently becoming an Executive Director upon joining Lucy Group on a full-time basis in May 2017.

His current focus is on overseeing the Lucy Real Estate and the Lucy Controls businesses. Prior to joining the Group, he spent 12 years at CBRE, the international commercial real estate services and investment firm, culminating in the role of Senior Director. Jonathan has a degree in Geography from the University of Oxford.

Pippa Latham
Non-Executive Director

Pippa was appointed to the Board in June 2013 and is Chair of the Audit and Remuneration Committees.

After a career in merchant banking, she spent 25 years at family AIM listed business James Latham plc, before running her own corporate governance & company secretarial consultancy. Pippa is a Non-Executive Director at Albion Enterprise VCT plc, and is Head of Corporate Development & Sponsorship at Garsington Opera. She has an MA in Economics from Cambridge University, an MBA from INSEAD and is FCMA and ACIS qualified.

Richard Dobbs
Non-Executive Director

Richard was appointed to the Board in July 2020.

He had a 30-year career at global management consultancy McKinsey – working in the UK, India and South Korea – most recently holding the positions of Senior Partner and Director of the McKinsey Centre for Government. Richard is also a Non-Executive Director at the UK Statistics Authority. He has a degree in Engineering, Economics and Management from the University of Oxford and an MBA from Stanford.

Corporate Governance Report

Guiding principle

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

The Board of Directors

The Board of Directors comprises the Chairman, three Executive Directors and two Non-Executive Directors and has a duty to promote the long-term success of the Company for our shareholders. The Board is collectively responsible for the long-term success of the Group and ensuring leadership within a framework of effective controls. The key roles of the Board are to implement major policy decisions and setting and promoting the Group's purpose, ensuring that our values, strategy and culture align with that purpose. The Board delegates matters as appropriate to its committees and the Executive Directors. It is responsible for the Group's system of internal controls and for monitoring implementation of its policies.

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

Board committees

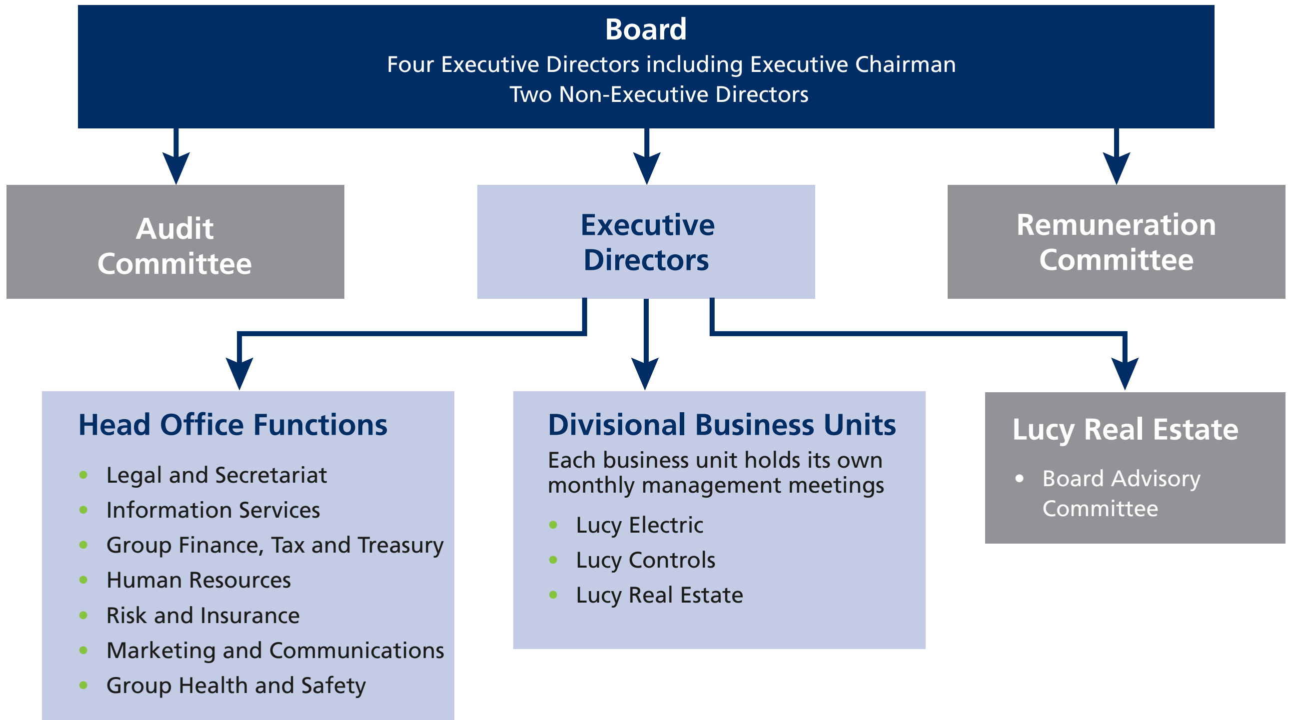
The Board has three committees: an Audit Committee, a Remuneration Committee and a Real Estate Committee. Each committee has clearly defined terms of reference outlining its objectives and responsibilities which are reviewed periodically.

The Audit Committee comprises a Non-Executive Director, who chairs the committee, and an external independent member. It meets at least twice a 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 committee's agenda. The committee monitors the integrity and effectiveness of the Group's reporting process, system of internal controls and financial management, its accounting processes and internal and external audits. The committee monitors significant risks in the Group and makes recommendations to the Board. The committee also considers financial reports and reviews our accounting policies in line with major accounting issues of a subjective nature that have been discussed and considered by the committee. The committee considers the development of the Group's key governance policies and procedures.

The Remuneration Committee comprises one Non-Executive Director and the Executive Chairman. Its main objective is to review and set competitive levels of remuneration for the Executive Directors aligned to the Group's long-term success. The Executive Directors set fees for the Non-Executive Directors by considering roles and responsibilities, including where a Non-Executive Director chairs a committee, and time commitment.

The Lucy Real Estate Committee is responsible for the Group's strategy on property management, refurbishment and development, with the objective of maintaining and enhancing the underlying value of the Company's property assets. This committee comprises at least five members, including members of the Board, the Head of Lucy Real Estate and two external advisers.

Governance framework



Information and development

Directors are encouraged to update and refresh their skills, knowledge and familiarity with the Group by attending external seminars, taking part in meetings, visiting operating units both in the UK and overseas and by receiving presentations from senior management.

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

Directors receive relevant and timely information on the matters to be discussed at each meeting. The Board uses third party software to distribute information fast and securely without the need to circulate paper copies, minimising our impact on the environment. The Company Secretary ensures information flows within the Board and its committees and between 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

Board meeting agenda

Items	Who is responsible
Updates on the business issues across the Group	Executive Chairman
Detailed analysis of financial performance	Group Finance Director
Updates on people issues across the Group	Executive Director responsible for people
Updates and reports on health and safety matters	Executive Director responsible for health and safety
Present and take questions on their area of responsibility and provide updates on developments and changes to the business	Business unit heads and other senior managers
Updates are provided on risk, crisis and reputation management and key regulatory, contractual and legal issues that affect the Group	All Directors
Monitor and review the Group's medium-and longer-term strategy	All Directors

9
Board meetings held in 2022

Board meeting dates 2022

MAR (X1)
MAY (X2)
JUN (X1)
JUL (X1)
SEP (X1)
OCT (X1)
NOV (X1)
DEC (X1)

Corporate Governance Report continued

- The Executive Director responsible for people issues provides an update on those issues across the Group, as well as updates on legislation and litigation activities
- The Executive Director responsible for safety provides an update and reports on health, safety and sustainability matters
- Business unit heads and other senior managers attend relevant parts of Board meetings to make presentations and take questions on their area of responsibility and provide updates on developments and changes to the business
- Updates are provided on risk, crisis and reputation management and key regulatory, contractual and legal issues that affect the Group
- The Directors monitor and review the Group's medium-and longer-term strategy

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

In addition, the Board meets annually to specifically review the Group's medium-and longer-term strategy and agree priorities for the forthcoming financial year.

Internal control and risk management

The Board retains overall responsibility for the Group's systems of risk management and internal control and for reviewing their effectiveness, as set out in the reports on Risk Management and Statement of Principal Risks and Uncertainties. The Board is satisfied that there is an ongoing, appropriately designed process for identifying, evaluating and managing the Group's significant risks which it regularly reviews. The Head of Internal Audit undertakes a programme of internal audits and reports his findings and recommendations to the Audit Committee, which in turn raises any concerns to the Board for discussion and action.

The Directors have reviewed the effectiveness of internal controls, and considered the key risks and exposures within the Group. The Group's Principal Risks and Uncertainties are described on pages 46–49, which also show mitigating actions designed to control and minimise their impact.

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. These systems and controls 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 budgets is reported to the Board and substantial variances investigated. Forecasts are prepared each quarter and 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 through which employees can raise genuine concerns of possible wrongdoing, in confidence, through an independent telephone helpline. If possible wrongdoing is raised by an employee, or is discovered by any other means, a full investigation is carried out and appropriate remedial steps are taken to address any findings.

External Auditors

Wenn Townsend has 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 agrees with its conclusion. In accordance with Group policy, the lead audit partner was rotated five 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. They have therefore continued to adopt the going concern basis in preparing the accounts.

Relations with shareholders

The Board aims to promote the success of the Company for the benefits of our shareholders as a whole, taking into account the long-term consequences of its decisions and looking at those decisions from several perspectives. This involves the Board maintaining a dialogue with and promoting the interests of shareholders throughout the year, not only ahead of the Annual General Meeting (AGM), as a key priority. The Board is accountable to shareholders for the performance and activities of the Group.

The Board communicates the Group's business activities to shareholders through the Annual Report and Accounts, the half-yearly announcement and at other times as appropriate. The Company makes constructive use of its AGM, and shareholders attending the meeting have an opportunity to ask questions or represent their views there.

More details of engagement with key stakeholders are in the sections on Relations with Stakeholders, ESG and in the Report of the Directors.

Development of the Group's corporate governance arrangements

The Board values the benefits that a strong governance framework brings to the Group. Good governance, policies and processes underpin effective management of the Group, which was particularly evident during the Covid-19 pandemic.

During 2022, the Board has maintained its commitment to review and develop key governance policies and procedures. This included the implementation of an updated global Anti-Corruption, Money Laundering and Anti-Bribery Policy, a review and updating of the Treasury Policy, and enhancement of our contract management risk processes, accompanied by the continued development of our purchasing governance framework, to support the highest level of ethical behaviour throughout the Group.

While the Group is not currently required to comply with The Wates Corporate Governance Principles for Large Private Companies ("Wates Principles"), the Board in general supports and endorses the six Wates Principles: purpose and leadership; Board composition; Director responsibilities; opportunity and risk; remuneration; and stakeholder relationships and engagement; which it seeks to use as a framework against which to measure the Group's governance maturity and evolution. The continued progress of our governance arrangements will be reported in the next Annual Report.

By order of the Board

Madeline Laxton
Company Secretary

23 March 2023

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 2022.

Directors

Membership of the Board is set out on pages 56–57.

Financial results

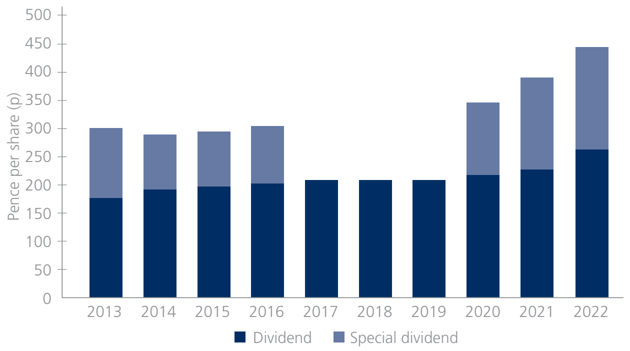
The financial results can be found in the Consolidated Accounts and Parent Company Accounts sections of this report.

Dividends

The Board recommends a final dividend of 160p per share which, taken together with an interim dividend of 104p per share, gives a payment of 264p per share for 2022. This dividend will be payable on 4 May 2023, subject to shareholder approval at the Annual General Meeting on 25 April 2023, to shareholders on the register on 31 March 2023. There was a special dividend of 175p per share paid on 8 December 2022, reflecting the Group's strong performance, compared with a normalised special dividend of 150 pence per share last year.

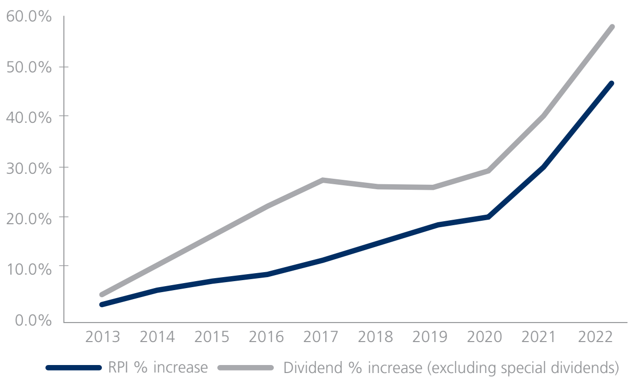
The following charts show dividend payments paid and proposed over the last ten years. The 2019, 2020 and 2021 numbers have been normalised to remove the impact caused by the Covid-19 pandemic on the timing of dividend payments.

Dividends paid and proposed



Dividends paid and proposed

RPI vs year-on-year dividend growth



Investment property

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

Property occupied by the Group

Properties that are occupied by the Group are included in the Statement of Financial Position at book value, and in the Directors' opinion 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

We value the commitment of our employees and continue to communicate with them about the development of the business.

We promote an inclusive workplace and, as such, our employment policies are designed to respect employees' human rights, ensure equal opportunity and promote diversity, including for disabled persons. We encourage employees to undertake relevant training to develop their careers, and we hold performance reviews with individual employees.

Details of employee engagement are in the sections on ESG and Relations with Stakeholders.

Business relationships

Details of how the Directors continue to build business relationships with suppliers, customers and others are in the sections on ESG and Relations with Stakeholders.

Health and safety

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

Corporate governance

The Corporate Governance Report is on pages 58–61. The Board sets the tone for the way in which the Group operates and is committed to running the business responsibly. The Board considers current performance, strategy and acquisitions, risk management and internal controls continually. 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.

GHG emissions and energy consumption

Information on GHG emissions and energy consumption is set out in the Key Performance Indicators on page 23. For compliance purposes we are required to disclose the GHG emissions of Lucy Electric UK Ltd (LEUK), a UK subsidiary which is a large company. The emissions were 1,553 tCO_2e in 2022 and include Scope 1 (direct), scope 2 (energy indirect) and scope 3 (other indirect) figures and those associated with Lucy Electric EMS employees based at the LEUK Thame facility. Electricity usage was down by 10% to 717,000kWh, equating to 10.7kWh/£k sales, a 27% decrease on 2021. LEUK attained Platinum status in the Carbon Reduce scheme having reduced its GHG emissions for the past 11 years in accordance with ISO 14064–1:2006 before re-baselining against its 2021 data. Emissions intensity decreased in 2022 by 11% on tCO_2e/£m turnover.

Covid-19

The Group has received no financial support under any UK Government scheme during the year.

Financial instruments

Information on the Group's use of financial instruments, including financial risk management, the objectives and policies of the Group, and the exposure of the Group to certain financial risks, is in note 27 on pages 97–101.

Donations

Total charitable donations during the year were £86.4k (2021: £73.8k). These comprised £36.8k for community projects (2021: £33.8k), £7.5k for educational projects (2021: £9.4k) and £42.1k for other projects (2021: £30.6k). No political contributions were made (2021: £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 Auditors in connection with preparing their report) of which the Company's Auditors are unaware, and;
- the Directors have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

External Auditors

Wenn Townsend have expressed their willingness to continue in office as Auditors of the Company and, in accordance with section 485 of the Companies Act 2006, a resolution proposing their reappointment will be put to the members at the 2023 Annual General Meeting.

By order of the Board

Madeline Laxton
Company Secretary

23 March 2023

Relations with Stakeholders

The Board sets the Group's strategic direction and manages its operational performance in the way most likely to promote the Group's long-term success for the benefit of its members. An important part of this is engagement with key stakeholders and considering their feedback. In this section we describe how and why Directors have engaged with stakeholders during the year.

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.

Shareholders

We aim to maintain shareholder buy-in to and support for our strategic objectives and how we go about executing them. We create value for our shareholders by generating sustainable results that result in dividends, including, where supported by performance, the payment of special dividends. We want our investors to keep a long-term holding in the Company.

Employees

The Company's long-term success depends on the commitment and delivery of our strategy by our workforce and the consistent demonstration, adherence to and development of our values. To maintain a competitive advantage and meet the ever-changing demands of the environment in which we operate, our workforce needs to be adaptive, flexible and constantly developing their skills to meet market challenges. We value employees with long-term practical experiences. We hold employee one-to-ones, team meetings and surveys to promote an environment that they are happy to work in and that best supports their wellbeing. We invest in training our workforce as we believe that it benefits both the individual and the Group and that it helps to motivate and retain our employees, and reduce absenteeism and turnover rates.

Our response to the impact of Covid-19 on the workplace and our employees includes regular meetings of senior management teams, health and safety and HR representatives to review and develop actions and specific initiatives. As a result, we have adopted hybrid working, where appropriate, and communications to safeguard our employees' physical and mental wellbeing, which is of paramount importance. We monitor and follow changes in government guidance and take any necessary steps both in office and factory environments to minimise risks to employees.

Lenders

Access to external funding is important to the long-term success of our business. We therefore keep in regular contact with the Group's lenders to ensure that there is adequate funding available both for the Group's continuing operational needs and for our longer-term strategic development.

Customers

In a highly competitive environment, our success depends on meeting customer needs more effectively than our competitors. Regular engagement with our customers therefore ensures that both our current products and those in development match what they expect and need.

Suppliers

Our suppliers are fundamental to the quality of our products and to ensuring that we meet the high standards of conduct that we set ourselves and comply with regulatory requirements. We rely on them to deliver on time and to the specified quality and standard. We collaborate with our suppliers to mitigate against, and provide solutions for, supply chain interruptions.

Pensions

The Group has to fund its defined benefit pension scheme and ensure that sufficient contributions are made to meet liabilities as they fall due. We recognise that ongoing engagement with trustees and professional advisers benefits both 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 and what we do to promote sustainability are in the ESG and Sustainability sections of the Strategic Report.

Regulatory bodies and trade associations

We operate in an environment that can be impacted by regulatory changes, so we engage with regulators and trade associations to assist with our compliance framework, training and new product development. This helps with the development of the Group's strategic direction.

We define principal decisions as both those that are material to the Group and those that are significant to any of our key stakeholder groups. The Board considers that it has taken actions and decisions that, in good faith, are most likely to promote the success of the Group and are for the benefit of its members. It has considered feedback from its stakeholders 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 ESG, the Directors' Report and the Corporate Governance Report.

Directors' Responsibilities

The Directors are responsible for preparing the Strategic Report, Report of the Directors 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 financial statements in accordance with UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006.

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;
- state whether international accounting standards, in conformity with the requirements of the Companies Act 2006, have been followed, subject to any material departures disclosed and explained in the financial statements;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with specific requirements in international accounting standards, in conformity with the requirements of the Companies Act 2006, is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; 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 and Group'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. They are also responsible for safeguarding the assets of the Company and 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;

- the Group financial statements, which have been prepared in accordance with UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006, give a true and fair view of the assets, liabilities, financial position and results of the Group;
- 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
- 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

23 March 2023

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 2022, 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 UK-adopted international accounting standards. 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 2022, and of the Group's profit for the year then ended;
- the Group's financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- 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 Auditors' 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

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the entity's ability to continue to adopt the going concern basis of accounting included assessing the Company's and Group's post-year-end trading and performance by comparing actual results to budgeted and previous period figures. Explanations were received for significant changes including the impact on funding requirements. Discussions were held with the senior management team regarding legal and contractual issues including supply chain risk.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Parent Company's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Annual Report, other than the financial statements and our Auditors' Report thereon. The Directors are responsible for the other information contained within the annual report. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Independent Auditors' Report to the Shareholders of Lucy Group Ltd continued

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 Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors 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 Report of the Directors.

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 66, 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.

Auditors' 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 Auditors' 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud, are detailed below:

- Enquiry of management, those charged with governance and the entity's solicitors (or in-house legal team) around actual and potential litigation and claims;
- Enquiry of entity staff in tax and compliance functions to identify any instances of non-compliance with laws and regulations;
- Reviewing minutes of meetings of those charged with governance;
- Reviewing internal audit reports;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Performing audit work over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for bias;
- Enquiry of component Auditors to request identification of any instances of non-compliance with laws and regulations.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities.

This description forms part of our Auditors' 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 Auditors' 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 BFP FCA
(Senior Statutory Auditor)

For and on behalf of Wenn Townsend
Chartered Accountants and Statutory Auditors

30 St Giles
Oxford
OX1 3LE

23 March 2023

Consolidated Income Statement

for the year ended 31 December 2022

	Note	2022 £000	2021 £000
Revenue	3	**313,216**	263,786
Cost of sales		**(227,581)**	(185,068)
Gross profit		**85,635**	78,718
Selling and distribution costs		**(31,310)**	(26,726)
Administrative expenses		**(13,959)**	(12,231)
Research and development costs		**(7,727)**	(5,815)
Other operating income/expenses		**2,908**	5,566
Operating profit before net valuation (losses)/gains on investment property	4	**35,547**	39,512
Net valuation (losses)/gains on investment property		**(877)**	4,213
Operating profit after net valuation (losses)/gains on investment property		**34,670**	43,725
Finance income	6	**2,260**	79
Finance costs	6	**(1,631)**	(1,593)
Profit before taxation		**35,299**	42,211
Tax expense	7	**(1,078)**	(10,833)
Profit for the year		**34,221**	31,378
Dividends	9	**(2,061)**	(2,435)
Retained profit for the year		**32,160**	28,943
Profit/(loss) for the year attributable to:			
Non-controlling interest		**(159)**	(115)
Owners of the Parent		**32,319**	29,058
		32,160	28,943
Earnings per share	8	**6,989p**	6,403p

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2022

	2022 £000	2021 £000
Profit for the year	**34,221**	31,378
Other comprehensive income:		
Items that will not be reclassified subsequently to the income statement:		
Remeasurement of UK defined benefit pension scheme	**17,862**	8,874
Taxation relating to remeasurement of UK pension scheme	**(4,409)**	(1,505)
Remeasurement of non-UK employee benefit schemes	**34**	222
Taxation relating to remeasurement of non-UK employee benefit schemes	**17**	(43)
Items that will subsequently be reclassified to the income statement:		
Currency translation differences	**5,326**	314
(Loss)/gain on revaluation of available-for-sale investments	**(232)**	249
Total comprehensive income for the year, net of tax	**52,819**	39,489
Total comprehensive income for the year attributable to:		
Non-controlling interest	**(159)**	(115)
Owners of the Parent	**52,978**	39,604
	52,819	39,489

Consolidated Statement of Financial Position

as at 31 December 2022

	Note	2022 £000	2021 £000
Assets			
Non-current assets			
Goodwill	10	**3,678**	2,775
Other intangible assets	11	**3,182**	1,001
Property, plant and equipment	12	**30,845**	27,234
Investment property	13	**160,597**	158,570
Other long-term financial assets	16	**2,249**	2,481
Pension scheme surplus	25	**11,049**	–
Deferred tax assets	24	**2,087**	1,027
Other receivables	19	**2,222**	2,561
Non-current assets		**215,909**	195,649
Current assets			
Inventories	18	**82,492**	67,128
Trade and other receivables	19	**60,242**	44,967
Derivative financial instruments	20	**45**	–
Cash and cash equivalents		**56,455**	46,389
Current assets		**199,234**	158,484
Total assets		**415,143**	354,133
Liabilities			
Non-current liabilities			
Provisions	21	**10.528**	11,802
Pension and other employee obligations	25	**6,184**	7.359
Borrowings	26	**15,423**	14,959
Deferred tax liabilities	24	**23,274**	23,209
Other payables	23	**3,568**	2,055
Non-current liabilities		**58,977**	59,384
Current liabilities			
Trade and other payables	22	**61,055**	51,344
Current tax liabilities	22	**6,000**	4,995
Current liabilities		**67,055**	56,339
Total liabilities		**126,032**	115,723
Net assets		**289,111**	238,410
Equity			
Share capital	28	**492**	492
Other reserves	29	**1,810**	(3,516)
Retained earnings	29	**287,152**	241,787
Equity attributable to owners of the Parent		**289,454**	238,763
Non-controlling interest		**(343)**	(353)
Total equity		**289,111**	238,410

Approved by the Board of Directors on 23 March 2023 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 31 December 2022

	2022 £000	2021 £000
Cash flows from operating activities		
Operating profit before revaluation of investment property	**35,547**	39,717
Depreciation, amortisation and impairments	**8,550**	5,437
Other income/(expense)	**1,253**	(1,709)
Currency gains	**1,263**	34
Operating cash flow before changes in working capital, interest and taxes	**46,613**	43,479
Increase in inventories	**(10,527)**	(11,275)
(Increase)/decrease in trade and other receivables	**(11,480)**	8,431
Increase/(decrease) in trade and other payables	**4,753**	(3,076)
(Decrease)/increase in provisions	**(1,069)**	511
Change in derivative financial instruments	**(45)**	4
Cash generated from operating activities	**28,245**	38,074
Interest received	**66**	29
Interest paid	**(672)**	(519)
Tax paid	**(3,155)**	(3,789)
Net cash from operating activities	**24,484**	33,795
Investing activities		
Capital expenditure	**(8,603)**	(4,765)
Proceeds from disposal of property, plant and equipment	**121**	1,283
Acquisition of subsidiaries, net of cash acquired	**(3,965)**	–
Proceeds from disposal and redemption of non-derivative financial assets	**–**	606
Purchase of non-derivative financial assets	**(1,581)**	(854)
Net cash used in investing activities	**(14,028)**	(3,730)
Free cash flow	**10,456**	30,065
Financing activities		
Cash flow from borrowings	**(799)**	(2,090)
Dividends paid	**(2,061)**	(2,435)
Net cash used in financing activities	**(2,860)**	(4,525)
Net change in cash and cash equivalents	**7,596**	25,540
Cash and cash equivalents, beginning of year	**46,389**	20,872
Exchange differences on cash and cash equivalents	**2,470**	(23)
Cash and cash equivalents, end of year	**56,455**	46,389

Consolidated Statement of Changes in Equity

for the year ended 31 December 2022

	Share capital £000	Capital reserve £000	Currency reserve £000	Retained earnings £000	Attributable to owners of the Parent £000	Non-controlling interests £000	Total £000
At 1 January 2022	492	3	(3,519)	241,787	238,763	(353)	238,410
Opening balance adjustment	–	–	–	(226)	(226)	169	(57)
Adjusted opening balance	492	3	(3,519)	241,561	238,537	(184)	238,353
Profit for the year	–	–	–	34,380	34,380	(159)	34,221
Other comprehensive income							
Foreign currency translation	–	–	5,326	–	5,326	–	5,326
Gain on revaluation of available-for-sale investments	–	–	–	(232)	(232)	–	(232)
Actuarial gain on post-retirement liability, net of deferred tax	–	–	–	13,504	13,504	–	13,504
Total comprehensive income	–	–	5,326	47,652	52,978	(159)	52,819
Dividends	–	–	–	(2,061)	(2,061)	–	(2,061)
At 31 December 2022	**492**	**3**	**1,807**	**287,152**	**289,454**	**(343)**	**289,111**
At 1 January 2021	492	3	(3,833)	204,954	201,616	(260)	201,356
Opening balance adjustment	–	–	–	(22)	(22)	22	–
Adjusted opening balance	492	3	(3,833)	204,932	201,594	(238)	201,356
Profit for the year	–	–	–	31,493	31,493	(115)	31,378
Other comprehensive income							
Foreign currency translation	–	–	314	–	314	–	314
Gain on revaluation of available-for-sale investments	–	–	–	249	249	–	249
Actuarial loss on post-retirement liability, net of deferred tax	–	–	–	7,548	7,548	–	7,548
Total comprehensive income	–	–	314	39,290	39,604	(115)	39,489
Dividends	–	–	–	(2,435)	(2,435)	–	(2,435)
At 31 December 2021	**492**	**3**	**(3,519)**	**241,787**	**238,763**	**(353)**	**238,410**

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 UK ("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, available-for-sale assets 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 2022. 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. 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 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.

Principal Accounting Policies continued

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.

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 Group's 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:

- Contract costs incurred relating to contracts with an amortisation 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 the income statement as incurred and are classified according to their nature.

Cost of sales comprises material, labour, manufacturing and service expenses, subcontract 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 31 December 1998 has been written off to consolidated reserves. The cumulative amount of positive goodwill written off is £2,891k. 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 are 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 asset;
- 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 two 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	4–5 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 £1k (or foreign currency equivalent) are expensed as incurred.

Principal Accounting Policies continued

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 Group's 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 (FVOCI) and iii) fair value through profit or loss (FVTPL). The Group's 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 remeasured 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 and forward foreign exchange transactions.

Risk management policies

Interest rate risk

Interest rate risk arises on the Group's variable rate borrowings. If deemed necessary the treasury policy allows 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 hedging price movements.

Foreign currency risks

Foreign currency transaction risks arise because the Group sells and purchases in foreign currencies. The Group's policy is to partially hedge its forecasted net currency exposure using forward currency contracts 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 remeasured 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, includes 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.

Principal Accounting Policies continued

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 Research and Development Expenditure Credit (RDEC) introduced in the Finance Act 2013. Relief is given as a taxable credit on 13% of qualifying research and development expenditure. The credit is used to discharge the corporation tax liability for the company in the period and if there is a remainder it can be surrendered to another Group company. The Group recognises 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 10 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

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

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.

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 appropriate 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 UK ("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

None of the amendments to IFRSs that were issued by the International Accounting Standards Board effective for accounting periods that begin 1 January 2022 have had an impact on the Group's reported results.

The various amendments to IFRS through the annual improvements cycle 2018–20 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 various amendments to IFRSs that are effective 1 January 2023 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 profit of £23.6m (2021: £23.5m) which is dealt with in the financial statements of the Company.

3. Analysis of turnover and profit between activities and markets

The total turnover of the Group was £313.2m (2021: £263.8m) of which £7.6m (2021: £5.4m) 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.

	2022 £000	2021 £000
Revenue from contracts with customers	313,216	263,786

a) Contract assets and liabilities

Contract assets/liabilities relate to the Group's rights of consideration for services provided on contracts. There were no contract assets at 31 December 2022.

	2022 £000	2021 £000
Contract liabilities – customer advances	6,095	4,694
Contract liabilities – deferred income	1,080	1,736
Total contract liabilities	7,175	6,430

b) Revenue recognised in relation to contract liabilities

Revenue recognised in the current year that was included in previous year's contract liability:

	2022 £000	2021 £000
Contract liabilities – customer advances	3,346	2,220
Contract liabilities – deferred income	1,320	233
	4,666	2,453

4. Operating profit

a) Operating profit is stated after charging:	2022 £000	2021 £000
Depreciation of tangible fixed assets	5,767	5,185
Amortisation of intangible fixed assets	522	252
Goodwill write-off	2,261	–
Loss/(gain) on disposal of fixed assets	18	(444)
Operating lease rentals		
Plant and machinery	92	163
Land and buildings	639	373
Research and development	7,727	5,815
Directors' remuneration (see note 32)	1,695	1,644
Hire of plant	129	41
b) Operating profit is stated after crediting:		
Rental income	8,444	8,184
Less related expenses	(4,186)	(3,803)
	4,258	4,381
Gain on translation of foreign currency	4,252	604
c) Auditors' remuneration:		
Audit of these financial statements	33	31
Audit of financial statements of subsidiaries	170	148
Total audit fee	203	179
Amounts received by auditors and subsidiary auditors in respect of other services	90	76
Fees in respect of and borne by the W Lucy Pension scheme	6	6

5. Employee remuneration

Expenses recognised for employee benefits are analysed below:

	2022 £000	2021 £000
Wages and salaries	47,210	41,081
Social security costs	3,255	2,706
Pension costs	3,292	2,683
	53,757	46,470

The average number of employees during the year was 1,563 (2021: 1,463) of which 165 were administrative (2021: 148).

Notes to the Accounts continued

6. Finance income and costs

Finance income	2022 £000	2021 £000
Income from investments	30	27
Foreign currency gains	1,539	–
Interest received	66	29
Other income	625	23
	2,260	79
Finance costs		
Bank interest	672	519
Lease interest	830	577
Foreign currency losses	–	163
Pension finance cost	52	154
Other expense	77	180
	1,631	1,593

7. Tax on profit on ordinary activities

	2022 £000	2021 £000
Current year UK tax	1,900	2,588
Current year overseas tax	2,358	1,645
Group current tax	4,258	4,233
(Over)/under provision in previous years	(2,185)	30
Total current tax	2,073	4,263
Deferred tax		
Capital allowances	203	134
Other timing differences and allowances	(7)	359
Effect of increased tax rate on opening liability	–	5,180
Valuation (losses)/gains on investment properties	(211)	1,161
Tax losses recoverable	(980)	(264)
Total deferred taxation	(995)	6,570
Total tax on profit on ordinary activities	1,078	10,833

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:

	2022 £000	2021 £000
Profit on ordinary activities before tax	35,299	42,211
Tax charge at average UK corporation tax rate of 19% (2021: 19%)	6,707	8,020
Current tax adjustments in respect of prior years	(2,185)	30
Net effect of differing UK tax rates	–	5,180
Net effect of differing overseas tax rates	(3,068)	(3,065)
Capital allowances in excess of depreciation	(162)	–
Other non-allowable expenses	762	1,139
Utilisation of tax losses	772	(696)
Non taxable income	(24)	–
Current year losses	(1,588)	987
Other	(136)	(762)
Group current tax charge	1,078	10,833

8. Earnings per share

The earnings per share has been calculated using the profit attributable to shareholders of Lucy Group Ltd as the numerator. Profit has been adjusted by £(159k) in 2022 (2021: £(115k)) to remove that attributable to the non-controlling interest.

	2022 £000	2021 £000
Profit on ordinary activities after taxation attributable to Lucy Group Ltd shareholders	34,380	31,493
Weighted average number of shares (000s)	492	492
Earnings per share	6,989p	6,403p

9. Dividends

Amounts recognised as distributions to shareholders in the year:	2022 £000	2021 £000
Final dividend for the year to 31 December 2021: 140p (2020: 127p) per share	689	625
Special dividend for the year to 31 December 2020: 125p per share	–	615
Interim dividend for the year to 31 December 2022: 104p (2021: 93p) per share	512	457
Special dividend for the year to 31 December 2022: 175p (2021: 150p) per share	860	738
	2,061	2,435
Proposed final dividend for the year to 31 December 2022: 160p (2021: 140p) per share	787	689

10. Goodwill

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

Gross carrying amount	2022 £000	2021 £000
Balance 1 January	2,775	2,775
Addition	3,164	–
Write-off	(2,261)	–
Balance 31 December	3,678	2,775

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 a cash-generating unit 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. The review of Lucy Zodion Ltd led to a goodwill write-off of £2.3m in the year.

The components of goodwill are:

	2022 £000	2021 £000
Flashnet S.A.	3,164	–
Lucy Zodion Ltd	–	2,261
Lucy Equipamentos Elétricos Ltda	352	352
Lucy Electric GridKey Ltd	162	162
	3,678	2,775

Notes to the Accounts continued

11. Other intangible assets

Gross carrying amount	Licences and software £000	Product development £000	Total £000
At 1 January 2021	5,064	969	6,033
Additions	19	–	19
Disposals	(166)	–	(166)
Translation differences	(9)	–	(9)
At 1 January 2022	4,908	969	5,877
Additions	4	–	4
Acquisition of subsidiary undertaking	–	2,700	2,700
Disposals	(46)	–	(46)
Translation differences	23	–	23
At 31 December, 2022	**4,889**	**3,669**	**8,558**
Amortisation			
At 1 January 2021	4,582	194	4,776
Charge for year	155	97	252
Disposals	(144)	–	(144)
Translation differences	(8)	–	(8)
At 1 January 2022	4,585	291	4,876
Charge for year	155	367	522
Disposals	(46)	–	(46)
Translation differences	24	–	24
At 31 December 2022	**4,718**	**658**	**5,376**
Net book value			
At 31 December 2022	**171**	**3,011**	**3,182**
At 31 December 2021	323	678	1,001
At 31 December 2020	482	775	1,257

12. Property, plant and equipment

Cost or valuation	Land and buildings £000	Plant and equipment £000	Fixtures and fittings £000	Motor vehicles £000	Total £000
At 1 January 2021	28,773	34,148	16,483	3,088	82,492
Right-of-use asset additions	157	–	–	250	407
Additions	4	2,488	649	504	3,645
Disposals	(59)	(380)	(630)	(199)	(1,268)
Translation differences	(223)	(313)	(193)	20	(709)
At 1 January 2022	28,652	35,943	16,309	3,663	84,567
Right-of-use asset additions	2,077	21	–	449	2,547
Additions	222	3,452	1,329	692	5,695
Acquisition of subsidiary undertakings	–	149	–	–	149
Disposals	(1,534)	(471)	(1,078)	(405)	(3,488)
Translation differences	1,049	2,315	809	167	4,340
At 31 December 2022	**30,466**	**41,409**	**17,369**	**4,566**	**93,810**
Depreciation					
At 1 January 2021	11,152	27,170	14,129	2,289	54,740
Charge for year	1,279	2,185	1,281	440	5,185
Disposals	(39)	(354)	(613)	(158)	(1,164)
Impairment release	–	(744)	(255)	(25)	(1,024)
Translation differences	(62)	(191)	(139)	(12)	(404)
At 1 January 2022	12,330	28,066	14,403	2,534	57,333
Charge for year	1,534	2,373	1,336	524	5,767
Disposals	(1,531)	(370)	(1,062)	(386)	(3,349)
Translation differences	735	1,771	611	97	3,214
At 31 December 2022	**13,068**	**31,840**	**15,288**	**2,769**	**62,965**
Net book value					
At 31 December 2022	**17,398**	**9,569**	**2,081**	**1,797**	**30,845**
At 31 December 2021	16,322	7,877	1,906	1,129	27,234
At 31 December 2020	17,621	6,978	2,354	799	27,752

Notes to the Accounts continued

13. 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 27 sets out how the fair value of the investment properties has been determined.

Changes to the carrying amounts are as follows:

	2022 £000	2021 £000
Carrying amount 1 January	**158,570**	153,991
Additions	**2,904**	1,101
Disposals	**–**	(735)
Valuation (loss)/gain	**(877)**	4,213
Carrying amount 31 December	**160,597**	158,570

Freehold land and buildings valued by HSBC at £53.5m in 2020 have been charged to secure borrowings of the company (see note 26).

14. Right-of-use assets

a) The Group leases a number of fixed assets, and property, plant and equipment (note 12) includes £4.5m right-of-use assets that are leased. Details are shown below:

Right-of-use assets	Property £000	Vehicles £000	Machinery & equipment £000	Total £000
At 1 January 2022	2,255	749	124	3,128
Additions	2,077	449	21	2,547
Depreciation charge for the year	(799)	(243)	(110)	(1,152)
At 31 December 2022	**3,533**	**955**	**35**	**4,523**

b) Lease liabilities

Maturity analysis – undiscounted cash flows	2022	2021
Less than one year	**1,473**	578
One to five years	**2,797**	1,005
More than five years	**534**	1,873
	4,804	3,456
Lease liabilities – discounted value of lease payments		
Current	**1,138**	1,150
Non-current	**2,936**	1,729
	4,074	2,879

c) Amounts recognised in the income statement

Interest on leased right-of-use assets	**830**	577
	830	577

15. Acquisition of subsidiary undertakings

On 10 June 2022, the company acquired 80% of the share capital of Flashnet S.A. from Engie Energy Services International S.A. and purchased a loan of £1.5m from Engie CC SCRL. From the date of acquisition they have been consolidated into the Group financial statements.

The details of the business combinations are as follows:

Fair value of consideration transferred	2022 £000
Total cash consideration	**4,495**
Total investment value	**4,495**
Recognised amounts of identifiable net assets	
Intangible fixed assets	**2,700**
Property, plant and equipment	**149**
Total non-current assets	**2,849**
Inventories	**874**
Trade and other receivables	**365**
Other current assets	**40**
Cash and cash equivalents	**530**
Total current assets	**1,809**
Borrowings*	**(1,874)**
Total non-current liabilities	**(1,874)**
Reserve for expenses	**(30)**
Other liabilities	**(1,232)**
Trade and other payables	**(191)**
Total current liabilities	**(1,453)**
Identifiable net assets	**1,331**
Goodwill	**3,164**
Attributable to owners of the Parent	**2,531**

* Borrowings include £1.5m purchased loan from Engie CC SRL

16. Other long-term financial assets

	2022 £000	2021 £000
Equities, other quoted investments and bonds	**2,249**	2,481

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

Notes to the Accounts continued

17. Principal Group undertakings

Company	Country of incorporation	Principal activity	Proportion of ownership interests held by the Group at year end % 2022	2021
Lucy Electric UK Limited	England	Manufacture and sale of switchgear	**100**	100
Lucy Zodion Limited	England	Design, development, manufacture and sale of lighting products	**100**	100
Lucy Electric (EMS) Limited	England	Switchgear product design, development and management services	**100**	100
Lucy Developments Limited	England	Property development	**100**	100
Lucy Electric GridKey Limited	England	Design and sale of switchgear monitoring systems and services	**100**	100
Lawson Fuses Limited	England	Design, development, manufacture and sale of fuses	**100**	100
Lucy Electric Australasia Pty Ltd	Australia	Marketing and sale of switchgear	**100**	–
Lucy Equipamentos Elétricos Ltda	Brazil	Manufacture and sale of switchgear	**100**	100
Lucy Electric Beijing Company Limited	China	Marketing 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 Lucy India (Private) Limited	India	Manufacture and sale of fuses	**100**	100
Lucy Asia Pacific SDN BHD	Malaysia	Marketing and sale of switchgear	**100**	100
Flashnet S.A.	Romania	Design, development, manufacture and sale of smart lighting and smart city control systems	**80**	–
Lucy Switchgear Arabia Company 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

18. Inventories

	2022 £000	2021 £000
Raw materials and components	**44,268**	34,915
Work in progress	**559**	439
Finished goods	**17,576**	18,123
Development land and buildings:		
Land	**8,500**	935
Developments in progress	**11,135**	12,716
Finished properties for sale	**454**	–
	82,492	67,128

19. Trade and other receivables

	2022 £000	2021 £000
Current receivables		
Trade receivables	**46,337**	34,981
Rent receivables	**66**	76
Advances to suppliers	**1,125**	487
Corporation tax receivable	**560**	357
Prepayments and accrued income	**7,928**	6,873
Other receivables	**4,226**	2,193
Total current receivables	**60,242**	44,967
Non-current receivables		
Other receivables	**2,222**	2,561
Total non-current receivables	**2,222**	2,561
Total receivables	**62,464**	47,528

20. Derivative financial instruments

	2022		2021	
	Asset £000	Liability £000	Asset £000	Liability £000
Designated hedge relationships:				
Commodity contracts	**45**	**–**	–	–
	45	**–**	–	–

These amounts are included within the disclosure in note 27.

Notes to the Accounts continued

21. Provisions

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

	Restructuring costs £000	Integration and systems implementation costs £000	Warranty provision £000	Other £000	Total £000
Carrying amount 1 January 2022	4,538	200	4,357	2,707	11,802
Provided in year	171	–	2,863	1,882	4,916
Released in year	(2,362)	(35)	(612)	(754)	(3,763)
Charge in year	(49)	(29)	(1,207)	(1,142)	(2,427)
Carrying amount 31 December 2022	**2,298**	**136**	**5,401**	**2,693**	**10,528**

22. Trade and other payables – current

	2022 £000	2021 £000
Trade payables	**35,083**	28,335
Accruals and deferred income	**21,329**	19,469
Loans repayable within one year	**293**	–
Right-of-use assets within one year	**1,138**	1,150
Other payables	**3,212**	2,390
	61,055	51,344
Corporation tax payable	**1,913**	3,000
Social security and other taxes	**4,087**	1,995
	6,000	4,995

23. Trade and other payables – non-current

	2022 £000	2021 £000
Right-of-use assets more than one year	**2,936**	1,729
Accruals and deferred income	**632**	326
	3,568	2,055

24. Deferred tax

	Asset 2022 £000	Liability 2022 £000	Net 2022 £000
Investment properties	**–**	**(22,881)**	**(22,881)**
Capital allowances	**77**	**162**	**239**
Tax losses carried forward	**1,308**	**–**	**1,308**
Other timing differences and allowances	**702**	**(555)**	**147**
	2,087	**(23,274)**	**(21,187)**

	Asset 2021 £000	Liability 2021 £000	Net 2021 £000
Investment properties	–	(23,091)	(23,091)
Capital allowances	–	210	210
Tax losses carried forward	269	–	269
Other timing differences and allowances	758	(328)	430
	1,027	(23,209)	(22,182)

UK legislation was enacted in the prior year to change the long-term corporation tax rate from 19% to 25%, increasing the Group's deferred tax liability by £5.2m in 2021 (£nil in 2022).

25. 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 benefits 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 2022 in respect of the UURBs was approximately £618k, compared to £584k as at 31 December 2021.

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 2020 and the next valuation of the Scheme is due as at 6 April 2023. In the event that the valuation reveals a deficit 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.

Following the decision to pause the payment of deficit contributions between October 2022 and December 2023 (inclusive), the Company expects to pay only contributions of £150k for expenses plus 28.8% of active members' Pensionable Salaries to the Scheme in the year to 31 December 2023.

The Scheme is managed by a board of Trustees appointed in part by the Company and in 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 and UURBs arrangements expose 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 deficits emerge.
- **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, deficits may emerge in the Scheme.
- **Member options.** Certain benefit options may be exercised by members without requiring the consent of the Trustees or the Company, for example exchanging pension for cash at retirement. In this example, if fewer members than expected exchange pension for cash at retirement then a funding strain will emerge.

A discretionary pension increase for members meeting certain criteria was agreed during the period. There were no other plan amendments, curtailments or settlements during the period.

Notes to the Accounts continued

25. Pensions continued

Profile of defined benefit obligation

The weighted average duration of the defined benefit obligation is 12 years.

Figures for disclosure in accounts are for the period ending 31 December 2022 under IAS 19. Results are shown in £k, rounded to the nearest £1k.

Principal actuarial assumptions	At 31 Dec 2022	At 31 Dec 2021
Discount rate	**4.95% p.a.**	1.85% p.a.
Inflation (RPI)	**3.05% p.a.**	3.35% p.a.
Inflation (CPI)	**2.65% p.a.**	2.85% p.a.
Salary increases	**3.05% p.a.**	3.35% p.a.
Pension increase (RPI max 5% p.a.)	**2.95% p.a.**	3.25% p.a.
Pension increase (RPI max 2.5% p.a.)	**2.15% p.a.**	2.30% p.a.
Pension increase (CPI max 3% p.a.)	**2.20% p.a.**	2.35% p.a.
Post-retirement mortality	**117% of the S3PA tables with CMI 2021 projections using a long-term improvement rate of 1.25% p.a. The initial addition is 0.25% p.a.; the 2020 and 2021 weight parameters are 5%.**	117% of the S3PA tables with CMI 2020 projections using a long-term improvement rate of 1.25% p.a. The initial addition is 0.25% p.a.; the 2020 weight parameter is 15%.
Commutation	**Members are assumed to take 25% of their pension as tax-free cash**	Members are assumed to take 25% of their pension as tax-free cash
Proportion married at retirement or earlier death	**75%**	75%
Life expectancy at age 65 of male aged 45	**22.1**	22.0
Life expectancy at age 65 of male aged 65	**20.8**	20.7
Life expectancy at age 65 of female aged 45	**24.8**	24.7
Life expectancy at age 65 of female aged 65	**23.3**	23.2

The current asset split is as follows:	Bid values as at 31 Dec 2022 £000
Equities	**35,326**
Diversified growth funds	**323**
Target return	**4,516**
Corporate bonds	**9,653**
Index-linked gilts	**7,947**
Gilts	**4,883**
Cash	**521**
Total assets	**63,169**

Balance sheet	At 31 Dec 2022 £000	At 31 Dec 2021 £000
Fair value of assets	**63,169**	69,095
Present value of funded obligations	**(48,437)**	(71,999)
Surplus/(deficit) in scheme	**14,732**	(2,904)
Deferred tax	**(3,683)**	726
Net defined benefit asset/(liability)	**11,049**	(2,178)

Amount recognised in income statement	Period to 31 Dec 2022 £000	Period to 31 Dec 2021 £000
Current service cost	**723**	787
Administration costs	**340**	166
Interest on liabilities	**1,311**	1,009
Interest on assets	**(1,263)**	(855)
Past service costs	**156**	–
Settlement and curtailment cost	**–**	–
Total charge to income statement	**1,267**	1,107

Remeasurements over the year	Period to 31 Dec 2022 £000	Period to 31 Dec 2021 £000
Loss/(gain) on assets in excess of interest	**5,599**	(5,391)
Experience losses/(gains) on liabilities	**1,718**	(207)
Losses/(gains) from changes to demographic assumptions	**61**	(838)
Losses/(gains) from changes to financial assumptions	**(25,240)**	(2,438)
Total remeasurements	**(17,862)**	(8,874)

Change in value of the assets	Period to 31 Dec 2022 £000	Period to 31 Dec 2021 £000
Fair value of assets at start	**69,095**	63,868
Interest on assets	**1,263**	855
Company contributions	**1,041**	1,221
Contributions by Scheme participants	**93**	97
Benefits paid	**(2,384)**	(2,171)
Administration costs	**(340)**	(166)
Change due to settlements and curtailments	**–**	–
Return on assets less interest	**(5,599)**	5,391
Fair value of assets at end	**63,169**	69,095
Actual return on assets	**(4,280)**	

Change in value of the defined benefit liabilities	Period to 31 Dec 2022 £000	Period to 31 Dec 2021 £000
Defined benefit obligation at start	**71,999**	75,760
Current service cost	**723**	787
Contributions by Scheme participants	**93**	97
Past service costs	**156**	–
Interest on liabilities	**1,311**	1,009
Benefits paid	**(2,384)**	(2,171)
Change due to settlements and curtailments	**–**	–
Experience (gain)/loss on liabilities	**1,718**	(207)
Changes to demographic assumptions	**61**	(838)
Changes to financial assumptions	**(25,240)**	(2,438)
Defined benefit obligation at end	**48,437**	71,999

Notes to the Accounts continued

25. Pensions continued

Reconciliation of net defined benefit liability/(asset)	Period to 31 Dec 2022 £000	Period to 31 Dec 2021 £000
Net defined benefit liability at start	**2,904**	11,892
Current service cost	**723**	787
Past service cost	**156**	–
Net interest expense	**48**	154
Remeasurements	**(17,918)**	(8,874)
Administration costs	**340**	166
Employer contributions	**(985)**	(1,221)
Net defined benefit (asset)/liability at end	**(14,732)**	2,904

Sensitivity of the value placed on the liabilities	Approximate effect on liability £000
Discount rate	
Discount rate -0.10%	569
Inflation	
Inflation +0.10%	350
Salary increases	
Salary increases +0.10%	55
Mortality	
Increase long-term mortality improvement rate to 1.50% p.a.	253
Increase initial addition parameter to 0.5% p.a.	361
Decrease 2020 and 2021 weight parameters to 0%	311

Projected income statement for next period	Period to 31 Dec 2023 £000
Current service cost	347
Administration costs	340
Interest on liabilities	2,342
Interest on assets	(3,079)
Past service costs	–
Settlement and curtailment cost	–
Total charge to income statement	(50)

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

i. Cash flows to and from the pension scheme are broadly the same as for the current period.

ii. There are no events (other than those already notified to us) that would give rise to a settlement, curtailment or past service cost.

	2022 £000	2021 £000
End-of-service benefits for non-UK businesses	**6,184**	5,181

End-of-service benefits represents a statutory gratuity payable to UAE, Saudi Arabia and India based employees on leaving the company. In Saudi Arabia and India actuarial valuations are carried out at the end of each reporting period and the valuations are £1,229k (2021: £1,184k) in Saudi Arabia and £199k (2021: £151k) in India.

26. Borrowings

The Group's committed loan facilities at the year end were £43.0m, and these were utilised as follows:

Facilities	Repayable	2022 £000
Revolving facilities		
Secured £23m revolving multi-currency loan at 1.40% above SONIA	31 March 2024	**14,300**
Secured £20m revolving multi-currency loan at 1.50% above SONIA	31 March 2028	**–**
Other		
Exchange loss on foreign currency borrowings		**1,123**
Total borrowings		**15,423**

Security

The two revolving loan facilities are secured against specific freehold properties valued at £53.5m in 2020.

Revolving facilities drawdown and interest The amount of loan drawdown at 31 December 2022 was £15.4m, split as follows:	2022 £000
US dollar $6.5m loans at variable rates of interest	**5,440**
Thai baht THB 240m loans at variable rates of interest	**5,774**
Euro 1m loans at variable rates of interest	**887**
South African rand ZAR 57.7m loans at variable rates of interest	**3,322**
	15,423

Maturity of borrowings

	2022 £000	2021 £000
In more than one but no more than two years	**15,423**	–
In more than two but no more than five years	**–**	14,959
More than five years	**–**	–
	15,423	14,959

27. Financial instruments and risk management

a. Financial risk management objectives and policies

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

Treasury and financial risk management

The Group has a risk that available funds may not 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's borrowings are denominated in foreign currencies to mitigate the risk of movements in foreign exchange rates on intercompany loans.

The Group operates a centralised treasury function which is responsible for managing its liquidity, interest, commodity and foreign currency risks. The Group's treasury policy allows the use of derivative financial instruments to cover its exposure to foreign exchange, commodity and interest rate risk arising from operational and financing activities. The Group primarily uses forward foreign exchange contracts, commodity swaps, and occasionally foreign currency swaps to manage these risks.

Notes to the Accounts continued

27. Financial instruments and risk management continued

Credit risk
The Group is exposed to credit risk on financial assets such as cash deposits and derivative instruments as well as from its business customers and key suppliers.

For cash deposits and derivative instruments, the Group monitors counterparty risk through international credit agencies' ratings; this is reviewed on a monthly basis.

Business customers and key suppliers, whose services are essential to the business, also face credit risk. Where recovery of trade receivables is identified as doubtful, provision for impairment is made. The Group's maximum exposure on its trade and other receivables is the varying amount as disclosed in note 19.

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

Liquidity risk
The Group has adequate medium-term financing in place to support its business operations for the foreseeable future. The Group ensures that it has sufficient undrawn committed borrowing facilities available to meet committed expenditure and to allow for operational flexibility. An analysis of the maturity of borrowings is disclosed in note 26.

Commodity risk
Commodity cost risk arises on base metals used in the Group's electrical businesses. This risk is addressed, wherever possible, by increasing customer prices through contract variation clauses. Cash flow hedging is used to mitigate the risk, by using derivative financial instruments, primarily commodity swaps, up to a maximum limit of 70% cover, up to 18 months in the future.

Commodity contracts have not been formerly designated as hedges and hedge accounting has not been applied. Commodity contracts are carried at fair value in the Statement of Financial Position, with fair value movements being taken to the income statement.

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 to protect against currency fluctuations. Forecast exposures are hedged via forward foreign currency contracts and currency swaps up to a maximum limit of 60% cover, up to 15 months in the future. In addition, negotiations with suppliers continue and will result in matching of currencies to allow increased netting of currency flows.

Forward foreign currency contracts have not been formerly designated as hedges and hedge accounting has not been applied. Forward foreign currency contracts are carried at fair value in the Statement of Financial Position, with fair value movements being taken to the Income Statement.

US dollars are used as a proxy for hedging exotic currencies pegged to the US dollar, for example Saudi riyals and UAE dirhams because a liquid financial derivative market is not widely available.

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.

Currency exposure arising from the net assets of the Group's foreign subsidiaries are not hedged.

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 may cash flow hedge account forward cover where 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 Group's operating and financing activities. Forward foreign exchange contracts are used to hedge against foreign exchange rate movements 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.

Derivative financial instruments can be designated as hedges in line with the Group's risk management policies.

In the current year no derivative financial instruments have been formally designated as hedges and hedge accounting has not been applied. Derivatives are included in the Statement of Financial Position at fair value with movements being taken to 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.

The carrying value of financial assets and liabilities disclosed in the notes is considered to be a reasonable approximation of the fair value.

c. 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 is 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 contracts and swaps (Level 2)
The fair value of forward contracts and swaps is determined by market values available from the markets on which they are traded.

Notes to the Accounts continued

27. Financial instruments and risk management continued

d. 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:

	2022			2021		
	Non-current £000	Current £000	Total £000	Non-current £000	Current £000	Total £000
Financial assets at fair value through OCI						
Listed equity investments	**2,249**	**–**	**2,249**	2,481	–	2,481
Total financial assets at fair value through OCI i)	**2,249**	**–**	**2,249**	2,481	–	2,481
Trade receivables	**–**	**46,403**	**46,403**	–	35,057	35,057
Total financial assets at amortised cost ii)	**–**	**46,403**	**46,403**	–	35,057	35,057
Cash and cash equivalents iii)	**–**	**56,455**	**56,455**	–	46,389	46,389
Financial liabilities						
Interest-bearing loans and borrowings	**15,423**	**–**	**15,423**	14,959	–	14,959
Trade and other payables	**–**	**35,083**	**35,083**	–	28,335	28,335
Total financial liabilities	**15,423**	**35,083**	**50,506**	14,959	28,335	43,294

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

Financial assets						
Dividends from equity investments held at FVOCI	**30**	**–**	**30**	27	–	27
Copper – commodity contracts	**–**	**45**	**45**	–	–	–
Total	**30**	**45**	**75**	27	–	27
Financial liabilities						
Finance cost of interest-bearing loans and borrowings	**–**	**672**	**672**	–	519	519
Hedging gains/losses – hedge ineffectiveness	**–**	**–**	**–**	–	–	–
Total	**–**	**672**	**672**	–	519	519

i) 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 irrevocable election at initial recognition to recognise changes in fair value through other comprehensive income rather than the consolidated income statement.

ii) 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 classified 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.

iii) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, short-term cash deposits and cash balances held by the Group's investment managers and solicitors.

28. Equity – share capital

	2022 £000	2021 £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

29. Other reserves

The consolidated statement of changes in equity is shown on page 74. Further information on reserves is provided below:

Capital reserves

The capital reserve arose on redemption of ordinary shares in the Group's 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 2022 is £115.5m.

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.

Notes to the Accounts continued

30. Commitments

Capital

At 31 December 2022 the Group had authorised the following future capital expenditure:

	2022 £000	2021 £000
Contracted	5,985	4,880
Not contracted	5,189	242

31. Contingent liabilities

The Group has given its bankers guarantees amounting to the equivalent of £4.9m (2021: £4.7m) in respect of tender and performance bonds and counter indemnities.

During 2021 Lucy Switchgear Arabia Ltd (LSA) received income tax assessments and associated penalties for the years 2015 to 2019. The income tax assessments and associated penalties were made by the Zakat, Tax and Customs Authority ("ZATCA") in Saudi Arabia. The tax assessments amount to £11.1m (SAR 50.4m) and associated penalties amount to £4.5m (SAR 20.4m).

LSA management has filed an appeal with the General Secretariat of Tax Committees in Saudi Arabia against these assessments. In 2022, the Committee for Resolution of Tax Violations and Disputes (CRTVD), ruled in favour of LSA for the years 2015 to 2019. However, ZATCA has appealed against the ruling to the Appellate Committee for Resolution of Tax Violations and Disputes (ACRTVD). The ACRTVD have not yet set a hearing date.

The Group continues to believe that no material liability will arise upon the ultimate resolution and accordingly, no provision has been made in the 2022 financial statements for the income tax assessments and associated penalties.

Lucy Electric India (Private) Ltd is claiming £2.7m (INR 270m) from CG Power and during ongoing arbitration proceedings CG Power have counterclaimed for an amount of £17.0m (INR 1,715m). The proceedings are ongoing. We do not consider that a provision requires to be made in respect of the counterclaim in the 2022 financial statements.

32. 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:

	2022 £000	2021 £000
Short-term employee benefits	1,644	1,600
Post-employment benefits	51	44
Total key management remuneration	1,695	1,644
Emoluments of highest paid Director	444	441
Pension contribution	–	–
	444	441

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 one of these Directors. The Group made contributions of £50,500 (2021: £43,625) to defined contribution schemes in respect of two other Directors and operates unfunded unapproved retirement benefits for one of these.

At the year end, the highest paid Director had accrued pension benefits totalling £112,946 p.a. (2021: £109,783 p.a.) which are currently in payment from the W Lucy Pension Scheme.

In 2020, land with planning consent was purchased from the family of Pippa Latham, a Non-Executive Director, at a market value of £705k. This was developed by Lucy Developments Ltd and by agreement the overage above an operating profit of 15% was split equally between the company and vendor upon sale in January 2022, the vendor receiving £174k.

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.

33. Analysis of changes in cash

	1 Jan £000	Cash flows £000	Exchange loss £000	31 Dec £000
Cash at bank and in hand	46,223	5,064	–	51,287
Liquid resources	166	2	–	168
Cash on deposit	–	5,000	–	5,000
Loan capital under one year	–	(293)	–	(293)
Loan capital over one year	(14,959)	799	(1,263)	(15,423)
Net cash	31,430	10,572	(1,263)	40,739

Company Statement of Financial Position

as at 31 December 2022

	Note	31 December 2022 £000	31 December 2021 £000
Assets			
Non-current assets			
Intangible assets	3	**146**	338
Property, plant and equipment	4	**2,138**	2,048
Investments			
Investment property	5	**166,408**	164,377
Other investments	6	**92,283**	73,243
Pension scheme surplus	17	**11,049**	–
Other receivables	7	**–**	512
Non-current assets		**272,024**	240,518
Current assets			
Trade and other receivables	7	**78**	84
Derivative financial instruments	13	**45**	–
Group debtors	7	**2,592**	2,753
Prepayments and other debtors	7	**1,599**	842
Cash and cash equivalents		**8,953**	12,645
Current assets		**13,267**	16,324
Total assets		**285,291**	256,842
Liabilities			
Non-current liabilities			
Provisions	10	**2,510**	5,949
Pension and other employee obligations	17	**–**	2,178
Borrowings	12	**15,423**	14,959
Other payables	9	**–**	49
Deferred tax liabilities	11	**22,615**	22,839
Non-current liabilities		**40,548**	45,974
Current liabilities			
Trade and other payables	8	**10,277**	11,132
Current tax liabilities	8	**194**	693
Other liabilities	8	**4,396**	3,909
Current liabilities		**14,867**	15,734
Total liabilities		**55,415**	61,708
Net assets		**229,876**	195,134
Equity			
Share capital	16	**492**	492
Other reserves		**(6,852)**	(6,852)
Retained earnings		**236,236**	201,494
Total equity		**229,876**	195,134

Approved by the Board of Directors on 23 March 2023 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 31 December 2022

	Share capital £000	Capital reserve £000	Currency reserve £000	Retained earnings £000	Total equity £000
At 1 January 2022	492	31	(6,883)	201,494	195,134
Profit for the year	–	–	–	23,582	23,582
Other comprehensive income					
Fair value change in investments	–	–	–	(232)	(232)
Actuarial gain on post-retirement liability, net of deferred tax	–	–	–	13,453	13,453
Total comprehensive income	**–**	**–**	**–**	**36,803**	**36,803**
Dividends	–	–	–	(2,061)	(2,061)
At 31 December 2022	**492**	**31**	**(6,883)**	**236,236**	**229,876**
At 1 January 2021	492	31	(6,883)	172,794	166,434
Profit for the year	–	–	–	23,518	23,518
Other comprehensive income					
Fair value change in investments	–	–	–	248	248
Actuarial gain on post-retirement liability, net of deferred tax	–	–	–	7,369	7,369
Total comprehensive income	**–**	**–**	**–**	**31,135**	**31,135**
Dividends	–	–	–	(2,435)	(2,435)
At 31 December 2021	**492**	**31**	**(6,883)**	**201,494**	**195,134**

Notes to the Company Accounts

1. Accounting policies

Statement of compliance

These financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

The company has taken the exemption allowed under section 408 of the Companies Act 2006 from the requirement to present its own income statement. The profit for the year was £23.6m (2021: £23.5m). These financial statements present information about the Company as an individual undertaking and not about its Group.

General information and basis of preparation

Lucy Group Ltd is a private company limited by shares incorporated in England, United Kingdom. The address of the registered office is given in the company information on page 115 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 1: Presentation of comparative reconciliations for property, plant and equipment and intangible assets
- IAS 1: Capital management disclosures
- IAS 7: Exemption from preparing a cash flow statement
- IAS 8: Disclosures in respect of standards in issue not yet effective
- IFRS 15: Various disclosures in respect of revenue recognition including disaggregation of revenue and details of performance obligations
- IAS 24: Related party disclosures to disclose related party transactions entered into
- IAS 24: Disclosure of key management personnel compensation

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 remeasurement 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: 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: 4–5 years
- Computer software: 3 years
- Motor vehicles: 4 years

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in the income statement within other income or other expenses.

Intangible fixed assets

Intangible assets, other than goodwill, are stated at cost less accumulated amortisation. Amortisation is calculated to write off the cost of the licences on a straight-line basis over the life of the licence. 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 Company's 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 Group's 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 remeasured 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.

Notes to the Company Accounts continued

1. Accounting policies continued

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 10 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 in the UK who are not covered by these schemes 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. Profit for the financial year

The Company profit for the year after taxation is £23.6m (2021: £23.5m) which includes the reinstatement of an intercompany loan of £12.3m previously written off.

3. Intangible assets

Gross carrying amount	Licences and software £000
At 1 January 2022	1,581
Disposals	(31)
At 31 December 2022	**1,550**
Amortisation	
At 1 January 2022	1,243
Charge for year	192
Disposals	(31)
At 31 December 2022	**1,404**
Net book value	
At 31 December 2022	**146**
At 31 December 2021	338

4. Property, plant and equipment

Cost or valuation	Freehold land and buildings £000	Fixtures and fittings £000	Motor vehicles £000	Total £000
At 1 January 2022	1,448	5,876	333	7,657
Additions	–	347	145	492
Disposals	–	(798)	(53)	(851)
At 31 December 2022	**1,448**	**5,425**	**425**	**7,298**
Depreciation				
At 1 January 2022	437	4,921	251	5,609
Charge for year	35	298	67	400
Disposals	–	(796)	(53)	(849)
At 31 December 2022	**472**	**4,423**	**265**	**5,160**
Net book value				
At 31 December 2022	**976**	**1,002**	**160**	**2,138**
At 31 December 2021	1,011	955	82	2,048

Notes to the Company Accounts continued

5. Investment property

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

Note 27 of the Group accounts sets out how the fair value of the investment properties has been determined.

Changes to the carrying amounts are as follows:

	2022 £000	2021 £000
Carrying amount 1 January	164,377	158,114
Additions	2,904	765
Transfer in	–	700
Disposals	–	(735)
Revaluation	(873)	5,533
Carrying amount 31 December	166,408	164,377

Freehold land and buildings which had a value of £53.5m in 2020 have been pledged to secure borrowings of the Company (see note 12).

6. Other investments

	31 December 2022 £000	31 December 2021 £000
Equity securities: listed	2,249	2,481
Group undertakings	39,070	38,666
Loans to Group undertakings	50,964	32,096
	92,283	73,243

Investments in subsidiaries have been written down to the Company net asset value at the year end. Total impairments to investments in subsidiaries were £10.0m (2021: £2.1m), total write backs were £0.6m (2021: £2.1m), additions were £9.9m (2021: £5.9m) and disposals were £nil (2021: £nil) in the year.

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

Investments in Group undertakings are listed below:

Group undertakings	2022 £000	2021 £000
Lucy Electric UK Limited	11,537	11,537
Lucy Electric (EMS) Limited	7,784	7,784
Lucy Electric India (Private) Limited	4,638	5,425
Lucy Electric (Thailand) Limited	4,183	4,464
Lucy Electric Manufacturing and Technologies India (Private) Limited	4,077	4,077
Lawson Fuses Ltd	1,965	1,788
Lucy Asia Pacific SDN BHD	1,955	1,335
Lucy Zodion Limited	1,220	1,250
Lucy Switchgear FZE	534	534
Lucy Electric Australasia Pty Ltd	300	–
Flashnet S.A.	242	–
Lucy Electric GridKey Limited	200	200
Lucy Equipamentos Elétricos Ltda	178	16
Lucy Middle East FZE	174	174
Lucy Electric Beijing Company Limited	62	61
Lucy Block Management Limited	20	20
Lucy Developments Limited	1	1
Lucy Electric South Africa (Pty) Limited	–	–
Truscanian Foundries Limited	–	–
Sandawana Castings Limited	–	–
Power Connectors Limited	–	–
Truscanian Limited	–	–
	39,070	38,666

Lucy Block Management Ltd (company registration number 06423266), Sandawana Castings Ltd (company registration number 01753431) and Truscanian Foundries Ltd (company registration number 01623433) are exempt from having their financial statements audited under section 479A of the Companies Act.

Unquoted equity investments

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

7. Trade and other receivables

	2022 £000	2021 £000
Trade receivables	12	8
Amounts owed by Group undertakings	2,592	2,753
Rent debtors	66	76
Corporation tax asset	153	–
Prepayments and accrued income	527	509
Other receivables	919	333
	4,269	3,679
Non-current receivables		
Other receivables	–	512
Total non-current	–	512
	4,269	4,191

Notes to the Company Accounts continued

8. Trade and other payables – current

	2022 £000	2021 £000
Trade payables	**212**	251
Amounts owed to Group undertakings	**10,016**	10,699
Corporation tax payable	**–**	510
Social security and other taxes	**194**	183
Accruals and deferred income	**3,317**	2,838
Right-of-use assets within one year	**49**	182
Other payables	**1,079**	1,071
	14,867	15,734

9. Trade and other payables – non-current

	2022 £000	2021 £000
Right-of-use assets more than one year	**–**	49

10. Provisions

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

Company	Restructuring costs £000	Integration costs £000	Warranty provision £000	Other £000	Total £000
Carrying amount 1 January 2022	4,359	35	10	1,545	5,949
Provided in year	171	–	–	100	271
Released in year	(2,362)	(35)	–	(616)	(3,013)
Charge in year	(49)	–	–	(648)	(697)
Carrying amount 31 December 2022	**2,119**	**–**	**10**	**381**	**2,510**

11. Deferred tax

	31 December 2022	31 December 2021
Investment properties	**22,828**	23,037
Capital allowances	**(182)**	(182)
Other timing differences and allowances	**(31)**	(16)
	22,615	22,839

12. Borrowings

The Company's committed loan facilities at the year end were £43.0m, and these were utilised as follows:

Facilities	Repayable	2022 £000
Revolving facilities		
Secured £23m revolving multi-currency loan at 1.40% above SONIA	31 March 2024	**14,300**
Secured £20m revolving multi-currency loan at 1.50% above SONIA	31 March 2028	**–**
Other		
Exchange loss on foreign currency borrowings		**1,123**
Total borrowings		**15,423**

Security

The two revolving loan facilities are secured against specific freehold properties valued at £53.5m in 2020.

Loan drawdown and interest

The amount of loan drawdown at 31 December 2022 was £15.4m, split as follows:

	2022 £000
US dollar $6.5m loans at variable rates of interest	**5,440**
Thai baht THB 240m loans at variable rates of interest	**5,774**
Euro 1m loans at variable rates of interest	**887**
South African rand ZAR 57.7m loans at variable rates of interest	**3,322**
	15,423

Maturity of borrowings

	2022 £000	2021 £000
In more than one but no more than two years	**15,423**	–
In more than two but no more than five years	**–**	14,959
More than five years	**–**	–
	15,423	14,959

13. Derivative financial instruments

	2022		2021	
	Asset £000	Liability £000	Asset £000	Liability £000
Designated hedge relationships:				
Commodity contracts	**45**	**–**	–	–
	45	**–**	–	–

Notes to the Company Accounts continued

14. Dividends

Information on dividends paid and declared is given in note 9 in the Group financial statements.

15. Related parties

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

16. Equity – share capital

	2022 £000	2021 £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

17. Pensions

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

Shareholder Information

Advisors

Auditors
Wenn Townsend
Chartered Accountants and Statutory Auditors
30 St Giles
Oxford
OX1 3LE

Bankers
HSBC Bank plc
65 Cornmarket Street
Oxford
OX1 3HY

Pension consultants
Barnett Waddingham LLP
Decimal Place
Chiltern Avenue
Amersham
HP6 5FG

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 May

Registered Office

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

Notice of Meeting

Notice is hereby given that the Annual General Meeting of Lucy Group Ltd will be held at Eagle Works, Walton Well Road, Oxford OX2 6EE on Tuesday 25 April 2023, 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 31 December 2022.
2. To declare a final dividend.
3. To re-elect as a Director R Dobbs 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

23 March 2023

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

Five-Year Summary

Figures in £000	2018	2019	2020	2021	2022
Income and OCI					
Sales (continuing ops)	167,597	189,637	203,989	263,786	**313,216**
Rental income	7,680	7,909	7,940	8,184	**8,444**
Gross profit	40,491	45,564	60,181	78,718	**85,635**
Operating profit before valuation gains/(losses)	(532)	5,265	25,971	39,512	**35,547**
Investment property valuation gains/(losses)	3,041	4,087	3,161	4,213	**(877)**
Profit before tax	2,167	6,180	27,142	42,211	**35,299**
Total comprehensive income	(2,456)	431	15,981	39,489	**52,819**
Cash and assets					
Free cash flow	(12,533)	6,648	14,938	30,022	**10,456**
Net cash/(debt)	(16,688)	(11,242)	3,213	31,430	**40,739**
Net assets	187,327	186,480	201,356	238,410	**289,111**
Return on net assets	1%	3%	13%	18%	**12%**
Share metrics					
Earnings per share	26p	241p	4,731p	6,403p	**6,989p**
Normalised dividends per share (excl special)	209p	209p	215p	233p	**264p**
Special dividends per share	–	–	125p	150p	**175p**

Principal Locations

Group Head Office

Lucy Group Ltd.
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The production of this report supports the work of the Woodland Trust, the UK's leading woodland conservation charity. Each tree planted will grow into a vital carbon store, helping to reduce environmental impact as well as creating natural havens for wildlife and people.

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