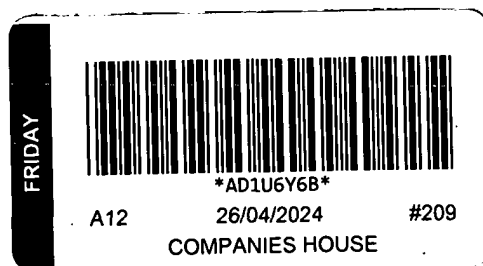


Registered number: 01179461



LUCY ELECTRIC UK LIMITED
Annual Report And Financial Statements
FOR THE YEAR ENDED 31 DECEMBER 2023



LUCY ELECTRIC UK LIMITED

COMPANY INFORMATION

Directors	C. R. Dick G. D. Ashton J. C. Finch-Dick J.A. Griffiths A. J. Russell (appointed 1 August 2023)
Company secretary	M. Laxton
Registered number	01179461
Registered office	Eagle Works Walton Well Road Oxford OX2 6EE
Independent auditors	Wenn Townsend Chartered Accountants & Statutory Auditors 30 St Giles Oxford OX1 3LE
Bankers	HSBC Plc 65 Cornmarket Street Oxford OX1 3HY

LUCY ELECTRIC UK LIMITED

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LUCY ELECTRIC UK LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2023

Strategy

The Company engineers innovative, intelligent solutions for the safe and efficient distribution of electricity. With a constantly developing portfolio of medium and low voltage switchgear products and services, the Company is well positioned to support energy infrastructure investments, as global efforts intensify to cater for increasing consumption of electricity while meeting Net Zero targets

Business review

Turnover and gross margins increased during the year. The Company produced a profit before tax of £13.0 million (2022: £6.5 million). This resulted in a retained profit for the year of £1.2 million (2022: £1.9 million). The shareholders' funds grew to £19.7 million (2022: £18.5 million).

Principal risks and uncertainties

Key business risks are identified as follows:

Macro economic environment

Slowdown in economic growth in key markets presents uncertainties for the business. However, underlying long term growth potential in international markets continues to be positive.

Strategy implementation

Lucy Group's product development programme means that the Company is well placed to capitalise on the global shift towards electrification. The range of products and services are aligned with global ambitions for Net Zero, enabling the Company to provide the safe, reliable and smart electrical solutions essential for a universal transition.

With increasing demand being placed upon electrical networks, and the added complexity of renewable installations connecting to power networks, grid resilience has never been more critical in the markets we serve.

There is a risk that the strategy does not deliver sustainable business growth and profits. Factors that could influence the successful delivery of strategic objectives and timelines include macro-economic uncertainties in key markets. There are always inherent risks in the introduction of new products and the entry into new markets.

People

The expertise, commitment and support of the Company's employees is central to continued business success. Ensuring the Company maintains the right mix of skills, knowledge and experience to support a high performing organisational culture are key ongoing challenges for the business. The Company continually seeks to supplement existing capabilities by both attracting new talent and by developing employee skills. As the digital landscape continues to grow and evolve, the Company is adapting by integrating new skills into its teams, such as data analytics and systems integration.

IT and communication

The Company is dependent upon its integrated IT network and communication infrastructure and has concentrated on developing its systems knowledge and experience.

Foreign exchange rates

The geographic spread of the Company's customers and suppliers means that its financial results can be affected by movements in foreign exchange rates.

LUCY ELECTRIC UK LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

Financial key performance indicators

During the year the Company has selected a number of key financial and non-financial performance indicators, which are used to monitor the key drivers of our business and to align our strategy to performance.

Financial KPIs

Sales

Sales increased by 32% (2022: 24%). This measure aligns with the Company's growth strategy.

Profit before Tax

This measure is key to the company's long term financial health and profit before tax increased by 100% (2022: decreased by 3%).

Other key performance indicators

Environmental

The Company continuously invests in new technologies, materials and processes to reduce its impact on the environment. While tCO₂e emissions increased to 2095 tonnes (2022:1553.3 tonnes), this was due to significantly increased manufacturing output. Electricity usage was down by 2.4% to 699,707kWh, equating to 7.93kWh/£k sales, a 25.9% decrease in 2023 against 2022 data, with a 1.9% decrease on tCO₂e/£m turnover. This year the Company was presented with a ten year achievement award in carbon reduction by Achilles, a widely recognised carbon accreditation system.

The Company has also taken steps to eliminate single-use plastics and to reduce non-recyclable waste.

Health and Safety

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

Directors' statement of compliance with duty to promote the success of the Company

Section 172(1) Statement

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

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

- **Shareholders:** We strive to obtain shareholder buy-in to our strategic objectives and how we go about executing them. We create value for our shareholders by the generation of sustainable results that translate into dividends. We seek to promote an investor base that is interested in a long-term holding in the company.
- **Employees:** The company's long-term success is predicated on the commitment and delivery of our strategy by our workforce and its consistent demonstration of our values. To maintain competitive advantage and meet the growing demands of the environment in which we operate, we need a workforce which is adaptive and whose skill base constantly evolves. We also value employees with long term practical experiences. We

LUCY ELECTRIC UK LIMITED


STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

engage with our workforce through one to ones, team meetings and employee surveys to ensure that we are fostering an environment that they are happy to work in and that best supports their well-being. We invest in our workforce as we believe both that training benefits the individual and the Company and that such investment helps to retain our employees and reduce absenteeism and turnover rates.

- **Customers:** In a highly competitive environment success depends on meeting customer needs and requirements more effectively than our competitors. We therefore recognise the benefits of engagement with our customers to ensure that both our current products and those in development are fit for purpose in the longer-term.
- **Suppliers:** Our suppliers are fundamental to the quality of our products and to ensuring that as a business we meet the high standards of conduct that we set ourselves and comply with regulatory requirements. The Company relies on its supplier base to deliver products on time and to the specified quality and standard. It is important to mitigate against supply chain risk to prevent interruptions to manufacturing or product delivery schedules which could impact our relationships with customers.
- **Pension:** The Company contributes to a pension scheme operated by the Group providing benefits based on final pensionable pay for eligible employees who joined on or before 10th April 2002. The scheme is administered by trustees and the funds are independent of the Company's finances. The Company also operates a defined contribution scheme that includes auto enrolment.
- **Communities and Environment:** Doing business responsibly brings benefits for wider society and assists our commercial success.
- **Regulatory Bodies and Trade Associations:** We recognise that the Company operates in an environment which can be impacted by regulatory changes and engage with regulators and trade associations to assist with our compliance framework, training and new product development. This assists with the development of the Company's strategic direction.

We define principal decisions as both those that are material to the Company, but also those that are significant to any of our key stakeholder groups. In taking actions and making principal decisions during the year the Board considers that it has acted in the way that, in good faith, is most likely to promote the success of the Company and for the benefit of its members as a whole. It has considered feedback and responses from its stakeholder engagement as well as the need to maintain a reputation for high standards of business conduct and the need to act fairly between the members of the Company.

This report was approved by the board on 19 February 2024 and signed on its behalf.



M. Laxton
Secretary

LUCY ELECTRIC UK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2023

The directors present their report and the financial statements for the year ended 31 December 2023.

The principal activity of the company is the sale of medium voltage switchgear and low voltage fused protection products and solutions.

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Results and dividends

The profit for the year, after taxation, amounted to £10,191,697 (2022: £5,375,175).

Dividends of £9.0 million (2022: £3.5 million) were paid during the year.

Directors

The directors who served during the year were:

C. R. Dick
G. D. Ashton
J. C. Finch-Dick
J.A. Griffiths
A. J. Russell (appointed 1 August 2023)

Future developments

In conjunction with other Group companies, the Company intends to further develop and market its medium voltage switchgear and low voltage fused protection products and services for its customers, as they look to improve their energy and operating efficiency.

LUCY ELECTRIC UK LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023**

Engagement with suppliers, customers and others

Details of how the Directors have had regard to the need to foster business relationships with suppliers, customers and others are disclosed in the sections in the Strategic Report reference S172 (1) Statement.

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

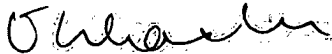
Post balance sheet events

There have been no significant events affecting the Company since the year end.

Auditors

The auditors, Wenn Townsend, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 19 February 2024 and signed on its behalf.



M. Laxton
Secretary

LUCY ELECTRIC UK LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LUCY ELECTRIC UK LIMITED

Opinion

We have audited the financial statements of Lucy Electric UK Limited (the 'Company') for the year ended 31 December 2023, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council'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.

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 Company's ability to continue as a going concern for a period of at least twelve 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.

LUCY ELECTRIC UK LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LUCY ELECTRIC UK LIMITED (CONTINUED)

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.

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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 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 4, 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 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 Company or to cease operations, or have no realistic alternative but to do so.

LUCY ELECTRIC UK LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LUCY ELECTRIC UK LIMITED (CONTINUED)

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 extent to which our procedures are capable of detecting irregularities, including fraud is 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;

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.

LUCY ELECTRIC UK LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LUCY ELECTRIC UK LIMITED (CONTINUED)

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
Statutory Auditors

30 St Giles
Oxford
OX1 3LE

19 February 2024

LUCY ELECTRIC UK LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023**

	Note	2023 £	2022 £
Turnover	4	88,210,018	67,021,128
Cost Of Sales		(61,940,084)	(49,787,692)
Gross profit		<u>26,269,934</u>	<u>17,233,436</u>
Selling And Distribution Expenses		(6,869,224)	(5,550,624)
Administration Expenses		(3,488,597)	(2,838,477)
Other operating income/(expenses)	5	18,217	(24,360)
Other operating charges		(2,776,506)	(2,217,137)
Operating profit	6	<u>13,153,824</u>	<u>6,602,838</u>
Interest Receivable And Similar Income	10	260	653
Interest payable and similar expenses	11	(133,898)	(109,727)
Profit before tax		<u>13,020,186</u>	<u>6,493,764</u>
Tax on profit	12	(2,828,489)	(1,118,589)
Profit and total comprehensive income for the financial year		<u><u>10,191,697</u></u>	<u><u>5,375,175</u></u>

The notes on pages 13 to 29 form part of these financial statements.

LUCY ELECTRIC UK LIMITED
REGISTERED NUMBER: 01179461

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

	Note	2023 £	2022 £
Assets			
Non-current assets			
Property, plant and equipment	15	6,585,198	6,881,031
		<u>6,585,198</u>	<u>6,881,031</u>
Current assets			
Inventories	16	18,282,295	15,512,517
Trade and other receivables	17	14,474,106	11,014,799
Cash and cash equivalents		6,159,008	8,292,924
		<u>38,915,409</u>	<u>34,820,240</u>
Current liabilities	18	(20,756,757)	(18,030,970)
		<u>18,158,652</u>	<u>16,789,270</u>
Net current assets		<u>18,158,652</u>	<u>16,789,270</u>
Total assets less current liabilities		<u>24,743,850</u>	<u>23,670,301</u>
Non-current liabilities	19	(4,724,908)	(4,936,736)
		<u>20,018,942</u>	<u>18,733,565</u>
Provisions for liabilities			
Deferred taxation	21	(296,321)	(203,173)
Provisions	22	(1,537)	(1,005)
		<u>(297,858)</u>	<u>(204,178)</u>
Total provisions		<u>(297,858)</u>	<u>(204,178)</u>
Net assets		<u>19,721,084</u>	<u>18,529,387</u>
Equity			
Called up share capital	23	600,000	600,000
Share premium account	24	9,361,007	9,361,007
Profit and loss account	24	9,760,077	8,568,380
		<u>19,721,084</u>	<u>18,529,387</u>
Shareholders' funds		<u>19,721,084</u>	<u>18,529,387</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 19 February 2024.

C. R. Dick
Director



G. D. Ashton
Director



The notes on pages 13 to 29 form part of these financial statements.

LUCY ELECTRIC UK LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023**

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2022	600,000	9,361,007	6,693,205	16,654,212
Comprehensive income for the year				
Profit & total comprehensive income for the year	-	-	5,375,175	5,375,175
Dividends paid in the year	-	-	(3,500,000)	(3,500,000)
At 1 January 2023	600,000	9,361,007	8,568,380	18,529,387
Comprehensive income for the year				
Profit & total comprehensive income for the year	-	-	10,191,697	10,191,697
Dividends paid in the year	-	-	(9,000,000)	(9,000,000)
At 31 December 2023	600,000	9,361,007	9,760,077	19,721,084

The notes on pages 13 to 29 form part of these financial statements.

LUCY ELECTRIC UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

1. General information

The principal activity of the company is the sale of medium voltage switchgear and low voltage fused protection products and solutions.

2. Accounting policies

2.1 Basis of preparation of financial statements

Statement of Compliance

The financial statements have been prepared in accordance with applicable accounting standards including Financial Reporting Standard 101 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 101) and the Companies Act 2006.

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.

Lucy Electric UK Limited is a private company limited by shares incorporated in England, United Kingdom. The address of the registered office is given in the company information in these financial statements. The nature of the company's operations and principal activities are noted in the directors' report.

2.2 Financial Reporting Standard 101 - reduced disclosure exemptions

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

- IAS 24: Related Party Disclosures to disclose related party transactions entered into
- IAS 1: Presentation of comparative reconciliations for property, plant and equipment and intangible assets
- IAS 24: Disclosure of key management personnel compensation
- IAS 1: Capital management disclosures
- IAS 8: Disclosures in respect of standards in issue not yet effective
- IFRS 15: Various disclosures in respect of revenue recognition including disaggregation of revenue and details of performance obligations here
- IAS 7: Exemption from preparing a cash flow statement

This information is included in the consolidated financial statements of Lucy Group Ltd as at 31 December 2023 and these financial statements may be obtained from the parent undertaking's address at Eagle Works, Walton Well Road, Oxford OX2 6EE.

LUCY ELECTRIC UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

2. Accounting policies (continued)

2.3 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

2.4 Revenue

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 and volume rebates. Revenue is recognised when control of the products has transferred to the customer. Detail on the companies main revenue streams are described in detail below.

Product sales:

The company 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, based upon past experience, to determine the most likely result of the variable consideration.

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 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 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.

LUCY ELECTRIC UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

2. Accounting policies (continued)

2.4 Revenue (continued)

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 company. The majority of the companies warranties are assurance warranties, which are provided for in accordance with IAS 37 Provisions.

2.5 Leases

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

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

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

2.6 Interest income

Interest income is recognised in profit or loss using the effective interest method.

2.7 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.8 Pensions

The company contributes to a pension scheme operated by the group providing benefits based on final pensionable pay for eligible employees who joined on or before 10th April 2002. The scheme is administered by trustees and the funds are independent of the company's finances.

The pension cost of the defined benefit scheme is charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. For employees not in this scheme the group provided a defined contribution Scheme. Eligible employees were enrolled into a scheme established under Part 1 of the Pensions Act 2008. The pension costs of these schemes are charged as incurred.

LUCY ELECTRIC UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

2. Accounting policies (continued)

2.9 Current and deferred taxation

The tax expense represents the sum of current and deferred taxes recognised in the financial year. Current tax payable or recoverable is based on the taxable profit for the period. Taxable profits differ from profit reported in the Income Statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Current tax is based on the results shown in the financial statements and is calculated using the tax rates and laws that have been enacted or substantively enacted by the reporting period date.

Deferred tax is the tax expected to be payable or recoverable in the future arising from temporary differences between the carrying amounts of assets and liabilities in the Financial Statements and the corresponding tax bases used in the computation of taxable profit. It is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the profit nor the accounting profit. Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. The rate is based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited in the Income Statement except where it relates to items charged or credited in other comprehensive income or in equity. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relates to the income taxes levied in the same taxation authority on either the same entity or on different taxable entities which intend to settle the current tax assets and liabilities on a net basis.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

2.10 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

2.11 Property, plant and equipment

Leasehold premises, 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.

LUCY ELECTRIC UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

2. Accounting policies (continued)

2.11 Property, plant and equipment (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Long-term leasehold property	- Over the period of the lease
Plant and machinery	- 5-33%
Motor vehicles	- 20-33%
Fixtures and fittings	- 10-33%

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.12 Inventories

Inventories and work in progress are stated at the lower of cost and net realisable value; in respect of work in progress and finished goods, costs include a relevant proportion of overheads according to the stage of completion. Net realisable value is the estimated selling price reduced by all costs of completion, marketing and distribution.

2.13 Receivables

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.14 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.

2.15 Payables

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

LUCY ELECTRIC UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

2. Accounting policies (continued)

2.16 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.

3. Judgements in applying accounting policies and key sources of 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:

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.

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.

4. Turnover

In the opinion of the Directors it would be prejudicial to the interests of the Company to disclose a detailed analysis of turnover.

LUCY ELECTRIC UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

5. Other operating income / (expense)

	2023	2022
	£	£
Profit/(loss) on disposal of tangible assets	18,217	(24,360)
	<u>18,217</u>	<u>(24,360)</u>

6. Operating profit

The operating profit is stated after charging:

	2023	2022
	£	£
Depreciation of tangible fixed assets	897,730	734,603
Amortisation of intangible assets, including goodwill	-	229
Exchange differences	(19,496)	(454,884)
Defined contribution pension cost	425,490	302,248
Defined benefit pension cost	189,008	157,271
	<u>189,008</u>	<u>157,271</u>

7. Auditors' remuneration

During the year, the Company obtained the following services from the Company's auditors and their associates:

	2023	2022
	£	£
Fees payable to the Company's auditors and their associates for the audit of the Company's financial statements	19,750	18,300
Fees payable to the Company's auditors and their associates in respect of: All non-audit services	<u>15,696</u>	<u>12,265</u>

LUCY ELECTRIC UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

8. Employees

Staff costs were as follows:

	2023	2022
	£	£
Wages and salaries	9,235,814	7,707,510
Social security costs	982,703	883,315
Cost of defined benefit scheme	189,008	157,271
Cost of defined contribution scheme	425,490	302,248
	<u>10,833,015</u>	<u>9,050,344</u>

The average monthly number of employees during the year was as follows:

	2023	2022
	No.	No.
Production and distribution	190	171
Administration	8	6
	<u>198</u>	<u>177</u>

The defined benefit scheme provides benefits based on final pensionable pay for eligible employees who joined on or before 10th April 2002. Barnett Waddingham Ltd are the actuaries of the scheme and they calculate the level of contributions. The latest actuarial report on the scheme, as at 5 April 2023, shows there is a surplus of assets compared with actuarially determined liabilities. The pension costs of these members are charged as incurred, all surpluses and deficits are provided for in the books of Lucy Group Ltd. and disclosed in the Group accounts.

As a multi-employer scheme, contributions are set at a general level without reference to the characteristics of individual employees. The company is unable to identify its share of underlying assets and liabilities in the scheme on a consistent and reasonable basis. Therefore the scheme is accounted for as though it is a defined contribution scheme.

For employees not in this scheme there is a defined benefit pension scheme, called the Lucy Group Personal Pension Plan. The company has complied with the automatic enrollment laws in Part 1 of the Pensions Act 2008.

LUCY ELECTRIC UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

9. Directors' remuneration

Only one director (2022 - 1) is employed by and received remuneration from the Company. The other directors are employed by other group companies and receive remuneration from these companies.

The directors remuneration in respect of qualifying services were £45,375 (2022: £97,619) and pension contributions of £18,027 (2022: £4,730).

During the year retirement benefits were accruing to 1 director (2022: 1) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £45,375 (2022: £97,619).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £18,027 (2022: £4,730).

10. Interest receivable and similar income

	2023 £	2022 £
Other interest receivable	260	653
	<u>260</u>	<u>653</u>

11. Interest payable and similar expenses

	2023 £	2022 £
Finance leases and hire purchase contracts	120,914	109,727
Other interest payable	12,984	-
	<u>133,898</u>	<u>109,727</u>

LUCY ELECTRIC UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

12. Taxation

	2023 £	2022 £
Corporation tax		
Current tax on profits for the year	3,072,003	1,044,830
Adjustments in respect of previous periods	(336,662)	(144,893)
Total current tax	<u>2,735,341</u>	<u>899,937</u>
Deferred tax		
Origination and reversal of timing differences	67,116	218,652
Impact of tax rate change	4,284	-
Adjustments in respect of prior periods	21,748	-
Total deferred tax	<u>93,148</u>	<u>218,652</u>
Taxation on profit on ordinary activities	<u>2,828,489</u>	<u>1,118,589</u>

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2022 - lower than) the standard rate of corporation tax in the UK of 23.5% (2022: 19%). The differences are explained below:

	2023 £	2022 £
Profit on ordinary activities before tax	13,020,187	6,493,765
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 23.5% (2022: 19%)	3,059,744	1,233,815
Effects of:		
Expenses not deductible for tax purposes	116,290	20,726
Depreciation on ineligible assets	-	(49,872)
Adjustments to tax charge in respect of prior periods	(314,913)	(144,893)
Other timing differences leading to an increase in taxation	-	6,336
Effect of increased tax rate	-	52,477
Remeasurement of deferred tax due to tax rate change	4,284	-
Other differences leading to an increase in the tax charge	2,682	-
Group relief	(39,598)	-
Total tax charge for the year	<u>2,828,489</u>	<u>1,118,589</u>

LUCY ELECTRIC UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

13. Dividends

	2023	2022
	£	£
Equity Dividends		
Final dividend paid 333p (2022: 417p) per share	2,000,000	2,500,000
Interim dividend paid 667p (2022: 167p) per share	4,000,000	1,000,000
Interim dividend paid 500p (2022: nil) per share	3,000,000	-
	9,000,000	3,500,000

14. Intangible assets

	Computer software
	£
Cost	
At 1 January 2023	141,574
At 31 December 2023	141,574
Amortisation	
At 1 January 2023	141,574
At 31 December 2023	141,574
Net book value	
At 31 December 2023	-
At 31 December 2022	-

LUCY ELECTRIC UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

15. Property, plant and equipment

	Long-term leasehold property £	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Total £
Cost or valuation					
At 1 January 2023	7,031,778	4,427,119	1,537,921	1,684,049	14,680,867
Additions	-	224,997	452,367	22,853	700,217
Disposals	-	(7,903)	(211,041)	-	(218,944)
At 31 December 2023	<u>7,031,778</u>	<u>4,644,213</u>	<u>1,779,247</u>	<u>1,706,902</u>	<u>15,162,140</u>
Depreciation					
At 1 January 2023	1,866,971	3,874,492	716,176	1,342,199	7,799,838
Charge for the year on owned assets	21,861	144,328	198,162	60,618	424,969
Charge for the year on right-of-use assets	394,865	-	77,896	-	472,761
Disposals	-	(2,854)	(117,772)	-	(120,626)
At 31 December 2023	<u>2,283,697</u>	<u>4,015,966</u>	<u>874,462</u>	<u>1,402,817</u>	<u>8,576,942</u>
Net book value					
At 31 December 2023	<u>4,748,081</u>	<u>628,247</u>	<u>904,785</u>	<u>304,085</u>	<u>6,585,198</u>
At 31 December 2022	<u>5,164,807</u>	<u>552,627</u>	<u>821,746</u>	<u>341,851</u>	<u>6,881,031</u>

The net book value of owned and leased assets included as Property, plant and equipment in the Statement of Financial Position is as follows:

	2023 £	2022 £
Tangible fixed assets owned	1,523,621	1,595,395
Right-of-use tangible fixed assets	5,061,578	5,285,636
	<u>6,585,199</u>	<u>6,881,031</u>

LUCY ELECTRIC UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

15. Property, plant and equipment (continued)

Information about right-of-use assets is summarised below:

Net book value

	2023	2022
	£	£
Property	4,705,478	5,100,343
Motor vehicles	356,100	185,293
	<u>5,061,578</u>	<u>5,285,636</u>

Depreciation charge for the year ended

	2023	2022
	£	£
Property	394,865	394,865
Motor vehicles	77,896	10,200
	<u>472,761</u>	<u>405,065</u>

Additions to right-of-use assets

	2023	2022
	£	£
Additions to right-of-use assets	<u>349,628</u>	<u>175,874</u>

16. Inventories

	2023	2022
	£	£
Raw materials and consumables	11,678,945	9,634,715
Finished goods and goods for resale	6,603,350	5,877,802
	<u>18,282,295</u>	<u>15,512,517</u>

In the opinion of the directors, the replacement cost of stocks is not materially different from that shown above.

LUCY ELECTRIC UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

17. Trade and other receivables

	2023	2022
	£	£
Due within one year		
Trade receivables	11,115,216	7,956,041
Amounts owed by group undertakings	2,059,419	1,798,973
Prepayments and accrued income	1,299,471	1,259,785
	<u>14,474,106</u>	<u>11,014,799</u>

All of the company's trade and other receivables have been reviewed for indicators of impairment. No indicators of impairment were identified.

18. Current liabilities

	2023	2022
	£	£
Trade payables	7,318,030	5,888,093
Amounts owed to group undertakings	3,430,482	2,985,064
Corporation tax	148,063	1,566,241
Other taxation and social security	351,131	294,180
Lease liabilities	436,340	389,694
Other creditors	254,232	-
Accruals and deferred income	8,818,479	6,907,698
	<u>20,756,757</u>	<u>18,030,970</u>

19. Non-current liabilities

	2023	2022
	£	£
Lease liabilities	4,724,908	4,936,736
	<u>4,724,908</u>	<u>4,936,736</u>

LUCY ELECTRIC UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

20. Leases

Company as a lessee

The Company leases a number of assets and property, plant and equipment (note 15) include £5,061,578 right-of-use assets that are leased. Details are shown below.

Lease liabilities are due as follows:

	2023	2022
	£	£
Not later than one year	436,340	389,694
Between one year and five years	4,724,908	4,936,736
	<u>5,161,248</u>	<u>5,326,430</u>

Contractual undiscounted cash flows are due as follows:

	2023	2022
	£	£
Not later than one year	548,011	498,003
Between one year and five years	2,107,273	1,963,224
Later than five years	3,151,532	3,582,292
	<u>5,806,816</u>	<u>6,043,519</u>

The following amounts in respect of leases, where the Company is a lessee, have been recognised in profit or loss:

	2023	2022
	£	£
Expenses relating to short-term leases	47,731	79,391
Interest expense on lease liabilities	120,914	109,727
	<u>168,645</u>	<u>189,118</u>

LUCY ELECTRIC UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

21. Deferred taxation

	2023	2022
	£	£
At beginning of year	(203,173)	15,478
Charged to profit or loss	(93,148)	(218,651)
At end of year	(296,321)	(203,173)

The deferred tax balance is made up as follows:

	2023	2022
	£	£
Fixed asset timing differences	(346,341)	(257,153)
Other timing differences	50,020	53,980
	(296,321)	(203,173)
Comprising:		
Liability	(296,321)	(203,173)
	(296,321)	(203,173)

22. Provisions

	Warranty provision
	£
At 1 January 2023	1,005
Charged to profit or loss	532
At 31 December 2023	1,537

The warranty provision is based on historical warranty data and is assessed based on a weighting of all possible outcomes against their associated probabilities.

LUCY ELECTRIC UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

23. Share capital

	2023 £	2022 £
Authorised, allotted, called up and fully paid		
600,000 (2022: 600,000) Ordinary Shares shares of £1.00 each	600,000	600,000

24. Reserves

Share premium account

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.

25. Contingent liabilities

The company has given guarantees amounting to the equivalent of £413,512 (2022: £463,639) to its bankers in respect of performance and tender bonds and counter indemnities issued by them on the company's behalf.

26. Capital commitments

The company had contracted but not provided for £164,785 (2022: £208,207) in capital commitments as at the balance sheet date.

27. Related party transactions

There are no related party transactions with entities that are not wholly owned subsidiaries of the parent company.

28. Controlling party

The company is a wholly owned subsidiary of Lucy Group Ltd, a company incorporated in England whose ultimate parent undertaking is W L Shareholding Company Limited, a company incorporated on England.

Group accounts are available from the parent undertaking's address at Eagle Works, Walton Well Road, Oxford OX2 6EE.