

F W Thorpe Plc

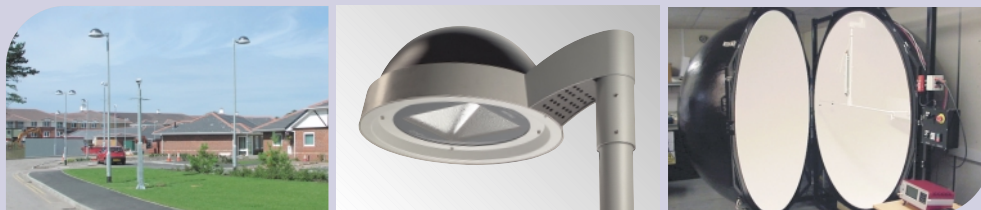
Designers, manufacturers
and suppliers of professional
lighting systems

Annual Report
and Accounts 2005



INDUSTRIAL ■ COMMERCIAL ■ ARCHITECTURAL ■ ILLUMINATED SIGNS ■ EMERGENCY ■ LOW ENERGY ■ HERITAGE ■ ENERGY CONSERVING SYSTEMS

F W Thorpe Plc



Professional Lighting Solutions

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“Your Company will continue to drive forward and continue to try and please its customers with service and products”

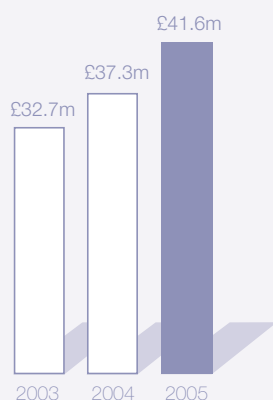


F W Thorpe Group designs and manufactures a comprehensive range of interior and exterior lighting, which is produced in the UK and sold throughout the world. Our quality products enhance the lives of people every day.

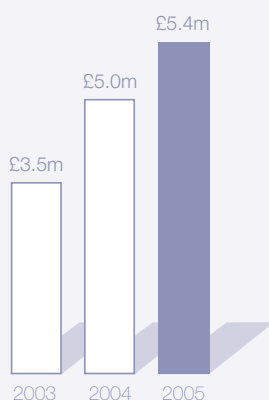
The Group management team is passionate about developing the business for the benefit of shareholders, employees and customers. With the energy and ability of our staff we look to the future with enthusiasm.

Financial Highlights

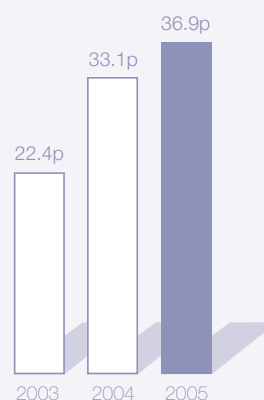
Turnover



Operating Profit



Earnings per share



Chairman's Statement

“Trading has remained encouraging for the year as a whole”

In the financial year to 30 June 2005 your Company produced a turnover of £41.6m, an increase of 12% on last year's turnover of £37.2m, with a resulting operating profit before exceptional items of £5.8m being a 16% increase on the previous year's £5.0m. The operating profit for the Group was £5.4m after accounting for exceptional costs at Sugg Lighting, an increase of 8% over the previous year. Investment income rose by 29% arising from the investment of cash generated from operations during the year and resulting in a profit before tax of £5.8m, up 9% on last year.

The pattern of trading through the year varied unexpectedly from previous years, probably due to the economic effects of the UK national election. These variations were marked but differently felt by different Group member companies. Some Group members experienced a noticeable drop in orders and activity over the election period whilst others did not or only sustained mild effects. The effect appeared to be in proportion to project size with smaller jobs being more easily suspended over the election period than larger projects, which are carried forward by their own inertia. These effects have probably led to some loss of business during the year. Generally, however, as can be seen and understood from the Group performance figures, overall trading has remained encouraging for the year as a whole.

This year there have been no single large investments in plant, buildings, equipment or systems, but your Company has continued to invest substantial amounts of money back into the business in a myriad of smaller projects involving both manufacturing plant and IT systems. One of the larger projects has been to strengthen Group IT infrastructure which, with the increase in business levels in recent years, had been left lacking in both capacity and speed of operation. We now enjoy the benefits of the improved IT capability which in itself will allow us to develop and upgrade our operational system software.

The Company has, as usual, derived the majority of its business from within the UK but this result should not cloud the determination expressed last year to increase the proportion of business obtained from overseas mature

markets especially within the EU. Group exports this year were 14% of total turnover, an increase of 17% on the last financial year.

At the halfway stage I made some comment in regard to mixed performance within the Group and whilst in hindsight some of that performance may well have been due to the effects of the election period, reviews prompted in certain areas of the business have, in themselves, been very useful; for example, in bringing Thorlux back to the high level of productivity previously enjoyed but which had been reducing due to the pressure of rapid output growth in very recent years. These reviews also helped in refocusing product direction at Mackwell Electronics and crystallising a new forward plan for Sugg Lighting.

The above results have prompted your Board to recommend a final dividend of 7.5p which, taken with the already paid interim dividend, makes a total for the year of 10.0p being a 16% increase compared to last year.

Review of Divisions

Thorlux Lighting

Thorlux, the Group's manufacturer of commercial, flood and industrial lighting products and systems, has again enjoyed buoyant trading throughout the year and, with a “close eye” on operations, Thorlux has returned a turnover up 16% on 2004 resulting in an operating profit up 26% over that period. Few new products were introduced during this financial year but a high proportion of sales emanated from those new products added within the very recent years. Product design, however, continued apace so that 2005/6 will see further exciting new products added to the Thorlux portfolio. On the “heaviest end” the Thorlux tunnel luminaire range and its associated remote control systems have enjoyed further success with new tunnel lighting projects having been gained within the UK.

On the export front, whilst Thorlux sales to traditional export markets via a traditional agency network have been maintaining in value, the proportion of total turnover has continued to decline. The wish to carve out a substantial market under the trade name Thorlux in the sophisticated EU area remains, and the Company's spearhead Munich-

Chairman's Statement

based operation in Germany has enjoyed an encouraging year giving the confidence to double the staff to two. The root foundations, as mentioned last year, have been laid and the current mission is to find quality customers who are willing to try products from the "new kid on the block". On the same theme Thorlux will also be reverting to Company employed staff to cover the Republic of Ireland.

Mackwell Electronics

Mackwell, the Group's manufacturer of electronic emergency lighting control gear and systems, undertook a product review during the year and subsequently withdrew from one area of business that showed little future profit potential and one that would require substantial investment but which could well fall prey to high volume competition from the Far East. These actions caused a loss of turnover and some profit but I am pleased to report that virtually all of the vacated capacity has been taken up reducing lead times and improving service to existing customers and for the manufacture of a new emergency lighting system. Despite these events, Mackwell's turnover ended the year up 7% with a profit up 6% over last year.

Compact Lighting

Compact Lighting, supplier of display lighting to the retail trade, enjoyed a busy year with mixed success, producing a turnover up 15% on last year but with a 26% reduction in profit level. Certain well-known High Street names on Compact's client list delayed refurbishment programmes due to uncertainty in the retail market and although new customers were gained, some of the new business proved more difficult than expected.

Philip Payne

Philip Payne, the Group's manufacturer of quality specialist and bespoke exit signage, has enjoyed a mixed trading year with a patch of poor business over the election period, although it is difficult to understand why this occurred in the case of Philip Payne. Opportunity was taken, however, during that time to reappraise the Company structure and instigate changes to enable future growth. This appraisal resulted in strengthening human resources from fourteen to seventeen people and Payne is now well set to resume growth well beyond current levels.

The result of this unusual pattern of trading and the reappraisal left Philip Payne some 6% down on turnover and 24% down on profit. Profit to sales ratio was still perfectly respectable and I am pleased to report that at this time, trading at Payne's is back to, if not in excess of, previous levels.

Sugg Lighting

Sugg Lighting, manufacturer and refurbisher of heritage lighting, suffered a severe downturn in business for some five months over the election period which caused an unfortunate return to losses after a period of five months of profitability. Sales order input has now returned to that of last year's levels but the increase in sales required to put Sugg on a firm footing is still elusive. Your Board is currently considering a number of options.

People

It has been said that a business runs on its people. Well, a short number of years ago the Company found it very difficult to recruit people at all. Over the last year or so, a fresh wind has been blowing from the direction of Central Europe bringing with it many of our current workforce. It is rewarding to find people who want to work and accept our offer of jobs. To these new arrivals and to our more long-standing employees may I, again, offer our thanks for their loyalty and diligence over the last year.

The Future

The cautionary tune mentioned in earshot last year did not bring great tides of woe. However, some of the words of the song still hang in the air and those involving house prices, retail sales, pressures on government budgets seem to give more concern now than twelve months ago. I must say again, therefore, that your Company will continue to drive forward, continue to try and please its customers with service and products and we must still trust that our markets will stay fair.



Andrew Thorpe

Chairman

20 September 2005

Directors and Advisers

Directors

A B Thorpe

Chairman and Joint Chief Executive

P D Mason BSc Eng FCA MIEE

Financial Director and Joint Chief Executive

M Allcock FIEE

Technical Director and
Managing Director of Thorlux Lighting

D A Dimeloe BSc PhD

Managing Director of Mackwell Electronics

D M Lippold BSc ACA

Managing Director of Compact Lighting

C M Brangwin BSc CEng MIEE (aged 67)

Non-executive Director

After joining the Company in 1963, he was appointed a Director in 1969, later as joint Managing Director and in 1995 was appointed Chairman. He became non-executive Chairman in 2000, resigning from this role on 30 June 2003.

I A Thorpe (aged 59)

Non-executive Director

Manufacturing Director of Thorlux Lighting from 1978 until 1993 when he became Personnel Director. He became a non-executive Director on 1 October 1997.

Secretary

P D Mason BSc Eng FCA MIEE

Auditors

PricewaterhouseCoopers LLP, Cornwall Court,
19 Cornwall Street, Birmingham, B3 2DT

Bankers

Lloyds TSB, Church Green East,
Redditch, Worcestershire, B98 8BZ

Solicitors

Martineau Johnson, No 1 Colmore Square
Birmingham, B4 6AA

Registrars

Lloyds TSB Registrars, The Causeway, Goring-by-Sea,
Worthing, West Sussex, BN99 6DA

Registered Office

Merse Road, North Moons Moat,
Redditch, Worcestershire, B98 9HH

Registered No.

317886

Web Sites

www.thorlux.com

www.thorlux.de

www.mackwell.co.uk

www.compact-lighting.co.uk

www.p-payne.co.uk

www.sugglighting.co.uk

Report of the Directors

The Directors have pleasure in submitting their annual report and the audited accounts of the Group for the year ended 30 June 2005.

Principal activity and business review

The main activity of the Group continues to be the manufacture of industrial and commercial lighting equipment. A review of the business is included in the Chairman's Statement on page 2.

Results and dividends

The results for the year are set out in detail on page 16.

On 10 May 2005 the Company paid an interim dividend of 2.5p per share (2004: 2.2p). A final dividend of 7.5p (2004: 6.4p) per ordinary share is proposed and, if approved, will be paid on 17 November 2005.

Directors

The Directors of the Company at the date of this report are set out on page 4.

The Directors retiring by rotation are I A Thorpe and P D Mason who, being eligible, offer themselves for re-election. The contract for P D Mason is terminable on three years' notice. I A Thorpe does not have a service contract.

Directors' share interests

The details of the Directors' share interests are set out in the Directors' Remuneration Report on pages 9 to 13.

Substantial shareholdings

At 13 October 2005 the Company had received notification of the following interests in 3 per cent or more of the issued share capital, excluding holdings of Directors:

Rights and Issues Trust Plc	500,000 shares	(4.2 per cent)
E G Thorpe	661,530 shares	(5.6 per cent)

Group research and development activities

The Group is committed to research and development activities in order to maintain its market share in the industrial and commercial lighting market. These activities encompass constant development of both new and existing products to ensure that a leading position in the lighting market is maintained.

Fixed assets

The Directors are of the opinion that the market value of the freehold land and buildings cannot be reliably estimated to be significantly different to the net book value.

Charitable gifts

During the year the Group gave £2,260 (2004: £1,972) for charitable purposes. The Company allocates an annual amount for charitable giving which is based on the previous year's profitability, and is considered appropriate in order to help foster its business relationships including those with its customers, suppliers, employees and the local community. The Company made one donation over £200 during the year. This donation was made to support the work of the Engineering Education Scheme which aims to give young people invaluable experience and insight into the world of engineering. This donation is consistent with the charitable giving policy.

Creditor payment policy

The Group's policy concerning the payment of its trade creditors is to accept and follow the normal terms of payment amongst suppliers to the lighting industry. Payments are made when they fall due which is usually on the day after the end of the calendar month following the month in which delivery of goods or services is made. Where reasonable settlement discount terms are offered for early payment, these terms are usually taken up. The number of days represented by the Company's and the Group's year end trade creditors is 42 and 49 respectively (2004: 50 and 53).

Employee policies

Employees are kept informed of matters of concern to them as employees by publication and distribution of a Company newsletter and other notices, or by specially convened meetings.

Committees representing the different groups of employees meet regularly to ensure the views of employees are taken into account in making decisions that are likely to affect their interests.

Report of the Directors

The involvement of employees in the Group's performance is encouraged by various incentive schemes including a profit-related bonus scheme.

Information on the financial and economic factors affecting the performance of the Group is made available twice yearly at the time of publication of the interim and annual statements to shareholders.

The Group is committed to developing a safe and healthy working environment for all employees consistent with the requirements of the Health and Safety at Work Act. Within the constraints of health and safety, disabled people are given full and fair consideration for job vacancies. Depending on their skills and abilities, disabled people enjoy the same career prospects as other employees, and if employees become disabled every effort is made to ensure their continued employment, with appropriate training where necessary.

Policies for recruiting employees are designed to ensure equal opportunities irrespective of colour, ethnic or national origin, nationality, sex or marital status.

Auditors

A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the Company will be proposed at the annual general meeting.

Directors' Authority to Issue Shares

The UK Listing Authority no longer requires the consent of shareholders to each issue by the Company of equity share capital for cash made otherwise than to existing shareholders in proportion to their existing shareholdings. This relaxation is subject to the Company obtaining the authority of shareholders under Section 95 of the Companies Act 1985 to disapply generally the provisions of Section 89 of that Act. Ordinary resolution number 7 and special resolution number 8 would give the Directors the authority to allot ordinary shares up to an aggregate nominal amount of £312,912, and would further empower them to allot ordinary shares for cash up to a maximum of £59,390 (representing 5% of the issued equity share

capital of the Company) other than pro rata to existing members as if section 89(1) of the Companies Act did not apply. These authorities, if approved, would expire at the conclusion of the next Annual General Meeting, save that the authority relating to Section 89(1) would expire 15 months after being passed, if earlier.

Purchase of Own Shares

Resolution 9 set out in the notice of the Annual General Meeting will, if it is approved, allow the Company to exercise the authority contained in the Articles of Association to purchase its own shares. The Board has no firm intention that the Company should make purchases of its own shares if the proposed authority becomes effective, but would like to be able to act quickly if circumstances arise in which such a purchase would be desirable. Purchases will only be made on the London Stock Exchange and only in circumstances where the Directors believe that they are in the best interests of the shareholders generally. Furthermore, purchases will only be made if the Directors believe that they would result in an increase in earnings per share.

The proposed authority will be limited by the terms of the special resolution to the purchase of 1,183,888 ordinary shares representing 10% of the Company's issued ordinary share capital and a nominal value of £118,781 at 13 October 2005. The minimum price per ordinary share payable by the Company (exclusive of expenses) will be 10p. The maximum to be paid will be an amount not more than 5% above the average of the middle market quotations for ordinary shares of the Company as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the date of each purchase. Any shares purchased by the Company will be cancelled and the number of shares in issue will be reduced accordingly. The maximum number of shares and the permitted price range are stated in order to comply with statutory and Stock Exchange requirements and should not be taken as representative of the number of shares (if any) which may be purchased, or the terms of such a purchase. The authority will lapse on the date of the Annual General Meeting of the Company in 2006. However, in order to

Report of the Directors

maintain the Board's flexibility of action it is envisaged that it will be renewed at future Annual General Meetings.

Corporate governance

The listing rules of the UK Listing Authority require listed companies to explain how they have applied the principles of the code of practice known as the Combined Code. This statement explains how the Company has applied the principles set out in Section 1 of the Combined Code.

The Directors have examined carefully how far the current practice of the Company conforms with the recommendations made in the Combined Code and fully endorse the principles of openness, integrity and accountability of the Code. The Directors consider the Company to be compliant with the principles of best practice with the exception of the matters listed below.

- The Board does not have an independent audit committee.
- At least half the Board does not comprise independent non-executive Directors and the Board has not appointed a senior independent Director.
- The terminable period of the service contracts for A B Thorpe and P D Mason exceeds one year.
- The pensionable salary includes benefits in kind and/or profit bonus for those Directors who are members of the defined benefit scheme.
- The Board has combined the roles of Joint Chief Executive and Chairman.

The Directors believe that the exceptions, which are more fully explained in the sections relating to the Board constitution and the Directors' remuneration report, are appropriate for the size and context of the Group's business.

Board constitution

The Company continues to be proprietorial in nature and the Directors act as a unitary Board and as a consequence are unable to see the benefits of splitting the Board into sub-committees and in particular of constituting

audit and nomination committees, as recommended by the Code, as matters that would normally be considered by an audit or nomination committee are addressed by the full Board with the non-executive Directors present and the auditors attending as appropriate.

A remuneration committee has been established with the following people serving on it:

C M Brangwin
Non-executive Director and Chairman of the committee

I A Thorpe
Non-executive Director

Terms and conditions for the operation of this committee are in place and it meets as and when required. The committee's report is presented on pages 9 to 13.

The auditors have direct access to all members of the Board and attend and present their reports at appropriate Board meetings. The Board considers, at least annually, the relationships and fees in place with the auditors to confirm their independence is maintained.

Nomination committees are formed when it is felt to be appropriate for senior personnel and subsidiary Board appointments. Any appointment to a Group Board position would involve all Board Members in the selection process.

The Board meets regularly during the year and has a schedule of matters reserved for its approval, which only the Board may change.

Relations with shareholders

Directors are kept informed of the views of shareholders by face to face contact at the Company's premises on the day of the Annual General Meeting and if appropriate by meeting with major shareholders at other times during the year.

Internal control

The Board of Directors has overall responsibility for the system of internal control and for reviewing its effectiveness throughout the Group. The internal controls systems are designed to meet the Group's particular

Report of the Directors

needs and the risks to which it is exposed, and by their nature can only provide reasonable but not absolute assurance against misstatement or loss.

Internal financial control

The Directors have responsibility for maintaining a system of internal control which provides reasonable assurance of the effective and efficient operations, internal financial control and compliance with laws and regulations.

During the year a member of the Group finance department has visited all operating sites to assess their compliance with a selection of key control procedures and non-compliance has been reported to the Group Board. Significant areas of non-compliance noted as part of this process have been addressed.

In addition, the executive Directors regularly visit all operating sites and review with local management financial and commercial issues affecting the Group's operations. Regular financial reporting includes budgets, rolling forecasts and monthly financial reports comparing performance against plan. These reports are reviewed locally with a Group representative and monitored by the Group Board. Accordingly, the Directors do not consider that an internal audit department is required.

Other areas of control

The Combined Code introduced a requirement that Directors review the effectiveness of the Group's systems of internal controls on an annual basis. This requirement extends the Directors' review to cover all controls, including operational, compliance and risk management as well as financial.

During the year and continuing after the year end the Board has operated a formal risk identification and evaluation programme as part of a continuous review of the Group's internal controls. This programme considers financial, operational and compliance risks and includes participation from senior executives from all operating subsidiaries. The results of this process to date have been utilised by the Board to focus the ongoing process for identifying, evaluating and

managing the Group's significant risks. The programme is utilised to monitor the potential impact of the risks identified and, where appropriate, actions are taken to ensure they are effectively controlled. This process is extended to include a detailed review of risk as assessed by local senior executives, and procedures have been established to ensure that the Group Board is made aware of any additional significant risks identified and to consider appropriate action. This process culminated in the provision of a certificate, by senior executives at the operating sites, confirming that they have identified and addressed the risks arising in their business and reported them to the Group Board accordingly.

Adoption of International Financial Reporting Standards

Under present regulation, the Company is required to adopt International Financial Reporting Standards for the financial year ending 30 June 2006. A preliminary review has shown that the major impact of the first time adoption of the new accounting standards will arise from the introduction of IAS 19 relating to pension costs. The current effects of adoption of FRS 17 relating to pension costs are disclosed in note 24.

Going concern

The Directors confirm that they are satisfied that the Group has adequate resources to continue in business for the foreseeable future, and for this reason, they continue to adopt the going concern basis in preparing the accounts.

By order of the Board


P D Mason

Company Secretary
13 October 2005

Registered Office:
Merse Road
North Moons Moat
Redditch
Worcestershire
B98 9HH

Directors' Remuneration Report

The Board has prepared this report to the shareholders, taking into account the provisions in Schedule B of the Combined Code on Corporate Governance and Directors' Remuneration Report Regulations 2002. The Board has delegated the responsibility for the executive Directors' remuneration to the remuneration committee. The scope of their responsibilities includes the executive Directors' service contracts, salaries and other benefits, which comprise their terms and condition of employment.

Remuneration committee

The current members of the remuneration committee are the non-executive Directors, C M Brangwin (Chairman of the committee) and I A Thorpe. The committee has met as and when required during the financial year. No member of the committee has any personal financial interest in the matters to be decided other than as shareholders. There are no conflicts of interest arising from cross-directorships or day-to-day involvement in running the business. The committee has access to market data provided by Monks Partnership when considering the remuneration of the executive Directors.

Remuneration policy — executive Directors

The aim of the committee is to ensure that the executive Directors are fairly rewarded for their responsibilities and contribution to the performance of the Group. The committee seeks to achieve this with a combination of performance and non-performance related remuneration designed to attract, retain and motivate the Directors. The performance related remuneration is linked to both short-term and long-term goals.

In establishing the salaries of the Directors, the committee takes into account the responsibilities and performance of the individual together with data from comparable organisations and indicative trends for the business and its economic sector.

The remuneration package consists of the following elements.

1. Basic salary, benefits in kind and other benefits. The salary is determined in August each year, unless there has been a change in responsibilities, where an adjustment will be made at the same time. The benefits in kind mainly consist of the provision of a car and health insurance. A Director may choose to take a cash allowance instead of a car. Other benefits consist of pension arrangements and life assurance.
2. Annual bonus. The bonus is made up of two elements. The first element relates to the operating profit of the business unit for which the Director has specific performance responsibilities. The second element relates to the operating profit of the Group as a whole. The bonuses are paid in September and relate to the period ending on 30 June in the same year.
3. Share options. There are currently two executive share option schemes, and options were granted to Directors on 6 May 1999 — the majority of which are provided as part of an Inland Revenue approved scheme. Both schemes allow the executives to participate in share price growth and are normally exercisable between 3 and 10 years after grant provided certain performance criteria are met.

Remuneration policy — non-executive Directors

The Board as whole determines the remuneration of the non-executive Directors. The Board takes into account the contribution made and the relative time spent on the Company's affairs. The non-executive Directors do not receive bonuses or participate in the executive share option scheme. Their benefits in kind consist of the provision of health insurance.

Directors' service contracts

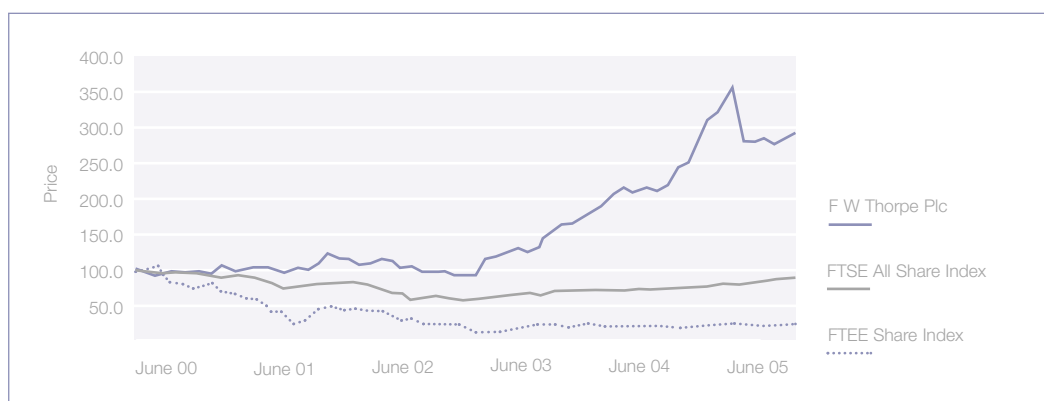
The policy for Directors' service contracts is to follow the Code for new appointments. However, for contracts in existence prior to the date the Code became effective no amendment is expected to be made in view of the predicted service lives of the people concerned. D A Dimeloe, D M Lippold and M Allcock have service contracts terminable on one year's notice.

Directors' Remuneration Report

P D Mason and A B Thorpe have service contracts renewed annually in March, which are terminable on three years' notice immediately after renewal and two years' notice one year later when the contracts are considered for renewal. These contracts do not comply with the Code because they are in excess of one year. C M Brangwin and I A Thorpe do not have service contracts with the Company.

Performance graph

The graph below shows the comparative data for the FTSE all share index and the FTSE electronic and electrical equipment sector as these are considered to be the most appropriate comparative indices for the Company's business.



Audited information

The audited information relating to Directors' emoluments is set out below.

Directors' emoluments

	2005 Salary/ fees £'000	2005 Bonus £'000	2005 Benefits £'000	2005 Total £'000	2004 Total £'000
Executive Directors					
A B Thorpe	151	48	14	213	162
P D Mason	142	48	14	204	153
M Allcock	81	37	11	129	116
D A Dimeloe	90	55	11	156	147
D M Lippold	72	16	10	98	98
Non-executive Directors					
C M Brangwin	26	—	3	29	28
I A Thorpe	28	—	2	30	30
Total	590	204	65	859	734

Benefits consist mainly of the provision of cars and fuel, or cash equivalent, and health insurance. The bonus for D A Dimeloe includes a contribution of £27,000 to the pension scheme.

Directors' Remuneration Report

Directors' pension arrangements

A B Thorpe, P D Mason and I A Thorpe participate in the defined benefit section of the F W Thorpe Retirement Benefits Scheme. M Allcock, D A Dimeloe and D M Lippold are members of the defined contribution section of the scheme. M Allcock has a final salary guarantee as he was previously a member of the defined benefit section. C M Brangwin is a retired member of the defined benefit section.

The F W Thorpe Retirement Benefits Scheme is a funded, Inland Revenue approved occupational pension scheme. The scheme is divided into two sections — a defined benefit scheme and a defined contribution scheme. The defined benefit section was closed to new members on 1 October 1995. The defined benefit section aims to provide a maximum pension of two-thirds of pensionable salary at normal retirement date. Pensionable salary for P D Mason, A B Thorpe and I A Thorpe includes profit bonus and benefits calculated on the average of the previous three years. M Allcock's pensionable salary includes an average of the previous three years' profit bonus. These definitions do not comply with the Code; however, the committee believes that they are appropriate when looking at the remuneration package as a whole. Defined contribution members contribute up to 5% of basic salary and the Company contributes up to 14%.

All the executive Directors are covered by life assurance benefit of 4 times pensionable salary. In addition, the defined benefit scheme members are entitled to a spouse's pension on death.

The following Directors had accrued entitlements under the defined benefit section of the pension scheme.

	Age at year end	Normal pension age	Value of Accrued Pensions at 30 June 2005 £pa	Director's contributions during the year £	Change of accrued pension since 30 June 2004 £pa	Additional Pension earned in excess of inflation over the year ended 30 June 2005	Transfer value of additional pension (net of inflation) less Director's contributions	Transfer value of pension at 30 June 2005 £	Transfer value of pension at 30 June 2004 £	Increase in transfer value over the year net of Director's contributions £
A B Thorpe	55	60	75,654	6,690	4,716	2,517	30,164	1,127,414	934,180	186,544
P D Mason	56	60	63,570	6,740	5,851	4,062	55,556	993,977	794,785	192,452
M Allcock	37	65	16,878	4,455	3,102	2,675	1,945	42,298	30,667	7,176
I A Thorpe	59	60	36,933	—	—	—	—	845,622	708,011	137,611

Directors' Remuneration Report

The following table shows the contributions paid by the Company in respect of those Directors participating in the defined contribution section of the pension scheme.

	2005 £	2004 £
D A Dimeloe	12,238	11,480
D M Lippold	5,600	5,304

Directors' shareholdings

The Directors listed below were in office throughout the whole of the year. Directors' interests in the share capital of the Company at 30 June 2005 and 1 July 2004 were as follows:

	Ordinary shares of 10p Beneficial	
	2005	2004
A B Thorpe	2,785,009	2,785,009
P D Mason	171,978	171,978
M Allcock	12,700	7,900
D A Dimeloe	11,189	7,189
D M Lippold	16,400	1,400
C M Brangwin	773,155	773,155
I A Thorpe	2,504,712	2,504,712

In addition, C M Brangwin has a joint non-beneficial interest in 170,000 shares.

D M Lippold sold 4,500 shares on 20 September 2005, M Allcock sold 5,000 shares on 21 September 2005 and D Dimeloe sold 3,000 shares on 23 September 2005.

Directors' share options

Details of the share options at 30 June 2005 are as follows:

	30 June 2004	Exercised during year	Lapsed during year	At 30 June 2005	Option price	Date Exercisable from	Date Exercisable to
A B Thorpe	30,000	—	—	30,000	117p	7 May 2002	6 May 2009
P D Mason	4,359	—	—	4,359	117p	7 May 2002	6 May 2009
M Allcock	20,000	8,800	—	11,200	117p	7 May 2002	6 May 2009
D A Dimeloe	30,000	7,500	—	22,500	117p	7 May 2002	6 May 2009
D M Lippold	30,000	20,000	—	10,000	117p	7 May 2002	6 May 2009

The performance criteria for the exercise of the executive share options require that the growth in the annualised earnings per share, adjusted to a pre-tax basis must exceed RPI by more than 3% when measured against a basis year. These criteria have been met.

Directors' Remuneration Report

On 21 September 2004 share options were exercised by the Directors as follows:

Director	Number of shares	Option price (pence per share)	Market price (pence per share)	Gain (£)
D A Dimeloe	7,500	117p	285p	12,600
D M Lippold	20,000	117p	285p	33,600
M Allcock	8,800	117p	285p	14,784

The following share options were exercised during September 2005:

Director	Number of shares	Option price (pence per share)	Date of exercise	Market price (pence per share)
D A Dimeloe	7,500	117p	20 Sept 05	346p
M Allcock	11,200	117p	23 Sept 05	387.5p

The market price of the Company's shares at the beginning and end of the financial year was 235p and 315p respectively and the range of market prices during the year was from 225p to 421p.

There have been no other changes in the interests of the Directors in the share capital of any company in the Group during the period 1 July 2005 to 13 October 2005.

Approved by the Board and signed on its behalf by:



P D Mason

Company Secretary
13 October 2005

Statement of Directors' Responsibilities

Company law requires the Directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period.

In preparing those accounts, 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 applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and Group will continue in business:

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the accounts comply with the Companies Act 1985. 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.



P D Mason

Company Secretary
13 October 2005

Independent Auditor's Report

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the cash flow statement, and the related notes. We have also audited the disclosures required by Part 3 of Schedule 7A to the Companies Act 1985 contained in the Directors' remuneration report ("the auditable part").

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of Directors' responsibilities. The Directors are also responsible for preparing the Directors' remuneration report.

Our responsibility is to audit the financial statements and the auditable part of the Directors' remuneration report in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the auditable part of the Directors' remuneration report have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Directors' report, the unaudited part of the Directors' remuneration report, the chairman's statement and the corporate governance statement.

We review whether the corporate governance statement reflects the Company's compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and

we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company's or the Group's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the auditable part of the Directors' remuneration report. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the auditable part of the Directors' remuneration report are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of the state of affairs of the Company and the Group at 30 June 2005 and of the profit and cash flows of the Group for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- those parts of the Directors' remuneration report required by Part 3 of Schedule 7A to the Companies Act 1985 have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors
Birmingham
13 October 2005

Consolidated Profit and Loss Account

for the year ended 30 June 2005

	Notes	2005 £'000	2004 £'000
Turnover	2	41,572	37,258
Cost of sales		(25,067)	(22,878)
Gross profit		16,505	14,380
Net operating expenses	3	(11,105)	(9,360)
Operating profit before exceptional items		5,822	5,020
Exceptional items — Sugg	3	(422)	—
Operating profit		5,400	5,020
Interest receivable and similar income	7	440	342
Profit before tax	4	5,840	5,362
Taxation on profit on ordinary activities	8	(1,479)	(1,479)
Profit for the year	9	4,361	3,883
Dividends	9	(1,187)	(1,014)
Retained profit for the year	20	3,174	2,869
Earnings per ordinary share			
— ordinary	10	36.9p	33.1p
— diluted	10	36.5p	32.5p

All of the above results were from continuing operations.

There is no difference between the result as disclosed in the profit and loss account and the result on a historical cost basis.

There are no recognised gains or losses other than the results for the period as stated above.

The notes on pages 19 to 32 form part of these accounts.

The report of the auditors is on page 15.

Consolidated and Company Balance Sheets

as at 30 June 2005

	Note	Group		Company	
		2005 £000	2004 £000	2005 £000	2004 £000
Fixed assets					
Tangible assets	12	9,335	9,343	8,007	8,086
Investments	13	258	281	861	884
		9,593	9,624	8,868	8,970
Current assets					
Stocks	14	7,267	6,599	5,189	4,529
Debtors	15	10,622	8,355	8,769	6,827
Investments	16	70	70	70	70
Cash at bank and in hand		8,414	7,554	8,504	7,542
		26,373	22,578	22,532	18,968
Creditors: amounts falling due within one year	17	(7,056)	(7,053)	(4,999)	(4,552)
Net current assets		19,317	15,525	17,533	14,416
Total assets less current liabilities		28,910	25,149	26,401	23,386
Provisions for liabilities and charges					
Onerous lease obligation	18(a)	(200)	—	—	—
Deferred taxation	18(b)	(711)	(403)	(782)	(439)
Net assets		27,999	24,746	25,619	22,947
Capital and reserves					
Called up share capital	19	1,184	1,177	1,184	1,177
Capital Redemption Reserve	20	135	135	135	135
Share premium account	20	545	473	545	473
Profit and loss account	20	26,135	22,961	23,755	21,162
Equity shareholders' funds	26	27,999	24,746	25,619	22,947

These accounts were approved by the Board on 13 October 2005.

A B Thorpe }
P D Mason } Directors

The notes on pages 19 to 32 form part of these accounts.

The report of the auditors is on page 15.

Consolidated Cash Flow Statement

for the year ended 30 June 2005

	Notes	2005 £'000	2004 £'000
Net cash inflow from operating activities	21(a)	4,239	4,379
Returns on investments and servicing of finance			
Interest received		371	281
Other investment income		69	61
Taxation			
UK corporation tax paid		(1,758)	(1,230)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(1,170)	(1,958)
Sale of tangible fixed assets		56	66
Sale/(Purchase) of fixed asset investments		28	(37)
Net cash outflow for capital expenditure and financial investments		(1,086)	(1,929)
Equity dividends paid		(1,054)	(811)
Cash inflow before financing		781	751
Financing			
Issue of shares		79	68
Repayment of hire purchase and finance leases		—	(7)
Cash inflow from financing		79	61
Increase in cash in the period	21(b)	860	812

1 Accounting policies

Basis of accounting

These consolidated financial statements have been prepared under the historical cost convention, as modified by the valuation of investment properties. The accounting policies are set out below and are in accordance with applicable UK accounting standards.

Basis of consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries, which are prepared to 30 June. The results of the entities acquired are included in the consolidated profit and loss account from the date of acquisition.

Property, plant and equipment

Land and buildings, plant, equipment, furniture and fittings are stated at historical cost less depreciation.

Depreciation is calculated on the straight-line method to write off the cost of each asset to its residual value over its estimated useful life as follows:

Freehold land	Nil
Freehold buildings	25–50 years
Plant, equipment, fixtures and fittings	2–15 years

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in operating profit.

Leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset or the lease term.

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

Investment property

Investment properties are stated at open market value. Depreciation is not provided on investment properties. The requirement of the Companies Act 1985 is to depreciate all fixed assets, but this conflicts with the generally accepted principle set out in SSAP 19. These properties are held for investment rather than consumption and the Directors consider that systematic depreciation would be inappropriate. The accounting policy adopted is therefore necessary for the accounts to give a true and fair view.

Other investments

Shares in subsidiaries and listed investments are stated at cost less any provision necessary for any permanent diminution in value.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary undertaking at the date of acquisition. In accordance with Financial Reporting Standard 10 (FRS 10), goodwill arising from acquisitions after 1 July 1998 is amortised over its useful economic life, up to a maximum of 20 years.

Where an indication of impairment exists, the carrying amount of any goodwill is assessed and written down immediately to its recoverable amount. To the extent that any further impairment is required, provision is made for any onerous leases.

1 Accounting policies (continued)

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is determined by the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads, based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. Provision is made against the cost of slow-moving stock lines based on the estimated recoverable amounts.

Debtors

Trade debtors are carried at original invoice amount less an estimate made for doubtful debts based on a review of all outstanding amounts at the year end. Bad debts are written off when identified.

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, term deposits and deposits held at call with banks.

Deferred taxes

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Tax rates enacted or substantively enacted by the balance sheet date are used to determine deferred income tax. Balances are not discounted.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

Warranty

The Group recognises the estimated liability to repair or replace products still under warranty at the balance sheet date. This provision is calculated based on past history of the level of repairs and replacements.

Revenue recognition

Sales are recognised upon delivery of products. Sales are shown net of value added tax and discounts, and after eliminating sales within the Group.

Interest receivable and similar income

Interest income is recognised when earned. Investment income is only recognised when the funds have been received by the Group.

Pension obligations

In accordance with the provisions of SSAP 24, the cost of providing pensions is charged to the income statement so as to spread the regular cost over the service lives of employees in accordance with the advice of the actuaries. The Group's contributions to defined contribution pension plans are charged to the profit and loss account in the period to which the contributions relate. Additional disclosures relating to the pension fund deficit are given in note 24 in accordance with the requirements of FRS17.

Foreign currency translation

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions; gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement.

Research and development

Research and development expenditure is recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Policy on derivatives and financial instruments

The Group does not hold any derivatives other than exchange swaps. Where these exist at the year end they are not valued in the balance sheet as they are used to hedge currency movements. If foreign currency debtors and creditors exist at the year end which have been hedged in this way the contracts and swap values are considered in valuing these items.

Financial instruments are valued at historical cost.

2 Analysis of turnover

The turnover attributable to each of the Group's geographical markets is:

	2005 £'000	2004 £'000
United Kingdom	36,501	32,928
Other European Countries	3,485	2,679
Africa	35	49
North and South America	146	243
Middle East	811	766
India, Australia and Far East	594	593
	41,572	37,258

All turnover, profit before taxation and net assets originate in the United Kingdom.

The business of the parent Company and its subsidiaries all relate to one business segment, being designers, manufacturers and suppliers of professional lighting systems.

3 Net operating expenses

	2005 £'000	2004 £'000
Distribution costs	2,597	2,389
Administrative expenses	8,086	6,971
Exceptional items — Sugg	422	—
	11,105	9,360

Exceptional items — Sugg

Due to the trading difficulties in the year experienced at Sugg Lighting Ltd ("Sugg"), management has undertaken a review of the Sugg business. This has resulted in an exceptional stock provision of £195,000 and an impairment of £227,000. In calculating the impairment the Directors applied the value in use method to the projected cash flows after allowance for appropriate contingencies and a discount rate of 6.5% which represents a risk free post-tax interest rate. The analysis indicates that the total impairment provision required is £227,000 of which £200,000 is treated as an onerous lease provision and the remaining impairment of £27,000 relates to fixed assets.

4 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging/(crediting):

	2005 £'000	2004 £'000
Depreciation of tangible assets — owned assets	1,121	1,126
Impairment of Sugg fixed assets	27	42
Auditors' remuneration (Company £27,000; 2004: £26,000)	49	47
Leasehold land and buildings — operating leases	176	176
Hire of plant and machinery	46	39
Research and development	1,030	1,134
Profit on sale of fixed assets	(26)	(18)
Profit on sale of fixed asset investments	(5)	—
Rental income from investment property	(5)	(3)

Remuneration of the Group's auditors for provision of non-audit services to the Company and its subsidiaries was:

	2005 £'000	2004 £'000
Accountancy services	5	5
Tax compliance	6	9
Other services	3	4
	14	18

Notes to the Accounts

for the year ended 30 June 2005

5 Directors' emoluments

	2005	2004
	Total	Total
	£'000	£'000
Aggregate emoluments	859	734
Contributions to Money Purchase pension scheme	18	17
	877	751

Any gains by Directors on the exercise of share options in the year, and the number of Directors to whom benefits are accruing under defined benefit and defined contribution schemes are included in the Directors' Remuneration Report on pages 9 to 13.

6 Employee information

The average number of employees employed by the Group (including executive Directors) during the year is analysed below:

	2005	2004
	Number	Number
Production	304	283
Selling and distribution	84	82
Administration	131	125
	519	490

Employment costs of all employees (including executive Directors):

	2005	2004
	£'000	£'000
Aggregate gross wages and salaries	10,939	9,152
Employers' national insurance contributions	1,038	886
Employers' pension and related charges	907	746
Total direct costs of employment	12,884	10,784

7 Interest receivable and similar income

	2005	2004
	£'000	£'000
Interest from cash and bank balances	371	281
Income from fixed asset investments	69	61
	440	342

Income from investments includes £7,000 (2004: £4,000) from listed investments.

8 Taxation on profit on ordinary activities

	2005 £'000	2004 £'000
Current tax:		
UK corporation tax on profits for the period	1,485	1,644
Adjustment in respect of previous periods	(314)	(140)
Total current tax	1,171	1,504
Deferred tax:		
Origination and reversal of timing differences	321	(25)
Adjustment in respect of previous periods	(13)	—
Total deferred tax	308	(25)
Taxation on profit on ordinary activities	1,479	1,479

The tax assessed for the year is lower than the standard rate of Corporation Tax in the UK (30%). The differences are explained below:

	2005 £'000	2004 £'000
Profit on ordinary activities	5,840	5,362
Profit on ordinary activities multiplied by the standard rate in the UK 30% (2004: 30%)	1,752	1,609
Effects of:		
Expenses not deductible for tax purposes	(69)	12
Accelerated tax allowances and other timing differences	(194)	30
Profits taxed at small companies rate	(4)	(7)
Adjustments to tax charge in respect to previous period	(314)	(140)
Current tax charge	1,171	1,504

9 Profit for the year and dividends

Profit for the year

As permitted by Section 230 of the Companies Act 1985, the holding Company has not published a separate profit and loss account. The Group profit for the year of £4,361,000 (2004: £3,883,000) includes a profit of £3,780,000 (2004: £3,757,000) in respect of the holding Company.

	2005 £'000	2004 £'000
Dividends		
Interim paid of 2.5p per share (2004: 2.2p per share)	299	260
Final proposed of 7.5p per share (2004: 6.4p per share)	888	754
	1,187	1,014

10 Earnings per share

Ordinary earnings per share is calculated by dividing the net profit attributable to shareholders of £4,361,000 (2004: £3,883,000) by the weighted average number of ordinary shares in issue during the year of 11,825,715 (2004: 11,743,094).

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The weighted average number of ordinary shares is calculated at 11,943,559 (2004: 11,943,559).

Notes to the Accounts

for the year ended 30 June 2005

11 Intangible fixed assets

Group	Goodwill £'000
Cost	
At 1 July 2004 and 30 June 2005	600
Aggregate amortisation	
At 1 July 2004 and 30 June 2005	600
Net book value at 1 July 2004 and 30 June 2005	—

The goodwill arising on the acquisition of Sugg Lighting Limited was impaired in 2002.

Goodwill of £577,000 arising on the acquisition of subsidiaries before 1 July 1999 had been written off to reserves in prior years.

12 Tangible fixed assets

	Group			Company		
	Freehold land and buildings £'000	Plant and equipment £'000	Total £'000	Freehold land and buildings £'000	Plant and equipment £'000	Total £'000
Cost						
At 1 July 2004	7,024	11,266	18,290	6,876	7,668	14,544
Additions	42	1,128	1,170	42	552	594
Group transfer	—	—	—	—	1	1
Disposals	—	(372)	(372)	—	(221)	(221)
At 30 June 2005	7,066	12,022	19,088	6,918	8,000	14,918
Accumulated depreciation						
At 1 July 2004	1,160	7,787	8,947	1,038	5,420	6,458
Charge for the year	122	999	1,121	113	543	656
Impairment at Sugg (note 3)	—	27	27	—	—	—
Disposals	—	(342)	(342)	—	(203)	(203)
At 30 June 2005	1,282	8,471	9,753	1,151	5,760	6,911
Net book value						
At 30 June 2005	5,784	3,551	9,335	5,767	2,240	8,007
At 30 June 2004	5,864	3,479	9,343	5,838	2,248	8,086

Depreciation has not been charged on freehold land that is stated at its cost of £1,218,000 (2004: £1,218,000).

13 Fixed asset investments

	Group			Company			
	Investment property £'000	Listed on the Stock Exchange £'000	Total £'000	Investment property £'000	Listed on the Stock Exchange £'000	Investments in subsidiaries £'000	Total £'000
At 1 July 2004	219	62	281	219	62	2,173	2,454
Disposals	—	(23)	(23)	—	(23)	—	(23)
At 30 June 2005	219	39	258	219	39	2,173	2,431
Provisions for diminution in value							
At 1 July 2004 and 30 June 2005	—	—	—	—	—	1,570	1,570
Net book value							
At 30 June 2005	219	39	258	219	39	603	861
At 30 June 2004	219	62	281	219	62	603	884

Investment property open market value has been determined by the directors. There is no material difference between original cost and open market value.

The aggregate market value of the investments listed on the London Stock Exchange as at 30 June 2005 was £87,000 (2004: £108,000).

Details of the investments in subsidiaries are set out in note 25.

14 Stocks

	Group		Company	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Raw materials, components and consumables	3,049	2,957	1,813	1,795
Work in progress	1,316	1,409	1,070	971
Finished goods	2,902	2,233	2,306	1,763
	7,267	6,599	5,189	4,529

15 Debtors

	Group		Company	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Trade debtors	9,613	7,522	6,690	4,728
Amounts owed by subsidiary undertakings	—	—	1,265	1,457
Other debtors	40	74	40	53
Prepayments and accrued income	969	759	774	589
	10,622	8,355	8,769	6,827

16 Current asset investments

	Group and Company	
	2005 Cost £'000	2004 Cost £'000
Units in cash fund — aggregate market value £333,000 (2004: £320,000)	70	70
	70	70

Notes to the Accounts

for the year ended 30 June 2005

17 Creditors: amounts falling due within one year

	Group		Company	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Trade creditors	3,357	3,208	1,833	1,579
Corporation tax	464	1,051	493	822
Other taxation and social security	1,205	935	919	662
Other creditors	734	624	711	550
Accruals	408	481	155	185
Dividends payable	888	754	888	754
	7,056	7,053	4,999	4,552

18(a) Onerous lease provision

	Group		Company	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Onerous lease provision in respect of Sugg Lighting Ltd	200	—	—	—

18(b) Deferred taxation

Deferred taxation provided in the financial statements is as follows:

	Group		Company	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Tax effect of timing differences				
Capital allowances	492	432	525	451
Other	219	(29)	257	(12)
	711	403	782	439

There is no difference between the full potential liability for deferred taxation and the provision made in the financial statements.

	Group		Company	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Movement in the provision				
At 1 July 2004	403	428	439	437
(Decrease)/Increase in provision	308	(25)	343	2
At 30 June 2005	711	403	782	439

19 Share capital

	Group and Company	
	2005 £'000	2004 £'000
Ordinary shares of 10p per share		
Authorised (15,000,000 shares)	1,500	1,500
Allotted and fully paid		
At 1 July 2004	1,177	1,171
Shares issued	7	6
At 30 June 2005 11,838,876 shares (2004: 11,772,000 shares)	1,184	1,177

During the year options were exercised for 66,876 ordinary shares with a nominal value of 10 pence per share and a consideration of 117 pence per share.

Options that have been granted for 10p ordinary shares remaining outstanding at 30 June 2005 are as follows:

Number of shares	Subscription price per share	Period of option
104,683	117p	7 May 2002 to 6 May 2009

Details of the Directors' share options are given in the Directors' Report.

Since the year end, options for 39,200 shares have been exercised.

20 Reserves

	Group			Company		
	Share premium account	Capital Redemption Reserve	Profit and Loss	Share premium account	Capital Redemption Reserve	Profit and Loss
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 July 2004	473	135	22,961	473	135	21,162
Shares issued	72	—	—	72	—	—
Profit for the year	—	—	3,174	—	—	2,593
At 30 June 2005	545	135	26,135	545	135	23,755

21 Notes to the cash flow statement

(a) Reconciliation of operating profit to net cash inflow from operating activities

	2005 £'000	2004 £'000
Operating profit	5,400	5,020
Depreciation and impairment	1,148	1,168
Profit on sale of fixed assets and fixed asset investments	(31)	(18)
(Increase) in stocks	(668)	(403)
(Increase) in debtors	(2,267)	(2,052)
Increase in creditors	657	664
Net cash inflow from operating activities	4,239	4,379

(b) Reconciliation of movement in net funds

	1 July 2004 £'000	Cash flow £'000	30 June 2005 £'000
Cash at bank and in hand	7,554	860	8,414
Liquid resources	70	—	70
Net funds	7,624	860	8,484

(c) Reconciliation of net cash flow to movement in net funds

	2005 £'000	2004 £'000
Net funds at 1 July 2004	7,624	6,805
Increase in net cash	860	812
Movement in borrowings	—	7
Net funds at 30 June 2005	8,484	7,624

22 Capital commitments

Commitments for future capital expenditure at 30 June 2005 were as follows:

	Group		Company	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Authorised and contracted for	59	132	37	86

23 Operating leases

Annual commitments on operating leases, which all relate to land and buildings, expire:

	Group		Company	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
In two to five years	173	25	—	—
Over five years	—	148	—	—
	173	173	—	—

24 Pension scheme

The Group operates a funded combined Defined Benefits/Defined Contribution scheme for employees in the UK. Entrants who joined after 1 October 1995 join a Defined Contribution section. The scheme is approved by the Inland Revenue under Chapter 1 Part XIV of the Income and Corporation Taxes Act 1988. Membership is contracted-in to the second state pension.

The assets of the Scheme are held separately from the assets of the Company, being invested in Managed Funds. Contributions by the Company to the Scheme during the year ended 30 June 2005 amounted to £1,132,000 (2004: £1,095,000) which included a lump sum payment of £500,000, (2004: £500,000) of which £677,000 (2004: £435,000) was included in prepayments at the end of the year. Contributions are determined by an independent qualified actuary on the basis of triennial valuations using the Projected Unit Method. The Company is committed to making future payments to the scheme and has agreed a future schedule of contributions with the trustees.

The date of the most recent actuarial valuation was 1 July 2004, and the value of the fund at this date was £7,805,000. This was sufficient to cover 75% of the value of the benefits accrued to members after allowing for future increases in earnings. In arriving at the actuarial valuation, the following assumptions were adopted.

Price inflation	3.00%
Salary increases	4.78%
Discount rate	5.70%
Revaluation for deferred pensioners	3.00%
Pension increases in payment of 5% pa or RPI if less	2.80%

The figures at 1 July 2004 have been updated in order to assess the additional disclosures required under FRS17 as at 30 June 2005 by an independent qualified actuary using the following major assumptions:

	30 June 2005	30 June 2004	30 June 2003
Price inflation	2.70%	3.00%	2.50%
Salary increases	4.57%	4.78%	4.28%
Discount rate	5.00%	5.70%	5.25%
Revaluation for deferred pensioners	2.70%	3.00%	2.50%
Pension increases in payment of 5% pa or RPI if less	2.70%	2.80%	2.50%
Pension increases in payment of 2.5% pa or RPI if less	2.00%	n/a	n/a

24 Pension scheme (continued)

On this basis, the illustrative balance sheet figures required under FRS17 are as follows:

	30 June 2005		30 June 2004		30 June 2003	
	Expected long-term rate of return	Value £'000	Expected long-term rate of return	Value £'000	Expected long-term rate of return	Value £'000
Equities	7.25%	6,451	8.00%	5,290	8.00%	4,281
Bonds	4.60%	1,917	5.00%	1,553	5.00%	1,395
Property	7.00%	5	7.50%	2	7.50%	239
Other	4.50%	1,770	4.50%	941	3.75%	164
Total market value of assets		10,143		7,786		6,079
Present value of scheme liabilities		14,852		11,057		(10,190)
Deficit in the scheme		(4,709)		(3,271)		(4,111)
Related tax asset		1,413		981		1,233
Net pension deficit		(3,296)		(2,290)		(2,878)

Movement in deficit during the year

	30 June 2005 £'000	30 June 2004 £'000
Deficit in scheme at beginning of the year	(3,271)	(4,111)
Current service cost	(517)	(488)
Contributions	1,132	1,095
Other finance income	(62)	(89)
Actuarial gain/(loss) on pension scheme	(1,991)	322
Deficit in scheme at end of year	(4,709)	(3,271)
Related tax asset	1,413	981
Net pension deficit	(3,296)	(2,878)

Analysis of amount that would be charged to operating profit in respect of defined benefit scheme

	30 June 2005 £'000	30 June 2004 £'000
Current service cost	517	488
	517	488

The current service cost for final salary guarantee members is expected to rise from year to year as the final salary section is closed to new entrants.

Analysis of amount that would be credited to other financial income

	30 June 2005 £'000	30 June 2004 £'000
Expected return on pension scheme assets	582	460
Interest on pension scheme liabilities	(644)	(549)
Net return	(62)	(89)

24 Pension scheme (continued)

Analysis of amount that would be recognised in the Statement of Total Recognised Gains and Losses (STRGL)

	30 June 2005 £'000	30 June 2004 £'000
Actual return less expected return on pension scheme assets	680	65
Experience gains and losses arising on the scheme liabilities	(1,070)	495
Changes in assumptions underlying the present value on the scheme liabilities	(1,601)	(238)
Actuarial loss which would have been recognised in the STRGL	(1,991)	322

History of experience gains and losses that would have been recognised in the Statement of Total Recognised Gains and Losses (STRGL)

	30 June 2005		30 June 2004	
	£'000	Percentage	£'000	Percentage
Difference between the expected and actual return on scheme assets	680		65	
Percentage of scheme assets		7%		1%
Experience gain/(loss) on scheme liabilities	(1,070)		495	
Percentage of the present value of scheme liabilities		7%		4%
Changes in assumptions underlying the present value of the scheme liabilities	(1,601)		(238)	
Percentage of the present value of scheme liabilities		11%		2%
Total amount which would have been recognised in STRGL	(1,991)		322	
Percentage of the present value of the scheme liabilities		13%		3%

Changes to net assets and profit and loss reserve

If the amounts had been recognised in the financial statements, the Group's net assets and profit and loss reserve at 30 June 2005 would have been as follows:

	2005 £'000	2004 £'000
Net assets excluding pension deficit	27,999	24,746
Pension prepayment (net)	(474)	(305)
Pension deficit	(3,296)	(2,290)
Net assets including pension deficit	24,229	22,151
Profit and loss account excluding pension deficit	26,135	22,961
Pension prepayment (net)	(474)	(305)
Pension deficit	(3,296)	(2,290)
Profit and loss account including pension deficit	22,365	20,366

25 Interests in Group undertakings

Name of undertaking	Country of incorporation	Description of shares held	Proportion of nominal value of issued shares held by Group and Company
Mackwell Electronics Limited	England	Ordinary £1 shares	100%
Compact Lighting Limited	England	Ordinary £1 shares	100%
Philip Payne Limited	England	Ordinary £1 shares	100%
Sugg Lighting Limited	England	Ordinary £1 shares	100%
Axis Lighting Limited	England	Ordinary £1 shares	100%

All of the above companies operated in their country of incorporation and registration.

The principal activities of these subsidiaries are:

Mackwell Electronics Limited	— design and manufacture of lighting components
Compact Lighting Limited	— design and manufacture of low energy lighting equipment
Philip Payne Limited	— design and manufacture of illuminated signs
Sugg Lighting Limited	— design and manufacture of traditional architectural lighting.
Axis Lighting Limited	— non-trading

26 Reconciliation of movements in equity shareholders' funds

	Group		Company	
	Year ended 30 June 2005 £'000	Year ended 30 June 2004 £'000	Year ended 30 June 2005 £'000	Year ended 30 June 2004 £'000
Profit for the year	4,361	3,883	3,780	3,757
Dividends	(1,187)	(1,014)	(1,187)	(1,014)
Net increase in equity shareholders' funds	3,174	2,869	2,593	2,743
Issue of shares	79	68	79	68
Opening equity shareholders' funds	24,746	21,809	22,947	20,136
Closing equity shareholders' funds	27,999	24,746	25,619	22,947

27 Related party transactions and balances

The Company has taken advantage of the exemption allowed by FRS8 not to disclose transactions and balances with related Company undertakings, 90% or more of whose voting rights are controlled within the Group.

During the year, M Allcock purchased a computer under the Home Computing Initiative Scheme for £699 at terms available to other members of staff. At the end of the year an amount of £408 was outstanding.

28 Financial instruments

The Group has a policy of maintaining cash resources arising from its operations by balancing the day-to-day cash requirements with those resources and by not undertaking any long-term borrowings. This policy enables the Group to fund its future operations. To assist with this the Group has a system of overall Group treasury management, coupled with individual banking arrangements held by each of the Group's subsidiaries. The Group also has a small overdraft facility on its current account to ensure that cash is available in the current account in the event that an unforeseen requirement arises. The Group has a policy not to trade derivatives, and this has been observed throughout the period.

The Group's financial instruments comprise cash and liquid resources, small amounts of listed investments, and various other items such as trade debtors, trade creditors that arise directly from its operations. The main purpose of these financial instruments is to manage the cash available for the Group's operations. The Group has occasionally used forward foreign exchange contracts in order to hedge currency movements when customers pay in or suppliers require foreign currency. The value of these contracts has not been significant.

The Group treasury function reviews the cash holding of the Group as a whole on a daily basis and considers the future cash requirements in both £ sterling and foreign currency. Based on this assessment, cash will be placed on short-term deposit or kept available to meet day-to-day requirements throughout the Group.

The policies for managing foreign currency risk are highlighted above. At 30 June 2005, after taking account of the effects of foreign exchange contracts held, the Group had no significant currency exposures.

In the financial instruments disclosures made in the accounts, the Group has taken advantage of the exemption conferred by FRS13 to exclude short term debtors and creditors.

Financial assets

The Group has no financial assets, other than cash at bank and in hand unitised cash funds and an immaterial amount of listed investments.

Financial liabilities

The Group does not use finance leases to manage risk and the majority of these have been acquired as part of business acquisitions.

The Group holds currency bank accounts, which are used for receipts from customers and payments to suppliers. The Group occasionally uses forward currency swap arrangements to manage obligations on a short-term basis. The Group had no forward currency swap arrangements at the year end because the currency available in those bank accounts broadly matched currency obligations at that time (2004: £nil). The related average data has not been produced because there were no contracts in place at the time.

Other than as disclosed in note 16, there is no material difference between the book value and fair values of financial assets and financial liabilities.

Notice of Meeting

Notice is hereby given that the sixty-ninth Annual General Meeting of F W Thorpe Plc will be held at Merse Road, North Moons Moat, Redditch, Worcestershire, B98 9HH on 10 November 2005 at 3.15 pm to transact the following business:

Ordinary business

1. To receive and adopt the Directors' Report and Accounts for the year ended 30 June 2005.
2. To declare a dividend.
3. To re-elect I A Thorpe as a Director.
4. To re-elect P D Mason as a Director.
5. To re-appoint PricewaterhouseCoopers LLP as auditors of the Company, to hold office until the conclusion of the next General Meeting at which accounts are laid before the Company and to authorise the Directors to fix the auditors' remuneration.

Special business

To consider and, if thought fit, to pass the following resolutions which will be proposed, in the case of 6 and 7 as ordinary resolutions, and in the case of 8 and 9 as special resolutions.

6. That the Directors' remuneration report (as set out on pages 9 to 13 of the Annual Report and Accounts) for the year ended 30 June 2005 be approved.
7. That the authority to allot relevant securities (within the meaning of Section 80 of the Companies Act 1985) conferred on the Directors by Article 15 of the Articles of Association of the Company be and hereby is renewed for the period ending at the conclusion of the Annual General Meeting of the Company to be held in 2006 and that for such period the Section 80 Amount (as defined in said Article 15) shall be £312,192.
8. That the power to allot equity securities (within the meaning of Section 94 of the Companies Act 1985) conferred on the Directors by Article 15 of the Articles of Association of the Company be and hereby is renewed for the period ending at the earlier of the conclusion of the Annual General Meeting of the Company to be held in 2006 and the expiry of the period of 15 months following the passing of this resolution and that for such period the Section 89 Amount (as defined in the said Article 15) shall be £59,390.
9. That the Company be generally and unconditionally authorised to make market purchases (within the meaning of Section 163(3) of the Companies Act 1985) of ordinary shares of 10p each of the Company provided that:
 - a) The maximum number of ordinary shares hereby authorised to be acquired is 1,187,808.
 - b) The minimum price which may be paid for any such share is 10p.
 - c) The maximum price which may be paid for any such share is an amount equal to 105% of the average of the middle market quotations for an ordinary share in the Company as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which such share is contracted to be purchased.
 - d) The authority hereby conferred shall expire on the date of the Annual General Meeting of the Company in 2006.
 - e) The Company may make a contract to purchase its ordinary shares under the authority hereby conferred prior to the expiry of such authority, which contract will or may be executed wholly or partly after the expiry of such authority, and may purchase its ordinary shares in pursuance of any such contract.

Notice of Meeting

Notes

- a) A member entitled to attend and vote at the meeting may appoint one or more proxies, whether a member of the Company or not, to attend and, on a poll, vote on the members behalf. A form of proxy accompanies this notice.
- b) The register of Directors' share interests pursuant to Section 325 of the Companies Act 1985 and copies of the Directors' service contracts will be available for inspection at the Annual General Meeting.

By order of the Board



P D Mason
Company Secretary

Merse Road
North Moons Moat
Redditch
Worcestershire
B98 9HH

13 October 2005

Form of Proxy

(for shareholders use only)

I/We
 (Block letters please)

of
 being a member of F W Thorpe Plc, hereby appoint

.....
 or failing him the Chairman of the meeting, as my/our proxy to vote for me/us and on my/our behalf at the annual General Meeting of the Company to be held at the Registered Office of the Company on 10 November 2005 and at every adjournment thereof.

Please indicate with a cross in the appropriate space how you wish your vote to be cast. If no specific direction as to voting is given your proxy will vote or abstain at his/her discretion.

ORDINARY BUSINESS	FOR	AGAINST
1 To adopt the Directors' Report and Accounts		
2 To declare a final dividend		
3 To re-elect I A Thorpe as a Director		
4 To re-elect P D Mason as a Director		
5 To re-appoint PricewaterhouseCoopers LLP as Auditors of the Company		
SPECIAL BUSINESS		
6 To approve the Directors' remuneration report		
7 To give the Directors authority to allot relevant securities (Section 80 C.A. 1985)		
8 To give the Directors authority to allot equity securities (Section 94 C.A. 1985)		
9 To give the Company authority to make market purchases of its ordinary shares		

Dated thisday of2005 Signature

Notes:

This proxy must reach the Company's registered office not less than forty-eight hours before the time appointed for the meeting.

Any alteration made to this form of proxy should be initialled.

If you wish to appoint a proxy other than the Chairman of the meeting please insert the name and address of your proxy (who need not be a member of the Company).

In the case of joint holders the signature of one holder will be accepted.

In the case of joint holders, the vote of the senior who tenders a vote whether in person or by proxy shall be accepted to the exclusion of votes of the other joint holders and for this purpose seniority will be determined by the order in which the names stand in the register of members in respect of the joint holding.

In the case of a corporation this proxy should be under its common seal or under the hand of an officer or attorney or other person duly authorised.

Completion of the proxy form will not prevent a shareholder attending and voting in person.



Second fold

BUSINESS REPLY SERVICE
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1



**Lloyds TSB Registrars
The Causeway
Worthing
West Sussex
BN99 6ZL**

First fold

Third fold
and tuck in flap opposite

Five Year Record

	2001	2002	2003	2004	2005
	£'000	£'000	£'000	£'000	£'000
Turnover	33,054	29,452	32,677	37,258	41,572
Operating profit	3,077	1,046	3,487	5,020	5,400
Interest receivable and similar income	153	196	245	342	440
Profit before taxation	3,230	1,242	3,732	5,362	5,840
Taxation	(899)	(513)	(1,110)	(1,479)	(1,479)
Profit after taxation	2,331	729	2,622	3,883	4,361
Dividends	700	701	773	1,014	1,187
Net assets	19,876	19,904	21,809	24,746	27,999
Earnings per share — ordinary	19.8p	6.3p	22.4p	33.1p	36.9p
Dividends per share	6.0p	6.0p	6.6p	8.6p	10.0p
Net assets per share	170p	171p	186p	210p	236p

Financial Calendar

2005

17 October	Posting of Report and Accounts
10 November	Annual General Meeting
17 November	Payment of final dividend

2006

March	Announcement of half year results
May	Payment of interim dividend
September	Announcement of results for the year

F W Thorpe Plc

- *Thorlux Lighting*
- *Compact Lighting*
- *Sugg Lighting*
- *Mackwell Electronics*
- *Philip Payne*

Merse Road
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Redditch
Worcestershire
B98 9HH



INDUSTRIAL ■ COMMERCIAL ■ ARCHITECTURAL ■ ILLUMINATED SIGNS ■ EMERGENCY ■ LOW ENERGY ■ HERITAGE ■ ENERGY CONSERVING SYSTEMS