

FW THORPE PLC

industrial commercial architectural emergency low energy retail heritage control gear energy conserving systems

passionate about lighting

Annual Report and Accounts 2006

designers, manufacturers and suppliers . . .



Contents

| | |
|--|----|
| Directors and Advisers | 2 |
| Five Year Financial Record | 3 |
| Chairman's Statement | 4 |
| Report of the Directors | 6 |
| Directors' Remuneration Report | 10 |
| Statement of Directors' Responsibilities | 15 |
| Independent Auditors' Report | 16 |
| Consolidated Profit and Loss Account | 17 |
| Consolidated Statement of Total Recognised Gains and Losses | 17 |
| Group and Company Balance Sheets | 18 |
| Consolidated Cash Flow Statement | 19 |
| Notes to the Accounts | 20 |
| Notice of Meeting | 33 |
| Form of Proxy | 35 |
| Financial Calendar | 37 |

... of professional lighting systems



Introduction

Specialising in the design and manufacture of lighting equipment for the specification market, the Group employs over 500 people and although each of our companies works autonomously, our skills and markets are complementary. We focus on long-term growth and stability, achieved by developing market leading products, backed by excellent consumer service. With a global business, the Group continues to work for the benefit of our shareholders, employees and customers.

The energy, ability and loyalty of our staff ensures that we continue to look forward to the future with enthusiasm.



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 68)

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 60)

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.fwthorpe.co.uk
www.thorlux.com
www.thorlux.de
www.thorlux.ie
www.thorlux.es
www.mackwell.co.uk
www.compact-lighting.co.uk
www.p-payne.co.uk
www.sugglighting.co.uk

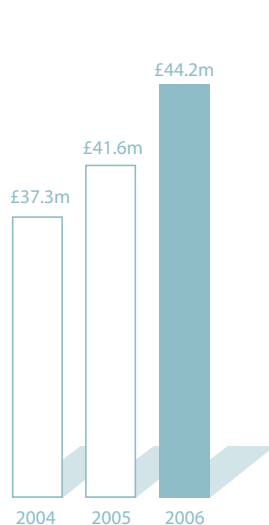
Five Year Financial Record

| | 2002 | 2003 | 2004 | (Restated) 2005 | 2006 |
|--|--------|---------|---------|--------------------|----------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Turnover | 29,452 | 32,677 | 37,258 | 41,572 | 44,204 |
| Operating profit | 1,046 | 3,487 | 5,020 | 5,338 | 6,877 |
| Interest receivable and similar income | 196 | 245 | 342 | 378 | 543 |
| Profit before taxation | 1,242 | 3,732 | 5,362 | 5,716 | 7,420 |
| Taxation | (513) | (1,110) | (1,479) | (1,479) | (2,224) |
| Profit after taxation | 729 | 2,622 | 3,883 | 4,237 | 5,196 |
| Dividends | 701 | 773 | 1,014 | 1,054 | 1,247 |
| Net assets | 19,904 | 21,809 | 24,746 | 25,116 | 30,100 |
| Earnings per share — ordinary | 6.3p | 22.4p | 33.1p | 35.8p | 43.8p |
| Dividends per share | 6.0p | 6.6p | 8.6p | 8.9p | 10.5p |
| Net assets per share | 171p | 186p | 210p | 212p | 253p |

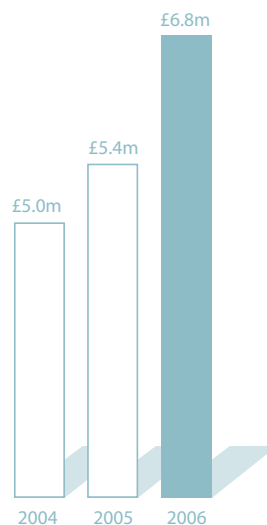
Restatement of dividends and pensions have not been made for years prior to 2004.

Financial Highlights

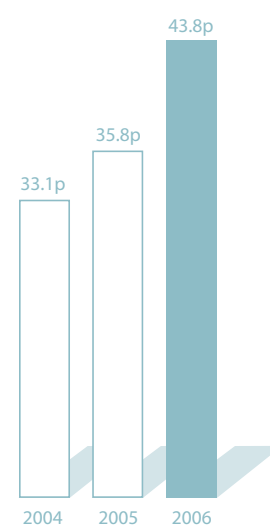
Turnover



Operating Profit



Earnings per share



Chairman's Statement

"In general, trading throughout the year was more buoyant than had been expected with all Group companies turning in an improved performance over the previous year and making further progress in their own individual market sectors."

The financial year 2006 produced a turnover of £44.2m for the Group, an increase of 6% compared to the previous year. Operating profit for the same period, after accounting for exceptional costs at Sugg Lighting, rose from £5.3m in 2005 to £6.9m in 2006, a 29% increase. Investment income improved by 44%, due to higher cash reserves, to bring a resultant profit before tax of £7.4m, a 30% increase.

In general, trading throughout the year was more buoyant than had been expected with all Group companies turning in an improved performance over the previous year and making further progress in their own individual market sectors. The concern expressed in the half yearly report in regard to the retail sector was not really realised as any downturns in this market area were patchy and not generally felt.

There have been a number of new product introductions during the year from various members of the Group; very important as such a high proportion of Group sales emanates from relatively new designs. In lighting, nowadays it is not always the fitting that is important, however, but with increasing frequency the electronic control system behind it. Through work carried out during this financial year, before it and after it your Company will soon introduce a lighting system which if installed anywhere in the world can, via GPRS technology, be monitored from anywhere else in the world. This system will provide the possibility of an ongoing income stream from any such installation.

Investment during the year continued at a moderate level as regards plant and machinery but some human and "green" credentials emerged with the installation of a roof air venting system at the Thorlux works as well as the installation of cardboard and general waste compacting equipment. The largest investment took place on the last day of the financial year in the outright purchase of a £1m+ factory for Philip Payne Ltd. This factory will replace their current leased premises.

The Company, as was mentioned in the half yearly statement, transferred the trading of its shares to the Alternative Investment Market of the London Stock Exchange (AIM) on 6 January 2006 and we are pleased to report that after the initial dip the share price has continued to make strong progress.

The results detailed at the start of this report lead your Board to recommend a final dividend of 9p (2005: 7.5p) which, taken with the interim dividend already paid, makes a total dividend for the year of 12p (2005: 10p) being a 20% increase compared to last year.

At this time it is the opinion of your Directors that cash reserves are more than sufficient for the current needs of the business even after taking into account possible requirements for organic and non-organic growth. Your Board has, therefore, decided to propose a special cash distribution of 12p per share to be paid in conjunction with the final dividend making a total dividend payment of 21p per share to be paid on 16 November 2006.

Thorlux

Thorlux enjoyed another good year boosting turnover by 6% and operating profit by 17% compared to the previous year.

Incremental improvements in manufacturing performance have been made by the increased utilisation of equipment, especially the £1m+ Salvagnini sheet metal punching and bending line purchased some eighteen months ago. The wider range of products developed by Thorlux in recent years has led to a higher level of business during the previously quieter winter months and encouraged the Company to maintain a higher trained workforce during these months. Maintenance of this higher level of staff has greatly assisted in the preparation for the normally expected "bulge" in output requirement during the summer months caused by the Thorlux customer profile.

The concentration of effort on the export side also seems to be paying dividends with Thorlux, for the first time in some years, increasing the amount of export business as a percentage of total turnover from 6% in 2005 to 7% in 2006. In the year to 30 June 2006, total export output was up 17%, European export output was up 11% and our two people in Munich managed an output increase of 107%. In regard to the German Operation, growth rather than profit is the motive currently and Thorlux is actively trying to bolster the team by one full-time Sales Representative. The return to a Thorlux employed Sales Engineer in the Republic of Ireland is bolstering sales and the Company is looking to employ its own representative in one further mainland European

market. Far East markets continued to become more difficult and although Middle East sales increased, this is probably as much to do with their being awash with petro-money as to the market becoming easier for us.

Mackwell

Mackwell, the Group's manufacturer of emergency lighting control gear and systems, also had another successful year increasing turnover by 7% and profit by 13% compared to the previous financial year. It was mentioned last year that Mackwell's product direction was refocused and concentration during this period has remained on suitably profitable medium volume production traditional products whilst at the same time the Company has been keeping abreast of possible changes in the technology of emergency lighting in general. A growing percentage of Mackwell's turnover is now products for LED (rather than fluorescent) emergency lighting systems. During this financial year the Company also introduced new manufacturing equipment, some of which has assisted Mackwell in its meeting the European ROHS Directive requirements to become a "lead free" product supplier.

Compact Lighting

Compact Lighting, being a manufacturer of retail space lighting, started the year with trepidation as to the impending fate of the retail sector. The downturn in this area has been patchy and although some of Compact's customers curtailed their shop refurbishment programmes some did not and further new customers were found amongst those still investing. Compact Lighting finished the year with the creditable performance of an operating profit increase of 9% on reduced turnover.

Philip Payne

Philip Payne Ltd, the manufacturer of quality specialist exit signage and specialist hospital signage, returned to a year of buoyant trading unlike the somewhat patchy previous year. Results recovered as if last year had not happened to give a record year of turnover and operating profit up by 27% and 68% respectively. The company currently occupies leased premises and so, to take advantage of a break in the lease, the Group has been looking for suitable premises to purchase in its stead. Payne's has a particularly "green" workforce with numbers walking to work and it has been fortuitous that a suitable building became available across

the road from the current premises. The building, as was mentioned earlier, was purchased on the last day of the financial year and is currently being fitted out to suit Payne's requirements. The company will move to the new premises in October 2006.

Sugg Lighting

Heritage lighting manufacturer and refurbisher Sugg Lighting improved turnover in the year to 30 June 2006 by 21% and this performance, coupled with a further reduction in the workforce and improved productive capacity, allowed the company to run at only a small operating loss during the period. Work continues improving, still further, the performance at Sugg Lighting and meanwhile the Group's considerations as to a more stable platform for Sugg's future are moving to a conclusion.

People

Again, we owe a lot to our people who have been loyal and hard-working throughout the year. We have quite a number of nationalities on our workforce currently which made for quite an interesting time during the 2006 World Cup football tournament!

May I take this opportunity to thank all F W Thorpe Plc employees of all nationalities for their help and further diligence throughout the year.

The Future

Our markets appear to be fairly stable at the present time and although it seems unlikely that higher Government spending will be forthcoming to fuel further growth, the impending general reduction in fuel prices should assist. In the main growth must, therefore, come from our own efforts to produce more products that our customers want to buy and for us to be there to service those customers. Each company in the Group is pursuing ideas to carefully expand its product offering whilst particular companies in the business continue to pursue growth by serving new markets in a more direct manner. We will continue to try and offer more customers better, and more.



Andrew Thorpe

Chairman

10 October 2006

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 2006.

Principal activity and business review

The main activity of the Group continues to be the design, manufacture and supply of professional lighting equipment.

A review of the business is included in the Chairman's Statement on pages 4 and 5.

The most significant uncertainties for the business arise from fluctuations in the macro-economic cycle.

The Group has financial risks and seeks to minimise and manage these by incorporating controls into key functions as part of the normal business operation.

Management reviews prices at least annually to take into account fluctuations in costs in order to minimise the risk of reduction in gross margin, or loss of market share from lack of competitiveness.

There is a credit policy, which includes an assessment of the risk of bad debt and management of higher risk customers. The Group has underwritten a significant part of its customer debt risk with a credit insurance policy. The Group's cash is managed in accordance with the treasury policy, which is explained more fully in note 28.

Details of other risk management procedures are included within the internal control section of this report.

Results and dividends

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

On 9 May 2006 the Company paid an interim dividend of 3p per share (2005: 2.5p). A final dividend of 9p (2005: 7.5p) per ordinary share is proposed together with a special dividend of 12p per ordinary share and, if approved, will be paid together on 16 November 2006.

Adoption of FRS 17 and FRS 21

The Group has adopted FRS 17 and FRS 21 in 2006.

The Group's financial statements for 2005 have been restated to reflect the adoption of FRS 17 (Retirement benefits) and FRS 21 (Events after the balance sheet date). The adoption of FRS 17 has required that the deficit on the F W Thorpe Retirement Benefits Scheme be shown on the balance sheet. This has resulted in a reduction of net assets of £3,771,000 at

30 June 2005, comprising the deficit of £3,296,000 and the original SSAP 24 pension prepayment of £475,000 which cannot now be recognised. The adoption of FRS 21 has required that dividends proposed are no longer shown as a liability in the accounts. This has resulted in an increase in net assets by £888,000 at 30 June 2005, being the value of the proposed dividend.

Directors

The Directors of the Company at the date of this report are set out on page 2.

The Directors retiring by rotation are M Allcock, D A Dimeloe and D M Lippold who, being eligible, offer themselves for re-election. Their contracts are terminable on 12 months' notice.

Directors' share interests

The details of the Directors' share interests are set out in the Directors' Remuneration Report on pages 10 to 14.

Substantial shareholdings

At 10 October 2006 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 | 659,640 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 is in excess of their net book value.

Charitable gifts

During the year the Group gave £5,157 (2005: £2,260) 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.

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 45 and 53 respectively (2005: 42 and 49).

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.

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 8 and special resolution number 9 would give the Directors the authority to allot ordinary shares up to an aggregate nominal amount of £310,242, and would further empower them to allot ordinary shares for cash up to a maximum of £59,488 (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 10 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 1,189,758 ordinary shares representing 10% of the Company's issued ordinary share capital and a nominal value of £118,976 at 10 October 2006. 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

Report of the Directors (*continued*)

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 2007. However, in order to maintain the Board's flexibility of action it is envisaged that it will be renewed at future Annual General Meetings.

Corporate governance

As a company whose shares are traded on the Alternative Investment Market of the London Stock Exchange Plc, the Company is not required to comply with the Principles of Good Governance and Code of Best Practice ("The Combined Code"). However, the Board supports the standards required by the Combined Code and fully endorses the principles of openness, integrity and accountability of the Code. The Directors consider the Company applies 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 10 to 14.

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 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

The Company is required to adopt International Financial Reporting Standards for the financial year ending 30 June 2008. A preliminary review has shown that there will be a minimal impact of the first time adoption of the new accounting standards.

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
10 October 2006

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.

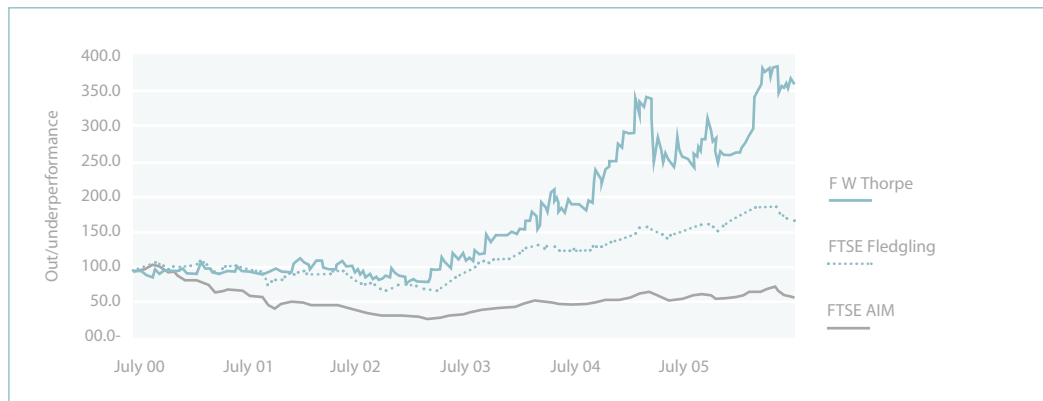
Directors' service contracts

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. 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 AIM share index and the FTSE Fledgling share index 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

| | 2006 Salary/ fees £'000 | 2006 Bonus £'000 | 2006 Benefits £'000 | 2006 Total £'000 | 2005 Total £'000 |
|--------------------------------|----------------------------------|------------------------|---------------------------|------------------------|------------------------|
| Executive Directors | | | | | |
| A B Thorpe | 159 | 57 | 14 | 230 | 213 |
| P D Mason | 150 | 57 | 14 | 221 | 204 |
| M Allcock | 84 | 45 | 11 | 140 | 129 |
| D A Dimeloe | 93 | 70 | 11 | 174 | 156 |
| D M Lippold | 75 | 18 | 10 | 103 | 98 |
| Non-executive Directors | | | | | |
| C M Brangwin | 26 | — | 3 | 29 | 29 |
| I A Thorpe | 29 | — | 2 | 31 | 30 |
| Total | 616 | 247 | 65 | 928 | 859 |

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 £35,000 to the pension scheme.

Directors' Remuneration Report (continued)

Directors' pension arrangements

A B Thorpe and P D Mason participated in the defined benefit section of the F W Thorpe Retirement Benefits Scheme until April 2006, and are now deferred members. 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 and I A Thorpe are retired members 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 and A B 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 pension at 30 June 2006 £pa | Director's contributions during the year £ | Change in value of accrued pension since 30 June 2005 £pa | Additional pension earned in excess of inflation over the year ended 30 June 2006 £pa | Transfer value of additional pension (net of inflation) less Director's contributions £ | Transfer value of pension at 30 June 2006 £ | Transfer value of pension at 30 June 2005 £ | Increase in transfer value over the year net of Director's contributions £ |
|------------|-----------------|--------------------|---|---|--|--|--|--|--|---|
| A B Thorpe | 56 | 60 | 90,010 | 6,983 | 14,356 | 12,313 | 167,940 | 1,374,795 | 1,127,414 | 240,398 |
| P D Mason | 57 | 60 | 78,511 | 7,007 | 14,941 | 13,225 | 195,830 | 1,268,800 | 993,977 | 267,816 |
| M Allcock | 38 | 65 | 20,196 | 5,023 | 3,318 | 2,861 | (2,750) | 54,541 | 42,298 | 7,220 |

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.

| | 2006 £ | 2005 £ |
|-------------|-----------|-----------|
| D A Dimeloe | 12,666 | 12,238 |
| D M Lippold | 7,245 | 5,600 |

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 2006 and 1 July 2005 were as follows:

| | Ordinary shares of 10p Beneficial | |
|--------------|--------------------------------------|-----------|
| | 2006 | 2005 |
| A B Thorpe | 2,786,899 | 2,785,009 |
| P D Mason | 171,978 | 171,978 |
| M Allcock | 18,900 | 16,700 |
| D A Dimeloe | 16,100 | 11,189 |
| D M Lippold | 11,900 | 16,400 |
| 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.

P D Mason sold 4,000 shares on 28 September 2006.

M Allcock sold 3,700 shares on 2 October 2006.

D M Lippold sold 1,900 shares on 5 October 2006.

Directors' share options

Details of the share options at 30 June 2006 are as follows:

| | 30 June 2005 | Exercised during year | Lapsed during year | At 30 June 2006 | Option price | Date Exercisable from |
|-------------|-----------------|--------------------------|-----------------------|-----------------------|--------------|-----------------------------|
| A B Thorpe | 30,000 | — | — | 30,000 | 117p | 7 May 2002 |
| P D Mason | 4,359 | — | — | 4,359 | 117p | 7 May 2002 |
| M Allcock | 11,200 | 11,200 | — | — | 117p | 7 May 2002 |
| D A Dimeloe | 22,500 | 7,500 | — | 15,000 | 117p | 7 May 2002 |
| D M Lippold | 10,000 | — | — | 10,000 | 117p | 7 May 2002 |

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 (continued)

Share options were exercised by the Directors as follows:

| Director | Date of exercise | Number of shares | Option price (pence per share) | Market price (pence per share) | Gain (£) |
|-------------|------------------|------------------|--------------------------------|--------------------------------|----------|
| D A Dimeloe | 20 Sept 05 | 7,500 | 117p | 347p | 17,250 |
| M Allcock | 23 Sept 05 | 11,200 | 117p | 381p | 29,568 |

The following share options were exercised on 27 September 2006:

| Director | Number of shares | Option price (pence per share) | Market price (pence per share) |
|-------------|------------------|--------------------------------|--------------------------------|
| P D Mason | 4,359 | 117p | 597.5p |
| D A Dimeloe | 7,500 | 117p | 597.5p |
| D M Lippold | 5,641 | 117p | 597.5p |

The market price of the Company's shares at the beginning and end of the financial year was 315p and 455p respectively and the range of market prices during the year was from 300p to 455p.

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 10 October 2006.

Approved by the Board and signed on its behalf by:



P D Mason
Company Secretary
10 October 2006

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; and
- 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.

The Directors confirm that, as far as they are aware, there is no relevant audit information of which the Group's auditors are unaware, and all steps have been taken by the Directors to make themselves aware of the relevant audit information, and to establish that the auditors are aware.



P D Mason
Company Secretary
10 October 2006

Independent Auditors' Report

We have audited the Group and parent Company financial statements (the "financial statements") of F W Thorpe Plc for the year ended 30 June 2006 which comprise the Consolidated Profit and Loss Account, the Group and Company Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). 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 are properly prepared in accordance with the Companies Act 1985. We report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, 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 other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report, the Directors' Remuneration Report and the Chairman's Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

We also, at the request of the Directors (because the Company applies the Financial Services Authority listing rules as if it were a listed company), 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 Group's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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. 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 Group's and 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 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group's and the parent Company's affairs as at 30 June 2006 and of the group's profit and cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.



PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

Birmingham

10 October 2006

Consolidated Profit and Loss Account

for the year ended 30 June 2006

| | Notes | 2006 £'000 | 2005 (restated) £'000 |
|--|-------|-----------------|-----------------------------|
| Turnover | 2 | 44,204 | 41,572 |
| Cost of sales | | (25,681) | (25,067) |
| Gross profit | | 18,523 | 16,505 |
| Net operating expenses | 3 | (11,251) | (10,745) |
| Operating profit before exceptional items | | 7,272 | 5,760 |
| Exceptional items — operating expenses | 3 | (395) | (422) |
| Operating profit | | 6,877 | 5,338 |
| Interest receivable and similar income | 7 | 543 | 378 |
| Profit before tax | 4 | 7,420 | 5,716 |
| Tax on profit on ordinary activities | 8 | (2,224) | (1,479) |
| Profit after tax | 9 | 5,196 | 4,237 |
| Dividends paid | 9 | (1,247) | (1,054) |
| Profit after tax and dividends | | 3,949 | 3,183 |
| Earnings per ordinary share | | | |
| — ordinary | 10 | 43.8p | 35.8p |
| — diluted | 10 | 43.5p | 35.5p |

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.

Consolidated Statement of Total Recognised Gains and Losses

for the year ended 30 June 2006

| | Notes | 2006 £'000 | 2005 (restated) £'000 |
|---|-------|----------------|-----------------------------|
| Profit after tax | 9 | 5,196 | 4,237 |
| Actuarial gain/(loss) | 24 | 1,414 | (1,991) |
| Deferred tax | | (424) | 597 |
| Total recognised gains and losses for the year | | 6,186 | 2,843 |
| Prior year adjustments | | | |
| a) For the adoption of FRS 17 | | | |
| Pension scheme deficit | 24 | (3,296) | |
| Reversal of SSAP 24 pension scheme prepayment | 1 | (475) | |
| b) For the adoption of FRS 21 | | | |
| Dividends proposed | 9 | 888 | |
| Total prior year adjustments | | (2,883) | |
| Total gains and losses recognised since the last annual report | | 3,303 | |

The notes on pages 20 to 32 form part of these accounts.

The report of the auditors is on page 16.

Group and Company Balance Sheets

as at 30 June 2006

| | Notes | Group | | Company | |
|---|-------|----------------|-----------------------------|----------------|-----------------------------|
| | | 2006 £'000 | 2005 (Restated) £'000 | 2006 £'000 | 2005 (Restated) £'000 |
| Fixed assets | | | | | |
| Tangible assets | 12 | 9,907 | 9,335 | 8,793 | 8,007 |
| Investments | 13 | 258 | 258 | 861 | 861 |
| | | 10,165 | 9,593 | 9,654 | 8,868 |
| Current assets | | | | | |
| Stocks | 14 | 7,005 | 7,267 | 4,746 | 5,189 |
| Debtors | 15 | 10,075 | 9,945 | 6,280 | 7,477 |
| Investments | 16 | 70 | 70 | 70 | 70 |
| Cash at bank and in hand | | 11,848 | 8,414 | 11,844 | 8,504 |
| | | 28,998 | 25,696 | 22,940 | 21,240 |
| Creditors: amounts falling due within one year | 17 | (6,851) | (6,168) | (4,536) | (4,111) |
| Net current assets | | 22,147 | 19,528 | 18,404 | 17,129 |
| Total assets less current liabilities | | | | | |
| Provisions for liabilities and charges | | | | | |
| Onerous lease obligation | 18a | (471) | (200) | — | — |
| Deferred taxation | 18b | (412) | (509) | (405) | (579) |
| Net assets excluding pension liability | | 31,429 | 28,412 | 27,653 | 25,418 |
| Pension liability | 24 | (1,329) | (3,296) | (1,329) | (3,296) |
| Net assets | | 30,100 | 25,116 | 26,324 | 22,122 |
| Capital and reserves | | | | | |
| Called up share capital | 19 | 1,188 | 1,184 | 1,188 | 1,184 |
| Capital Redemption Reserve | 20 | 135 | 135 | 135 | 135 |
| Share premium account | 20 | 586 | 545 | 586 | 545 |
| Profit and loss account | 20 | 28,191 | 23,252 | 24,415 | 20,258 |
| Equity shareholders' funds | 26 | 30,100 | 25,116 | 26,324 | 22,122 |

These accounts were approved by the Board on 10 October 2006.

| | | |
|------------|---|-----------|
| A B Thorpe | } | Directors |
| P D Mason | | |

The notes on pages 20 to 32 form part of these accounts.

The report of the auditors is on page 16.

Consolidated Cash Flow Statement

for the year ended 30 June 2006

| | Notes | 2006 £'000 | 2005 £'000 |
|---|-------|----------------|---------------|
| Net cash inflow from operating activities | 21(a) | 7,134 | 4,239 |
| Returns on investments and servicing of finance | | | |
| Interest received | 7 | 545 | 371 |
| Other investment income | 7 | 52 | 69 |
| Net cash inflow for returns on investment and servicing of finance | | 597 | 440 |
| Taxation | | | |
| UK corporation tax paid | | (1,338) | (1,758) |
| Capital expenditure and financial investment | | | |
| Purchase of tangible fixed assets | 12 | (1,828) | (1,170) |
| Sale of tangible fixed assets | | 71 | 56 |
| Sale of fixed asset investments | | — | 28 |
| Net cash outflow for capital expenditure and financial investments | | (1,757) | (1,086) |
| Equity dividends paid | 9 | (1,247) | (1,054) |
| Cash inflow before financing | | 3,389 | 781 |
| Financing | | | |
| Issue of shares | 26 | 45 | 79 |
| Cash inflow from financing | | 45 | 79 |
| Increase in cash in the period | 21(b) | 3,434 | 860 |

Notes to the Accounts

for the year ended 30 June 2006

1 Accounting policies

Basis of accounting

These consolidated financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom and the Companies Act 1985. A summary of the more important accounting policies, which have been consistently applied, except where noted, are set out below.

Changes in accounting policies

The Group's financial statements for 2005 have been restated to reflect the adoption of FRS 17 (Retirement benefits) and FRS 21 (Events after the balance sheet date).

Shareholders' funds

| | Group 2006 £'000 | Company 2006 £'000 |
|---|------------------------|--------------------------|
| At 1 July 2005 (as previously reported) | 27,999 | 25,619 |
| Prior year adjustment | | |
| FRS 21 Dividends proposed | 888 | 274 |
| FRS 17 Pension scheme deficit | (3,296) | (3,296) |
| Reversal of SSAP 24 pension scheme prepayment | (677) | (677) |
| Reversal of related deferred tax asset | 202 | 202 |
| At 1 July 2005 as restated | 25,116 | 22,122 |

The adoption of FRS 21 has required that dividends proposed are no longer shown as a liability in the accounts. This has resulted in an increase in net assets by £888,000 at 30 June 2005, being the value of the proposed dividend.

The adoption of FRS 17 has resulted in an increase in staff costs of £178,000 (2005: £62,000) and a decrease in other financial income of £54,000 (2005: £62,000) and an increase of £404,000 in total recognised gains and losses (2005: (£225,000)).

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 their residual values over their 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 cost. 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 and impairment

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.

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 and deposits held at call with banks.

Interest and investment income

Interest and investment income are accounted for on an accruals basis.

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.

Pension obligations

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 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 FRS 17.

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.

Notes to the Accounts

for the year ended 30 June 2006

2 Analysis of turnover

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

| | 2006 £'000 | 2005 £'000 |
|-------------------------------|---------------|---------------|
| United Kingdom | 38,078 | 36,501 |
| Other European countries | 3,874 | 3,485 |
| Africa | 169 | 35 |
| North and South America | 140 | 146 |
| Middle East | 1,431 | 811 |
| India, Australia and Far East | 512 | 594 |
| | 44,204 | 41,572 |

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 segment, being designers, manufacturers and suppliers of professional lighting systems.

3 Net operating expenses

| | 2006 £'000 | 2005 (restated) £'000 |
|--------------------------|---------------|-----------------------------|
| Distribution costs | 2,821 | 2,597 |
| Administrative expenses | 8,430 | 8,148 |
| Exceptional items — Sugg | 395 | 422 |
| | 11,646 | 11,167 |

Due to the trading difficulties experienced at Sugg Lighting Ltd ("Sugg"), management has undertaken a review of the Sugg business. This has resulted in an exceptional stock provision of £12,000 (2005: £195,000) and an impairment of £383,000 (2005: £227,000) of which £271,000 (2005: £200,000) is treated as an onerous lease provision and the remaining impairment of £112,000 (2005: £27,000) relates to fixed assets.

4 Profit on ordinary activities before taxation

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

| | 2006 £'000 | 2005 £'000 |
|---|---------------|---------------|
| Depreciation of tangible assets — owned assets | 1,104 | 1,121 |
| Impairment of Sugg fixed assets | 112 | 27 |
| Auditors' remuneration (Company £33,000; 2005: £27,000) | 55 | 49 |
| Leasehold land and buildings — operating leases | 176 | 176 |
| Hire of plant and machinery | 42 | 46 |
| Research and development | 846 | 1,030 |
| Profit on sale of fixed assets | (31) | (26) |
| Profit on sale of fixed asset investments | — | (5) |
| Rental income from investment property | (4) | (5) |

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

| | 2006 £'000 | 2005 £'000 |
|----------------------|---------------|---------------|
| Accountancy services | — | 5 |
| Tax compliance | 6 | 6 |
| Other services | 9 | 3 |
| | 15 | 14 |

5 Directors' emoluments

| | 2006 Total £'000 | 2005 Total £'000 |
|--|------------------------|------------------------|
| Aggregate emoluments | 928 | 859 |
| Contributions to Money Purchase pension scheme | 20 | 18 |
| | 948 | 877 |

Further details are provided in the Directors' remuneration report on pages 10 to 14.

6 Employee information

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

| | 2006 Number | 2005 Number |
|--------------------------|----------------|----------------|
| Production | 297 | 304 |
| Selling and distribution | 84 | 84 |
| Administration | 143 | 131 |
| | 524 | 519 |

Employment costs of all employees (including executive Directors):

| | 2006 £'000 | 2005 £'000 |
|---|---------------|---------------|
| Aggregate gross wages and salaries | 11,041 | 10,939 |
| Employers' national insurance contributions | 1,099 | 1,038 |
| Employers' pension and related charges | 797 | 907 |
| Total direct costs of employment | 12,937 | 12,884 |

7 Net interest and similar income

| | 2006 £'000 | 2005 (restated) £'000 |
|--|---------------|-----------------------------|
| Interest receivable | | |
| Interest from current asset investments | 545 | 371 |
| Income from fixed asset investments | 52 | 69 |
| Net interest and income receivable | 597 | 440 |
| Interest payable | | |
| Interest on net pension scheme liabilities | (54) | (62) |
| Net interest and similar income | 543 | 378 |

Income from investments includes £6,000 (2005: £7,000) from listed investments.

8 Taxation on profit on ordinary activities

| | 2006 £'000 | 2005 (restated) £'000 |
|--|---------------|-----------------------------|
| Current tax: | | |
| UK corporation tax on profits for the period | 1,892 | 1,485 |
| Adjustment in respect of previous periods | 9 | (314) |
| Total current tax | 1,901 | 1,171 |
| Deferred tax: | | |
| Origination and reversal of timing differences | (111) | 321 |
| Adjustment in respect of previous periods | 15 | (13) |
| Deferred tax excluding deferred tax on pension liability | 96 | 308 |
| Deferred tax on pension liability | 419 | — |
| Net deferred tax liability | 323 | 308 |
| Taxation on profit on ordinary activities | 2,224 | 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:

| | 2006 £'000 | 2005 (restated) £'000 |
|---|---------------|-----------------------------|
| Profit on ordinary activities | 7,420 | 5,716 |
| Profit on ordinary activities multiplied by the standard rate in the UK 30% (30%) | 2,226 | 1,715 |
| Effects of: | | |
| Expenses not deductible for tax purposes | (178) | (69) |
| Accelerated tax allowances and other timing differences | (143) | (157) |
| Profits taxed at small companies rate | (13) | (4) |
| Adjustments to tax charge in respect to previous period | 9 | (314) |
| Current tax charge | 1,901 | 1,171 |

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 after taxation of £5,196,000 (2005: £4,237,000) includes a profit of £4,414,000 (2005: £3,656,000) in respect of the parent Company.

| | 2006 £'000 | 2005 £'000 |
|--|---------------|---------------|
| Dividends paid | | |
| Final dividend for 2005 of 7.5p per share (2004: 6.4p per share) | 891 | 758 |
| Interim dividend for 2006 of 3.0p per share (2005: 2.5p per share) | 356 | 296 |
| | 1,247 | 1,054 |

A final dividend of 9p (2005: 7.5p) per share and a special dividend of 12p (2005: nil) per share are proposed and, if approved, will be paid together on 16 November 2006.

| | 2006 £'000 | 2005 £'000 |
|--|---------------|---------------|
| Dividends proposed | | |
| Final dividend for 2006 of 9p per share (2005: 7.5p per share) | 1,069 | 888 |
| Special dividend for 2006 of 12p per share (2005: nil) | 1,425 | — |
| | 2,494 | 888 |

The difference in the dividend paid and proposed in 2005 has arisen from a higher share capital due to share options exercised in September 2005.

10 Earnings per share

Ordinary earnings per share is calculated by dividing the net profit attributable to shareholders of £5,196,000 (2005: £4,237,000) by the weighted average number of ordinary shares in issue during the year of 11,869,244 (2005: 11,825,715).

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 (2005: 11,943,559).

11 Intangible fixed assets

| Group | Goodwill £'000 |
|--|-------------------|
| Cost | |
| At 1 July 2005 and 30 June 2006 | 600 |
| Aggregate amortisation | |
| At 1 July 2005 and 30 June 2006 | 600 |
| Net book value at 1 July 2005 and 30 June 2006 | — |

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 2005 | 7,066 | 12,022 | 19,088 | 6,918 | 8,000 | 14,918 |
| Additions | 1,121 | 707 | 1,828 | 1,121 | 344 | 1,465 |
| Disposals | — | (431) | (431) | — | (117) | (117) |
| At 30 June 2006 | 8,187 | 12,298 | 20,485 | 8,039 | 8,227 | 16,266 |
| Accumulated depreciation | | | | | | |
| At 1 July 2005 | 1,282 | 8,471 | 9,753 | 1,151 | 5,760 | 6,911 |
| Charge for the year | 127 | 977 | 1,104 | 113 | 541 | 654 |
| Impairment at Sugg (note 3) | — | 112 | 112 | — | — | — |
| Disposals | — | (391) | (391) | — | (92) | (92) |
| At 30 June 2006 | 1,409 | 9,169 | 10,578 | 1,264 | 6,209 | 7,473 |
| Net book value | | | | | | |
| At 30 June 2006 | 6,778 | 3,129 | 9,907 | 6,775 | 2,018 | 8,793 |
| At 30 June 2005 | 5,784 | 3,551 | 9,335 | 5,767 | 2,240 | 8,007 |

Depreciation has not been charged on freehold land that is stated at its cost of £1,218,000 (2005: £1,218,000).

Notes to the Accounts
for the year ended 30 June 2006

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 2005 and 30 June 2006 | 219 | 39 | 258 | 219 | 39 | 2,173 | 2,431 |
| Provisions for diminution in value | | | | | | | |
| At 1 July 2005 and 30 June 2006 | — | — | — | — | — | 1,570 | 1,570 |
| Net book value | | | | | | | |
| At 30 June 2005 and 30 June 2006 | 219 | 39 | 258 | 219 | 39 | 603 | 861 |

The aggregate market value of the investments listed on the London Stock Exchange as at 30 June 2006 was £98,000 (2005: £87,000).

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

The investment property is based on a Director's evaluation.

14 Stocks

| | Group | | Company | |
|---|---------------|---------------|---------------|---------------|
| | 2006 £'000 | 2005 £'000 | 2006 £'000 | 2005 £'000 |
| Raw materials, components and consumables | 2,983 | 3,049 | 1,430 | 1,813 |
| Work in progress | 1,210 | 1,316 | 908 | 1,070 |
| Finished goods | 2,812 | 2,902 | 2,408 | 2,306 |
| | 7,005 | 7,267 | 4,746 | 5,189 |

15 Debtors

| | Group | | Company | |
|---|---------------|-----------------------------|---------------|-----------------------------|
| | 2006 £'000 | 2005 (restated) £'000 | 2006 £'000 | 2005 (restated) £'000 |
| Trade debtors | 9,643 | 9,614 | 6,077 | 6,690 |
| Amounts owed by subsidiary undertakings | — | — | — | 650 |
| Other debtors | 55 | 40 | 55 | 40 |
| Prepayments and accrued income | 377 | 291 | 148 | 97 |
| | 10,075 | 9,945 | 6,280 | 7,477 |

16 Current asset investments

| | Group and Company | |
|---|-----------------------|-----------------------|
| | 2006 Cost £'000 | 2005 Cost £'000 |
| Units in cash fund — aggregate market value £344,000 (2005: £333,000) | 70 | 70 |
| | 70 | 70 |

17 Creditors: amounts falling due within one year

| | Group | | Company | |
|------------------------------------|---------------|-----------------------------|---------------|-----------------------------|
| | 2006 £'000 | 2005 (restated) £'000 | 2006 £'000 | 2005 (restated) £'000 |
| Trade creditors | 3,787 | 3,357 | 1,669 | 1,833 |
| Corporation tax | 1,027 | 464 | 1,013 | 493 |
| Other taxation and social security | 709 | 1,205 | 467 | 919 |
| Other creditors | 742 | 734 | 732 | 711 |
| Accruals | 586 | 408 | 219 | 155 |
| Owed to subsidiary undertakings | — | — | 436 | — |
| | 6,851 | 6,168 | 4,536 | 4,111 |

18 Provisions and deferred taxation

(a) Onerous lease provision

| | Group | | Company | |
|---------------------|---------------|---------------|---------------|---------------|
| | 2006 £'000 | 2005 £'000 | 2006 £'000 | 2005 £'000 |
| At 1 July 2005 | 200 | — | — | — |
| Charged in the year | 271 | 200 | — | — |
| At 30 June 2006 | 471 | 200 | — | — |

(b) Deferred taxation provided in the financial statements is as follows:

| | Group | | Company | |
|----------------------------------|---------------|-----------------------------|---------------|-----------------------------|
| | 2006 £'000 | 2005 (restated) £'000 | 2006 £'000 | 2005 (restated) £'000 |
| Tax effect of timing differences | | | | |
| Capital allowances | 581 | 492 | 552 | 525 |
| Other | (169) | 17 | (147) | 54 |
| | 412 | 509 | 405 | 579 |

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

| | Group | | Company | |
|----------------------------------|---------------|-----------------------------|---------------|-----------------------------|
| | 2006 £'000 | 2005 (restated) £'000 | 2006 £'000 | 2005 (restated) £'000 |
| Movement in the provision | | | | |
| At 1 July 2005 | 509 | 201 | 579 | 236 |
| (Decrease)/increase in provision | (97) | 308 | (174) | 343 |
| At 30 June 2006 | 412 | 509 | 405 | 579 |

19 Share capital

| | Group and Company | |
|---|-------------------|---------------|
| | 2006 £'000 | 2005 £'000 |
| Ordinary shares of 10p per share | | |
| Authorised (15,000,000 shares) | 1,500 | 1,500 |
| Allotted and fully paid | | |
| At 1 July 2005 | 1,184 | 1,177 |
| Shares issued | 4 | 7 |
| At 30 June 2006 11,878,076 shares (2005: 11,838,876 shares) | 1,188 | 1,184 |

During the year options were exercised for 39,200 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 2006 are as follows:

| Number of shares | Subscription price per share | Period of option |
|------------------|------------------------------|--------------------------|
| 65,483 | 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 19,500 shares have been exercised.

Notes to the Accounts
for the year ended 30 June 2006

20 Reserves

| | Group | | | Company | | |
|---|--------------------------------|-------------------------------------|--------------------------|--------------------------------|-------------------------------------|--------------------------|
| | Share premium account £'000 | Capital Redemption Reserve £'000 | Profit and Loss £'000 | Share premium account £'000 | Capital Redemption Reserve £'000 | Profit and Loss £'000 |
| At 1 July 2005 (as previously reported) | 545 | 135 | 26,135 | 545 | 135 | 23,755 |
| Prior year adjustment | | | | | | |
| FRS 21 | — | — | 888 | — | — | 274 |
| FRS 17 | | | | | | |
| Pension deficit (net) | — | — | (3,296) | — | — | (3,296) |
| Reversal of SSAP 24 pension scheme prepayment | — | — | (475) | — | — | (475) |
| At 1 July 2005 as restated | 545 | 135 | 23,252 | 545 | 135 | 20,258 |
| Shares issued | 41 | — | — | 41 | — | — |
| Net actuarial gain/(loss) on pension scheme | — | — | 990 | — | — | 990 |
| Profit for the year after taxation | — | — | 5,196 | — | — | 4,414 |
| Dividends paid | — | — | (1,247) | — | — | (1,247) |
| At 30 June 2006 | 586 | 135 | 28,191 | 586 | 135 | 24,415 |

21 Notes to the cash flow statement

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

| | 2006 £'000 | 2005 (restated) £'000 |
|---|---------------|-----------------------------|
| Operating profit | 6,877 | 5,338 |
| Depreciation and impairment | 1,216 | 1,148 |
| Profit on sale of fixed assets and fixed asset investments | (31) | (31) |
| Pension scheme contributions in excess of current and past service charge | (1,450) | (615) |
| (Increase)/decrease in stocks | 262 | (668) |
| (Increase) in debtors | (130) | (1,590) |
| Increase in creditors | 390 | 657 |
| Net cash inflow from operating activities | 7,134 | 4,239 |

(b) Reconciliation of movement in net funds

| | 1 July 2005 £'000 | Cash flow £'000 | 30 June 2006 £'000 |
|--|-------------------------|--------------------|--------------------------|
| Cash at bank and in hand | 8,414 | 3,434 | 11,848 |
| Finance leases and purchase contracts: | | | |
| Liquid resources | 70 | — | 70 |
| | 8,484 | 3,434 | 11,918 |

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

| | 2006 £'000 | 2005 £'000 |
|----------------------------------|---------------|---------------|
| (Decrease)/increase in net cash | 3,434 | 860 |
| Net funds at 1 July 2005 | 8,484 | 7,624 |
| Net funds at 30 June 2006 | 11,918 | 8,484 |

22 Capital commitments

Commitments for future capital expenditure at 30 June 2006 were as follows:

| | Group | | Company | |
|-------------------------------|---------------|---------------|---------------|---------------|
| | 2006 £'000 | 2005 £'000 | 2006 £'000 | 2005 £'000 |
| Authorised and contracted for | 190 | 59 | 130 | 37 |

23 Operating leases

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

| | Group | | Company | |
|----------------------|---------------|---------------|---------------|---------------|
| | 2006 £'000 | 2005 £'000 | 2006 £'000 | 2005 £'000 |
| Less than two years | 8 | — | — | — |
| In two to five years | 163 | 173 | — | — |
| Over five years | — | — | — | — |
| | 171 | 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 Group to the Scheme during the year ended 30 June 2006 amounted to £2,184,000 (2005: £1,132,000) which included a lump sum payment of £1,450,000, (2005: £500,000). Contributions are determined by an independent qualified actuary on the basis of triennial valuations using the Projected Unit Method.

The date of the most recent actuarial valuation was 1 July 2006 and is in progress. The last full valuation was at 1 July 2004 and this has been updated by an independent qualified actuary. The value of the fund at 30 June 2006 was £13,716,000 and this was sufficient to cover 88% 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 | 3.10% |
| Salary increases | 4.97% |
| Discount rate | 5.30% |
| Revaluation for deferred pensioners | 3.10% |
| Pension increases in payment of 5% pa or RPI if less | 3.00% |
| Pension increases in payment of 2.5% pa or RPI if less | 2.20% |

The figures at 1 July 2005 have been updated in order to assess the additional disclosures required under FRS 17 as at 30 June 2006 by an independent qualified actuary using the following major assumptions:

| | 30 June 2006 | 30 June 2005 | 30 June 2004 |
|--|-----------------|-----------------|-----------------|
| Price inflation | 3.10% | 2.70% | 3.00% |
| Salary increases | 4.97% | 4.57% | 4.78% |
| Discount rate | 5.30% | 5.00% | 5.70% |
| Revaluation for deferred pensioners | 3.10% | 2.70% | 3.00% |
| Pension increases in payment of 5% pa or RPI if less | 3.00% | 2.70% | 2.80% |
| Pension increases in payment of 2.5% pa or RPI if less | 2.20% | 2.00% | n/a |

Notes to the Accounts
for the year ended 30 June 2006

24 Pension scheme (continued)

On this basis, the illustrative balance sheet figures required under FRS 17 are as follows:

| | 30 June 2006 | | 30 June 2005 | | 30 June 2004 | |
|-------------------------------------|-----------------------------------|-------------|-----------------------------------|-------------|-----------------------------------|-------------|
| | 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 | 7.80% | 7,976 | 7.25% | 6,451 | 8.00% | 5,290 |
| Bonds | 5.00% | 3,921 | 4.60% | 1,917 | 5.00% | 1,553 |
| Property | 7.50% | 9 | 7.00% | 5 | 7.50% | 2 |
| Other | 4.25% | 1,810 | 4.50% | 1,770 | 4.50% | 941 |
| Total market value of assets | | 13,716 | | 10,143 | | 7,786 |
| Present value of scheme liabilities | | (15,615) | | (14,852) | | (11,057) |
| Deficit in the scheme | | (1,899) | | (4,709) | | (3,271) |
| Related tax asset | | 570 | | 1,413 | | 981 |
| Net pension deficit | | (1,329) | | (3,296) | | (2,290) |

Movement in deficit during the year

| | 30 June 2006 £'000 | 30 June 2005 £'000 |
|--|-----------------------|-----------------------|
| Deficit in scheme at beginning of the year | (4,709) | (3,271) |
| Current service cost | (556) | (517) |
| Contributions | 2,184 | 1,132 |
| Past service costs | (178) | — |
| Other finance income | (54) | (62) |
| Actuarial gain/(loss) on pension scheme | 1,414 | (1,991) |
| Deficit in scheme at end of year | (1,899) | (4,709) |
| Related tax asset | 570 | 1,413 |
| Net pension deficit | (1,329) | (3,296) |

Analysis of amount charged to operating profit

| | 30 June 2006 £'000 | 30 June 2005 £'000 |
|----------------------|-----------------------|-----------------------|
| Current service cost | 556 | 517 |
| Past service cost | 178 | — |
| | 734 | 517 |

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 credited to other financial income

| | 30 June 2006 £'000 | 30 June 2005 £'000 |
|--|-----------------------|-----------------------|
| Expected return on pension scheme assets | 704 | 582 |
| Interest on pension scheme liabilities | (758) | (644) |
| Net return | (54) | (62) |

24 Pension scheme (continued)

Analysis of amount recognised in the Statement of Total Recognised Gains and Losses

| | 30 June 2006 £'000 | 30 June 2005 £'000 |
|---|--------------------------|--------------------------|
| Actual return less expected return on pension scheme assets | 661 | 680 |
| Experience losses arising on the scheme liabilities | (164) | (1,070) |
| Changes in assumptions underlying the present value on the scheme liabilities | 917 | (1,601) |
| Actuarial gain/(loss) recognised in the STRGL | 1,414 | (1,991) |

History of experience gains and losses recognised in the Statement of Recognised Gains and Losses (STRGL)

| | 30 June 2006 | | 30 June 2005 | | 30 June 2004 | | 30 June 2003 | |
|---|--------------|----|--------------|-----|--------------|----|--------------|-----|
| | £'000 | % | £'000 | % | £'000 | % | £'000 | % |
| Difference between the expected and actual return on scheme assets | 661 | | 680 | | 65 | | (408) | |
| Percentage of scheme assets | | 5% | | 7% | | 1% | | 7% |
| Experience gain/(loss) on scheme liabilities | (164) | | (1,070) | | 495 | | — | |
| Percentage of the present value of scheme liabilities | | 1% | | 7% | | 4% | | — |
| Changes in assumptions underlying the present value of the scheme liabilities | 917 | | (1,601) | | (238) | | (1,018) | |
| Percentage of the present value of scheme liabilities | | 6% | | 11% | | 2% | | 10% |
| Amount which has been recognised in STRGL | 1,414 | | (1,991) | | 322 | | (1,426) | |
| Percentage of the present value of the scheme liabilities | | 9% | | 13% | | 3% | | 14% |

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, except for Axis Lighting Limited.

The principal activities of these subsidiaries are:

| | |
|------------------------------|--|
| Mackwell Electronics Limited | — design and manufacture of lighting components |
| Compact Lighting Limited | — design and manufacture of lighting solutions for retail applications |
| 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

| | Note | Group | | Company | |
|---|------|--|--|--|--|
| | | Year ended 30 June 2006 £'000 | Year ended 30 June 2005 (restated) £'000 | Year ended 30 June 2006 £'000 | Year ended 30 June 2005 (restated) £'000 |
| At 1 July 2005 (as previously reported) | | 27,999 | | 25,619 | |
| Prior year adjustment | | | | | |
| FRS 21 Dividends proposed | | 888 | | 274 | |
| FRS 17 Pension scheme deficit | | (3,296) | | (3,296) | |
| Reversal of SSAP 24 pension scheme prepayment | | (677) | | (677) | |
| Reversal of related deferred tax asset | | 202 | | 202 | |
| At 1 July 2005 as restated | | 25,116 | | 22,122 | |
| Profit after taxation | | 5,196 | 4,237 | 4,414 | 3,656 |
| Net actuarial gain/(loss) on pension scheme | | 990 | (1,394) | 990 | (1,394) |
| Dividends | | (1,247) | (1,054) | (1,247) | (1,054) |
| Net increase in equity shareholders' funds | | 4,939 | 1,789 | 4,157 | 1,208 |
| Issue of shares | | 45 | 79 | 45 | 79 |
| Opening equity shareholders' funds | 1 | 25,116 | 23,248 | 22,122 | 20,835 |
| Closing equity shareholders' funds | | 30,100 | 25,116 | 26,324 | 22,122 |

27 Related party transactions and balances

The Company has taken advantage of the exemption allowed by FRS 8 not to disclose transactions and balances with related Company undertakings, 90% or more of whose voting rights are controlled within the Group.

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 2006, 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 FRS 13 to exclude short-term debtors and creditors.

Financial assets

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

Financial liabilities

The Group does not use finance leases to manage risk.

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 (2005: £nil). The related average data has not been produced because there were no contracts in place at the time.

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 seventieth Annual General Meeting of F W Thorpe Plc will be held at Merse Road, North Moons Moat, Redditch, Worcestershire, B98 9HH on 9 November 2006 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 2006.
2. To declare a dividend.
3. To re-elect M Allcock as a Director.
4. To re-elect D A Dimeloe as a Director.
5. To re-elect D M Lippold as a Director.
6. To reappoint 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 7 and 8 as ordinary resolutions and in the case of 9 and 10 as special resolutions.

7. That the Directors' remuneration report (as set out on pages 10 to 14 of the Annual Report and Accounts) for the year ended 30 June 2006 be approved.
8. 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 2007 and that for such period the Section 80 Amount (as defined in said Article 15) shall be £310,242.
9. 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 2007 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 £59,488.
10. 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 1,189,758;
 - 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 2007; and
 - 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 (*continued*)

Notes

1. 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 member's behalf. A form of proxy accompanies this notice.
2. 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

10 October 2006

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 9 November 2006 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 M Allcock as a Director | | |
| 4 To re-elect D A Dimeloe as a Director | | |
| 5 To re-elect D M Lippold as a Director | | |
| 6 To reappoint PricewaterhouseCoopers LLP as Auditors of the Company | | |
| SPECIAL BUSINESS | | |
| 7 To approve the Directors' remuneration report | | |
| 8 To give the Directors authority to allot relevant securities (Section 80 C.A. 1985) | | |
| 9 To give the Directors authority to allot equity securities (Section 94 C.A. 1985) | | |
| 10 To give the Company authority to make market purchases of its ordinary shares | | |

Dated this day of2006 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
Licence No. SEA 10846

1



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

First fold

Third fold
and tuck in flap opposite

Financial Calendar

2006

| | |
|-------------|--|
| 16 October | Posting of Report and Accounts |
| 9 November | Annual General Meeting |
| 16 November | Payment of final and special dividends |

2007

| | |
|-----------|--------------------------------------|
| March | Announcement of Interim results |
| May | Payment of Interim dividend |
| September | Announcement of results for the year |

industrial commercial architectural emergency low energy retail heritage control gear energy conserving systems

FW THORPE PLC

Merse Road
North Moons Moat
Redditch
Worcestershire
B98 9HH
England

Incorporating
Thorlux Lighting
Compact Lighting
Sugg Lighting
Mackwell Electronics
Philip Payne

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