FW Thorpe Plc

passionate about lighting

Report and Accounts 2008

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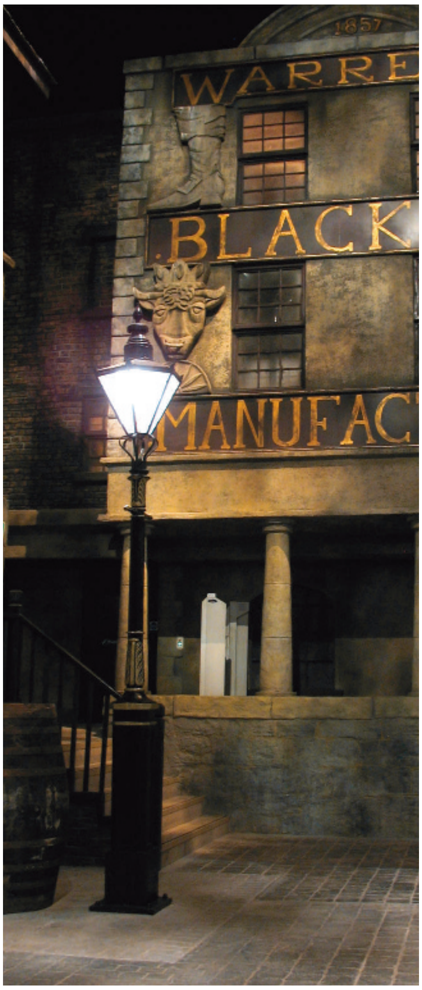


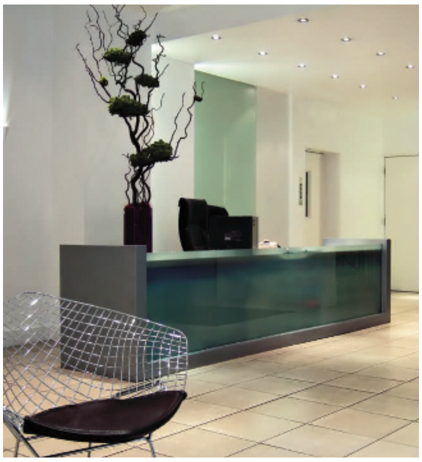
designers, manufacturers and suppliers...

"We focus on long term growth and stability, achieved by developing market leading products, backed by excellent customer service."

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 work autonomously, our skills and markets are complementary. We focus on long term growth and stability, achieved by developing market leading products, backed by excellent customer service.

With a management team passionate about growing 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.



...of professional lighting systems

Directors and advisers

Directors
A B Thorpe
Chairman and Joint Chief Executive

P D Mason BSc(Eng) FCA MIET
Financial Director and Joint Chief Executive

M Allcock CEng FIET
Technical Director and
Managing Director of Thorlux Lighting

D A Dimeloe BSc PhD
Managing Director of Mackwell Electronics

A M Cooper BTech CEng MIET
Manufacturing Director of Thorlux Lighting

D Taylor
Managing Director of Philip Payne

N A Brangwin
Sales Director of Mackwell Electronics

C M Brangwin BSc CEng MIET (aged 70)
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 62)
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 MIET

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

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

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

Nominated Adviser
Brewin Dolphin Securities,
34 Lisbon Street, Leeds, LS1 4LX

Registrars
Equiniti, Aspect House, Spencer Road,
Lancing, 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

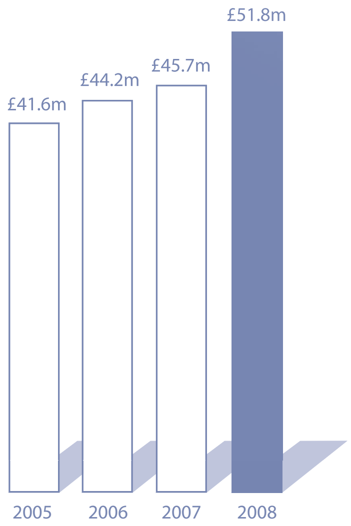
Five year financial record

	2004 £'000	2005 £'000	2006 £'000	2007 £'000	**2008** **£'000**
Revenue	37,258	41,572	44,204	45,694	**51,780**
Operating profit	5,020	5,338	6,877	8,361	**10,507**
Net finance income	342	378	543	847	**1,213**
Profit before tax expense	5,362	5,716	7,420	9,208	**11,720**
Tax expense	(1,479)	(1,479)	(2,224)	(2,170)	**(2,989)**
Profit for the year	3,883	4,237	5,196	7,038	**8,731**
Dividends	1,014	1,054	1,247	2,885	**1,655**
Net assets	24,746	25,116	30,100	35,795	**41,665**
Earnings per share — basic	33.1p	35.8p	43.8p	59.2p	**73.3p**
Dividends per share	8.6p	8.9p	10.5p	24.25p	**13.90p**
Net assets per share	210p	212p	253p	301p	**350p**

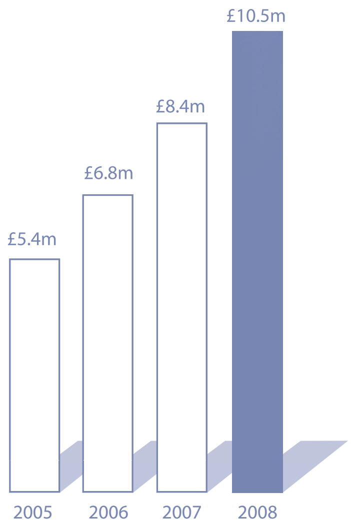
Restatement of results has not been made for years prior to 2007 following the adoption of International Reporting Standards (IFRS).

Financial highlights

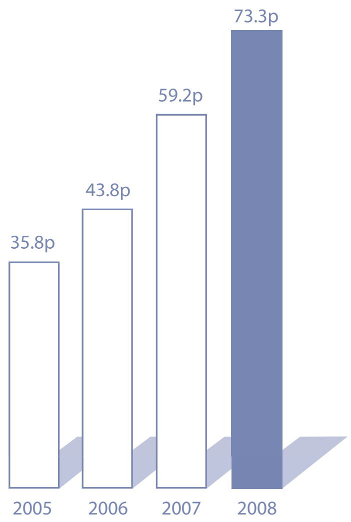
Revenue



Operating profit



Earnings per share



Chairman's statement

Revenue for the financial year ending 30 June 2008 was a milestone at £51.8m, this being 13% above that for the year to 30 June 2007. The operating profit was also a milestone at £10.5m, 26% above last year's equivalent figure of £8.4m. A 51% higher finance income achieved through higher cash reserves including short term deposits, and increased interest rates has given a resulting profit before taxation of £11.7m, up 28% from last year.

Business throughout the year has been reasonably buoyant for all group companies save for Compact Lighting Ltd which, as mentioned at the half year, has been suffering from the reduced activity of some of its retail sales customers. The group's performance has, however, been pleasing and despite the dark cloud of sub prime mortgages having been passing over head, your group seems to have drawn sun and energy from that famous "crack in the clouds".

Energy, or at least the saving of it, is a very important ideal embedded in the company product portfolio and this augers well for us in these times of generally increasing energy costs. Even Sugg Lighting, small as it is, has developed a new battery powered ignition system to save gas by replacing the unreliable clockwork switching systems on Royal Palace gas lanterns.

Export continues to improve with the two main group exporters, Thorlux, and Mackwell Electronics, having increased export turnover by 15% and 29% respectively in the year.

Investment during the year has been modest with no major spends, however two significant investments are imminent. The first of these two investments will be a small group owned facility for Sugg Lighting Ltd which is currently in rented premises with a lease due to expire next year. The second investment currently in process is the purchase of some 200 acres of land suitable for tree planting. This second investment, your Directors believe will offer a significant carbon offset "green" marketing opportunity for the group, details of which will become apparent at a later date.

Succession planning has also been a major point of discussion during the year and it was with great pleasure that in May 2008 we welcomed Mr Tony Cooper, Mr Nick Brangwin, and Mr David Taylor to the Board. Tony is Manufacturing Director of Thorlux Lighting, Nick is Sales Director of Mackwell Electronics, and David is Managing Director of Philip Payne Ltd. We wish them every success in their expanded new roles.

Group results detailed at the beginning of the report allows your Board to recommend a dividend of 12.1p per share (2007: 10.0p) which together with the interim dividend already paid makes a total dividend per share of 16.0p (2007: 13.25p) — for interim and final dividend. This is an increase of 21% on the total dividend for the year to 30 June 2007.

Thorlux Lighting

Thorlux Lighting, the group's largest company producing professional lighting solutions to the commercial and industrial lighting markets produced a further record turnover and operating profit up 16% and 30% respectively.

Home sales and export sales advanced by 16% and 15% respectively. Home sales have no doubt benefited from the introduction at the end of the last financial year of the Scanlight AT innovative LED "interrogate from anywhere" emergency lighting system, and from a new "European" style range of suspended, individual or continuously mounted fluorescent luminaires. Both new ranges have progressed well during their first year making significant contributions.

On the export side the German office in Munich has maintained its three personnel and one can say the road to recognition of Thorlux Lighting in Germany still continues. Thorlux did not meet its own KPI here but nevertheless sales increased by 13% over last year. Republic of Ireland sales increased by 33%, enough to persuade the company to double its staff on the territory by the employment of a further Sales Engineer. The advance in 'another European country' as mentioned in last years report has still not happened although further discussions have recently been taking place to try and further this aim.

The year has, sadly, seen the retirement of Sales Director Mr Norman Hobbs. Norman who was originally apprenticed to the old TI Group, spent time as a Sales Engineer with Simplex Lighting Ltd before joining Thorlux in 1976. Serving in a number of roles at Thorlux, Norman became Sales Director in 1991. The Board would, therefore, like to take this opportunity to express its thanks and gratitude to Norman for his sterling performance and friendship, and to wish him a very happy retirement. It is with great pleasure that we now, also, would like to welcome Mr Ged Ryan to the company as Thorlux Sales Director and it is felt sure that Ged, who has numbers of years of lighting sales management experience behind him, will successfully take up the cudgels.

Mackwell

Group emergency lighting control gear and systems manufacturer, Mackwell Electronics Ltd also turned in record performances for the year in question raising turnover by 19% and profit by 30% in comparison with the last financial year. Mackwell is now stretching its current premises at the seams, however some artful re-working of space and equipment use have allowed this further growth. Consideration needs to be given in the coming year to address the company's requirements to enable forward growth. The market for its traditional emergency lighting control gear is holding up well especially on the export front although the swing to LED emergency systems is gaining pace on the home market. Mackwell has placed itself well to cater for this change with LED based products and systems being some 13.4% of turnover this year compared to 5.6% of turnover in the last corresponding period. Mackwell has also proved itself to be the "greenest" company in the group by being the first group member to gain ISO 14001 International Standards Organisation accreditation for "Environmental Management Systems".

Compact Lighting

Compact, regrettably, did not make record sales or profits in this financial year and being in the business of lighting retail space it has suffered from a pull-back in refurbishment activity by a number of its customers. Whilst retail is a fair sized market, it is one in which many players can suffer ills at the same time and so it has been decided that action should be taken to broaden Compact's market coverage to include "display" by introducing more highly tooled products to their range. This would reflect more the range of high design content and tooled products elsewhere in the group.

It was reported last year of the imminent departure of Compact Lighting's Managing Director, David Lippold, in October 2007 and we expressed our thanks for his work at Compact. We must now thank Mr Barrie Compton for stepping into David's shoes at short notice whilst we appraise the position. Barrie, who is near retirement age, has prior Directorial experience and has been proving himself as an exceptionally capable safe pair of hands.

Philip Payne

Philip Payne Ltd, being the group's specialist exit sign maker, has enjoyed a more stable year than last being now well embedded into its new premises. Both turnover and operating profit were record figures up 15% and 10%, respectively, creditable results based mainly on traditional business, and despite the increased overheads of its new premises and the increase in salesmen from one to two last year. A new range of highly tooled exit signs looks to be in line for branding by a larger peer of Payne's outside the group, as well as it being offered in the company's own product range. This business would be incremental to Payne's normal business but of course higher volumes to one customer means lower margins. To give a flavour of some of the company's specialist work, Payne's have, this year, supplied exit equipment to the Royal Albert Hall, BMA House (Charles Dickens's home), The British Museum, Gleneagles Hotel, and Wimbledon.

Sugg Lighting

Sugg Lighting Ltd, our now not so troubled maker of heritage lighting, has been operating profitably throughout the year on a management accounts basis, based on the inclusion of only the amount of space actually used by the company within their currently over-sized premises. The lease has previously been impaired, and therefore no cost will impact the income statement up until the expiry of the lease in Spring 2009. Efforts are currently afoot to relocate Sugg into a group owned premises of suitable size. This year has seen more success for Sugg than just returning to profitability in the gaining of a royal warrant "By Appointment to Her Majesty the Queen, Heritage Lighting Manufacturer and Refurbishment Specialist." Examples of Sugg expertise can be seen in the lanterns at the entrances to the newly refurbished St Pancras Station.

People

No redundancies this year, I am pleased to say and our work force has been kept fully busy. Time passes quickly when one is busy and it hardly seems a moment since I thanked our work force last year. It is that time again, however, so may I personally, thank all those in FW Thorpe Plc for their continued efforts and diligence throughout this successful financial year. Let us hope that in these uncertain times our expertise can keep us all busy during the next one.

Future

Our market is a mixed market in which we target the private sector, the public sector, home and export. There are pluses and minuses against each sector currently and so it is difficult to predict the coming year. Large torpedoes such as Northern Rock, Lehman Brothers, Bear Stearns, Fanny Mae, and Freddie Mac seem to keep hitting the world economic scene, however due to our market spread it is unlikely that all our target market sectors would suffer at the same time. To gain continued and increasing business from these target market sectors we must continue to try and sell our wares better in a wider market profile and continue to bring in new good lighting products to access areas of the market not yet fully addressed by our current portfolio of products.

Andrew Thorpe

A B Thorpe
Chairman

23 September 2008

Report of the directors

The Directors have pleasure in submitting their annual report and the audited consolidated financial statements of the group and the company for the year ended 30 June 2008.

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 and future developments 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.

The group offers credit terms to the majority of its customers and this activity carries financial risks of default and slow payment. 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. The group primarily trades in sterling. There is a small exposure to foreign currency as the group buys and sells in foreign currencies and maintains currency bank accounts in US Dollars and Euros. The activities of buying and selling in foreign currency are broadly matched with currencies bought and sold as required in order to minimise currency exposures. Larger exposures would be hedged in order to reduce the risk of adverse exchange rate movement.

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

The Directors consider the main financial KPI's to be these disclosed within page 3 'Five year financial record'. The two most important KPI's to the business are turnover and gross profit.

The Directors monitor non-financial areas of the business relating to energy saving and environmental responsibility, market and product development, customer service and product support on a regular basis. Objectives are set for each company within the group incorporating financial and non financial targets and these are monitored regularly at local and group board level. During the year the majority of objectives were achieved or substantially achieved.

Results and dividends

The results for the year are set out in detail on page 15.

On 13 May 2008 the company paid an interim dividend of 3.9 per share (2007: 3.25p) amounting to £465,000 (2007: £391,000). A final dividend of 12.1p (2007: 10p) per ordinary share is proposed amounting to £1,442,000 (2007: £1,190,000) and, if approved, will be paid on 20 November 2008. Total dividends paid during the year amounted to £1,655,000 (2007: £2,885,000).

Directors

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

A M Cooper, D Taylor and N A Brangwin were appointed to the Board on 8 May 2008. In accordance with the Articles of Association they will retire from office at the Annual General Meeting, but offer themselves for election at that meeting.

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

D M Lippold resigned on 4 October 2007.

Directors' share interests

The details of the Directors' share interests are set out in the Directors' Remuneration Report on pages 9 to 12.

Substantial shareholdings

At 16 October 2008 the company had received notification of the following interests in 3% 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	657,696 shares	(5.5 per cent)
Discretionary Unit Fund	380,000 shares	(3.2 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.

Property, plant and equipment

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 £4,125 (2007: £3,641) for charitable purposes. This is made up of donations for healthcare of £739, children's welfare of £700, emergency aid of £600, educational schemes of £1,780, support for the homeless of £56 and local causes of £250.

Creditor payment policy

The group's policy concerning the payment of its trade creditors is to accept and follow the normal terms of payment amongst suppliers to the lighting industry. Payments are made when they fall due which is usually on the day after the end of the calendar month following the month in which delivery of goods or services is made. Where reasonable settlement discount terms are offered for early payment, these terms are usually taken up. The number of days represented by the company's and the group's year end trade creditors is 42 and 45 respectively (2007: 46 and 48).

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.

Statement on the provision of information to auditors

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. The above is in accordance with the provisions of section 234A of the Companies Act 1985.

Auditors

The auditors, PricewaterhouseCoopers LLP, have expressed their willingness to continue in office and a resolution for their reappointment will be proposed at the next 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 10 and special resolution number 11 would give the Directors the authority to allot ordinary shares up to an aggregate nominal amount of £310,644, and would further empower them to allot ordinary shares for cash up to a maximum of £59,468 (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 1985 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 12 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 Alternative Investment Market 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 1,189,356 ordinary shares representing 10% of the company's issued ordinary share capital at 16 October 2008 and a nominal value of £118,936.

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 Alternative Investment Market on the five business days immediately preceding the date of each purchase. The company may either cancel any shares which it purchases under this authority or transfer them into treasury (and subsequently sell or transfer them out of treasury or cancel them). 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 2009. 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.
- There are no independent Board members.

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

Board constitution

The company continues to be proprietorial in nature and the Directors act as a unitary Board and as a consequence are unable to see the benefits of splitting the Board into sub-committees and in particular of constituting audit and nomination committees, as recommended by the Code, as matters that would normally be considered by an audit or nomination committee are addressed by the full Board with the non-executive Directors present and the auditors attending as appropriate.

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

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

I A Thorpe
Non-executive Director

Terms and conditions for the operation of this committee are in place and it meets as and when required. The committee's report is presented on pages 9 to 12.

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 has adopted International Financial Reporting Standards for the financial year ending 30 June 2008. The results for 2007 have been restated following the adoption.

Going concern

The Directors confirm that they are satisfied that the group and company have 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
16 October 2008

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

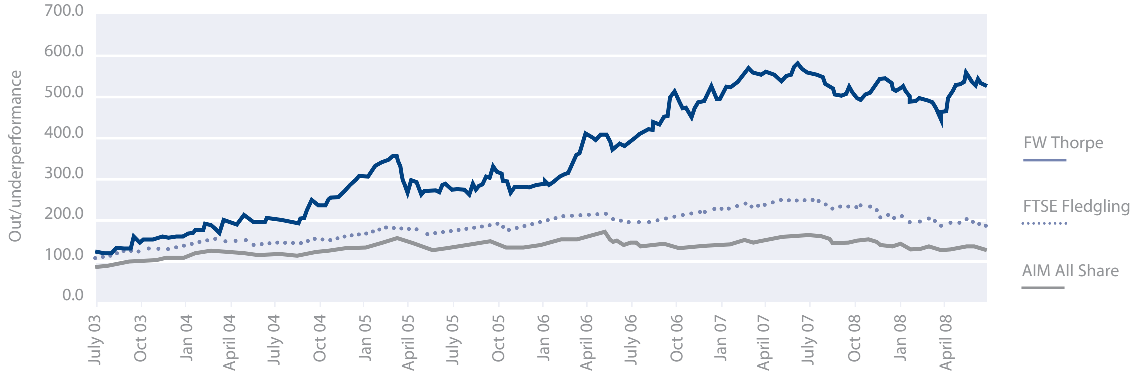
The Board as whole determines the remuneration of the non-executive Directors. The Board takes into account the contribution made and the relative time spent on the company’s affairs. The non-executive Directors do not receive bonuses or participate in the executive share option scheme. Their benefits in kind consist of the provision of heath 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, M Allcock, A M Cooper, D Taylor and N A Brangwin have service contracts terminable on one year’s notice. P D Mason and A B Thorpe have service contracts which are terminable on two years’ notice. 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.



Directors' pension arrangements

A B Thorpe and P D Mason participated in the defined benefit section of the FW Thorpe Retirement Benefits Scheme until April 2006, and are now deferred members. M Allcock, D A Dimeloe, A M Cooper, N A Brangwin and D Taylor are members of the defined contribution section of the scheme. M Allcock and D Taylor have a final salary guarantee as they were previously members of the defined benefit section.

C M Brangwin and I A Thorpe are retired members of the defined benefit section.

The FW 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 and D Taylor'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 2008 £pa	Director's contributions during the year £	Change in value of accrued pension since 30 June 2007 £pa
A B Thorpe	58	60	121,641	—	16,607
P D Mason	59	60	105,615	—	14,229
M Allcock	40	65	30,364	6,453	5,228
D Taylor	46	65	24,748	3,623	3,529

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.

	2008 **£**	2007 £
D A Dimeloe	**13,502**	13,109
D M Lippold – resigned 4 October 2007	**2,562**	7,462
N A Brangwin	**2,020**	n/a
A M Cooper	**3,534**	n/a

Directors' shareholdings

The Directors listed below were in office during the year. Directors' interests in the share capital of the company at 30 June 2008 and 1 July 2007 were as follows:

	Ordinary shares of 10p Beneficial	
	2008	2007
A B Thorpe	**2,788,843**	2,786,899
P D Mason	**172,337**	172,337
M Allcock	**11,400**	15,200
D A Dimeloe	**26,341**	21,800
D M Lippold – resigned 4 October 2007	**—**	14,141
C M Brangwin	**773,155**	773,155
I A Thorpe	**2,504,712**	2,504,712
N A Brangwin – appointed 8 May 2008	**103,783**	—
A M Cooper – appointed 8 May 2008	**8,400**	—
D Taylor – appointed 8 May 2008	**5,022**	—

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

Directors' share options

Details of the share options at 30 June 2008 are as follows:

	30 June 2007	Exercised during year	Lapsed during year	**At 30 June 2008**	Option price	Date Exercisable from
A B Thorpe	30,000	—	—	**30,000**	117p	7 May 2002
D A Dimeloe	7,500	7,500	—	**—**	117p	7 May 2002
D M Lippold	4,359	4,359	—	**—**	117p	7 May 2002

Mr D M Lippold resigned on 4 October 2007.

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	4 October 2007	7,500	117p	£5.60	33,225
D M Lippold	23 October 2007	4,359	117p	£5.66	19,583

The market price of the company’s shares at the beginning and end of the financial year was 627.5p and 575p respectively and the range of market prices during the year was from 482.5p to 627.5p.

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 2008 to 15 October 2008.

Approved by the Board and signed on its behalf by:

P D Mason
Company Secretary
16 October 2008

Statement of directors' responsibilities in respect of the Annual Report and the financial statements

FW THORPE PLC

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the group and parent company the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial statements are required by law to give a true and fair view of the state of affairs of the company and group and of the profit or loss of the company and group for that period.

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state that the financial statements comply with IFRSs as adopted by the European Union;
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the group will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

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 financial statements 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 are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board

P D Mason
Company Secretary
16 October 2008

Independent auditors' report to the members of FW Thorpe Plc

We have audited the group and parent company financial statements (the ''financial statements'') of FW Thorpe Plc for the year ended 30 June 2008 which comprise the consolidated income statement, the consolidated statement of recognised income and expense, the consolidated and company balance sheets, the consolidated and company cash flow statements 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union 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 have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we 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. The other information comprises only the Directors' Report, the Chairman's Statement and all of the other information listed on the contents page. 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.

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 judgments 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 group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 30 June 2008 and of the group's profit and cash flows for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 30 June 2008 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

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Birmingham
16 October 2008

Consolidated income statement

for the year ended 30 June 2008

	Note	2008 £'000	2007 £'000
Revenue	2	**51,780**	45,694
Cost of sales		**(29,247)**	(26,567)
Gross profit		**22,533**	19,127
Distribution costs		**(3,644)**	(3,006)
Administrative expenses		**(8,382)**	(7,760)
Operating profit	3	**10,507**	8,361
Finance income	6	**1,213**	847
Finance costs		**—**	—
Net finance income		**1,213**	847
Profit before tax expense		**11,720**	9,208
Tax expense	7	**(2,989)**	(2,170)
Profit for the year	25	**8,731**	7,038

Earnings per share for profit attributable to the equity holders of the company during the year (expressed in pence per share)

	Note	2008 Pence	2007 Pence
Basic and diluted			
— Basic	23	**73.3**	59.2
— Diluted	23	**73.2**	59.0

The notes on pages 18 to 44 are an integral part of these consolidated financial statements and parent company financial statements.

The company has elected to take the exemption under section 230 of the Companies Act 1985 to not present the parent company income statement.

The profit for the parent company for the year was £7,760,000 (2007: £6,091,000).

Consolidated statement of recognised income and expense

for the year ended 30 June 2008

	Note	2008 £'000	2007 £'000
Profit for the year:	25	**8,731**	7,038
Actuarial (loss)/gain on pension scheme	29	**(1,624)**	446
Movement on associated deferred tax liability relating to the pension scheme	22	**455**	(134)
Revaluation of available for sale assets		**(55)**	5
Impact of change in UK tax rate of deferred tax		**—**	(68)
Net income recognised directly in equity		**(1,224)**	249
Total recognised gains and losses relating to the year		**7,507**	7,287

The above movements are recognised in the parent company statement of recognised income and expense in both 2008 and 2007.

Consolidated and company balance sheets

as at 30 June 2008

		Group		Company	
	Notes	**2008 £'000**	2007 £'000	**2008 £'000**	2007 £'000
Assets					
Non-current assets					
Intangible assets	9	**2,285**	2,128	**1,186**	1,046
Investment in subsidiaries	30	**—**	—	**602**	602
Investment property	13	**184**	184	**184**	184
Property, plant and equipment	10	**9,612**	9,949	**8,505**	8,803
Available-for-sale financial assets	14	**115**	103	**115**	103
Deferred tax assets	22	**276**	—	**219**	—
Retirement benefit surplus	29	**—**	881	**—**	881
		12,472	13,245	**10,811**	11,619
Current assets					
Inventories	17	**8,646**	8,491	**5,771**	5,785
Trade and other receivables	18	**10,559**	9,499	**9,180**	8,428
Other financial assets at fair value through profit or loss	19	**377**	359	**377**	359
Short-term financial assets — deposits	15	**13,332**	8,865	**13,332**	8,865
Cash and cash equivalents	16	**6,710**	3,716	**6,802**	3,940
		39,624	30,930	**35,462**	27,377
Total assets		**52,096**	44,175	**46,273**	38,996
Liabilities					
Current liabilities					
Trade and other payables	20	**(7,381)**	(6,370)	**(8,748)**	(7,256)
Current tax liabilities		**(1,916)**	(825)	**(1,486)**	(540)
		(9,297)	(7,195)	**(10,234)**	(7,796)
Net current assets		**30,327**	23,735	**25,228**	19,581
Non-current liabilities					
Retirement benefit deficit	29	**(281)**	—	**(281)**	—
Provisions for liabilities and charges	21	**(213)**	(242)	**(102)**	(102)
Deferred tax liabilities	22	**(640)**	(943)	**(348)**	(689)
Total liabilities		**(10,431)**	(8,380)	**(10,965)**	(8,587)
Net assets		**41,665**	35,795	**35,308**	30,409
Capital and reserves attributable to equity holders of the company					
Called up share capital	24	**1,191**	1,190	**1,191**	1,190
Share premium account	26	**624**	607	**624**	607
Capital redemption reserve	26	**135**	135	**135**	135
Retained earnings	25	**39,715**	33,863	**33,358**	28,477
Total equity		**41,665**	35,795	**35,308**	30,409

The notes on pages 18 to 44 form part of these financial statements.

The financial statements on pages 15 to 44 were approved by the Board on 16 October 2008 and signed on its behalf by

A B Thorpe
P D Mason
} Directors

Consolidated and company cash flow statements

for the year ended 30 June 2008

		Group		Company	
		2008	2007	**2008**	2007
	Notes	**£'000**	£'000	**£'000**	£'000
Cash flows from operating activities					
Cash generated from operations	27	**12,040**	7,215	**9,485**	5,266
Tax paid		**(2,022)**	(2,075)	**(1,535)**	(1,808)
Net cash generated from operating activities		**10,018**	5,140	**7,950**	3,458
Purchases of property, plant and equipment		**(749)**	(1,164)	**(323)**	(684)
Proceeds of sale of property, plant and equipment		**75**	88	**51**	42
Purchase of intangibles — development costs and software		**(983)**	(1,038)	**(524)**	(561)
Purchase of available for sale financial assets		**(67)**	—	**(67)**	—
Property rental and similar income		**55**	61	**282**	280
Dividend income		**7**	6	**813**	661
Net purchase of deposits		**(4,467)**	(3,189)	**(4,467)**	(3,189)
Interest received		**858**	618	**784**	627
Net cash outflow from investing activities		**(5,271)**	(4,618)	**(3,451)**	(2,824)
Proceeds from the issuance of ordinary shares		**18**	23	**18**	23
Dividends paid to the company's shareholders		**(1,655)**	(2,885)	**(1,655)**	(2,885)
Lease payments		**(116)**	(116)	**—**	—
Net cash outflow from financing activities		**(1,753)**	(2,978)	**(1,637)**	(2,862)
Net increase in cash in the year		**2,994**	(2,456)	**2,862**	(2,228)
Cash and cash equivalents at beginning of year		**3,716**	6,172	**3,940**	6,168
Cash and cash equivalents at end of year		**6,710**	3,716	**6,802**	3,940

1 Accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements and parent company financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

Basis of preparation

The consolidated financial statements of FW Thorpe plc have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), IFRIC interpretations and the Companies Act 1985 applicable to Companies reporting under IFRS. The consolidated financial statements have been prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and financial liabilities (including derivative instruments) at fair value through the profit and loss.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) for the first time. The disclosures required by IFRS 1 concerning the transition from UK GAAP to IFRS are given in note 32. The transition date commenced on 1 July 2006, as the closing balance sheet date from this year impacts on the opening reserves.

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the company's and group's accounting periods beginning on or after 1 January 2008 or later periods, but the group have not early adopted them:

- IAS 23 (Amendment), 'Borrowing costs' (effective for periods commencing 1 January 2009).
- IFRS 8, 'Operating segments ' (effective for periods commencing 1 January 2009). The impact of this standard may be to split the business operating segments into more detail based on the current financial reporting structure.
- IFRIC 14, 'IAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction' (effective for periods commencing 1 January 2008).

The following interpretations to existing standards have been published and are mandatory for the group and company's accounting periods beginning on or after 1 January 2008 or later periods but are not relevant for the group's operations:

- IFRIC 12, 'Service concession arrangements' (effective for periods commencing 1 January 2008).
- IFRIC 13, 'Customer loyalty programmes' (effective for periods commencing 1 July 2008).

Detailed IFRS transition reconciliation information for the comparative income statements and balance sheets is covered by note 32.

In preparing this financial information, the Directors have applied accounting standards as adopted for use in the EU under the first-time adoption provisions set out in IFRS 1. First time adoption of International Reporting Financial Standards.

However, certain of the requirements and options in IFRS 1 relating to comparative financial information presented on first time adoption may result in a different application of accounting policies in the 2007 restated financial information to that which would apply if the 2007 financial statements were the first financial statements of the company or group prepared in accordance with accounting standards as adopted for use in the EU.

The company and group has adopted all IAS and IFRS adopted in the EU except for IAS 34, as AIM-listed companies are not required to adopt IAS 34. The company and group has not early adopted any other standards or interpretations not yet endorsed by the EU.

The preparation of financial information in conformity with the basis of preparation described above requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's and group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial information are disclosed in the Critical Accounting Estimates and Judgements section.

IFRS 1 exemptions

IFRS 1, First-Time Adoption of International Financial Reporting Standards, has been applied in preparing this financial information. IFRS 1 sets out the procedures that the company and group must follow when it adopts IFRS for the first time. The company and group are required, as discussed above, to establish its IFRS accounting policies for the year to 30 June 2008 and, in general, apply these policies retrospectively to determine the IFRS opening balance sheet at its date of transition, 1 July 2006.

IFRS 1 provides a number of optional exemptions to the general principle of retrospective application. Exemptions adopted by the company and group are set out below:

IAS 16 — Property, plant and equipment: The company and group is entitled to use fair value as the deemed cost for the purposes of Property, Plant and Equipment. The company and group has chosen to use the original cost basis at the date of transition.

1 Accounting policies *(continued)*

IAS 19 — Employee benefits: IFRS 1 allows the company and group to use the corridor approach in relation to the recognition of the group defined benefit pension scheme. The company and group has chosen not to apply this method as it would increase the volatility in the income statement year on year.

IFRS 2 — Share based payments: IFRS1 allows the company and group for all share awards prior to 7 November 2002 to not apply fair value measurement. The group and company have chosen to apply this exemption.

IAS 40 — Investment property: IAS 40 allows the company and group to value investment properties at either historic cost or valuation. The company and group have chosen to carry the investment property at cost.

Reconciliations and descriptions of the effect of the transition from UK GAAP to IFRS on the group's equity and its net income are given in note 32.

Basis of consolidation

The financial statements for FW Thorpe plc incorporate the financial statements of the company and its subsidiary undertakings. A subsidiary is a company controlled directly by the group and all the subsidiaries are wholly owned by the group. The group achieves control over the subsidiaries by being able to influence financial and operating policies so as to obtain benefits from their activities.

Intra-group transactions, balances, income and expenses are eliminated in preparing consolidated financial statements.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Revenue recognition

The group recognises revenue when the amount of revenue can be reliably measured; it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the group's activities. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Revenue is subsequently recognised based upon the goods and services provided, when these goods have been delivered to the customer or the service performed, excluding VAT and trade discounts.

Interest income — Interest income is recognised on a time proportion basis using the effective interest method. When a receivable is impaired, the group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

Dividend income — Dividend income is recognised when the right to receive payment is established.

Segment reporting

The company's and group's primary segment is that of the sale and distribution of professional lighting equipment. The company's and group's secondary segment is by geographical location.

Pension costs

The group operates a hybrid defined benefit and defined contribution pension scheme. The assets of the scheme are invested and managed independently of the finances of the group. The liability recognised in the balance sheet in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in the statement of recognised income and expense (SORIE) in the period in which they arise.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

For defined contribution plans, the group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Contributions made to the defined contribution scheme are charged to the income statement in the period in which they are made.

1 Accounting policies *(continued)*

Foreign currencies
Transactions in foreign currency are converted to sterling using the exchange rate applicable to the date of the transaction. Foreign currency gains and losses resulting from the settlement of foreign currency transactions at a different time are recognised in the income statement. Currency exchange differences arising from holding monetary assets or liabilities in a foreign currency are fair valued at the balance sheet date in accordance with prevailing exchange rates and resulting gains or losses are recognised in the income statement.

Taxation
The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income 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 consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

Dividend distribution
Dividend distribution to the company's shareholders is recognised as a liability in the group's financial statements in the period in which the dividends are approved by the company's shareholders.

Property, plant and equipment
Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses where applicable. Leased assets are included where they are held under a finance lease.

Depreciation is calculated on a straight-line basis to write down the cost less estimated residual value of all plant and equipment assets by equal instalments over their expected useful life. The rates generally applicable are:

Freehold land	Nil
Buildings	2–4%
Plant, vehicles and equipment	7–33%

Assets are reviewed for impairment where there is an indication that the carrying value may not be recoverable.

Leases
Leases are classified as finance leases where the risks and rewards of ownership are transferred to the lessee. The related asset is recognised at the inception of the lease at the fair value of the leased asset. The interest element of the lease is charged to the income statement over the period of the lease based on the capital element outstanding.

All other leases are operating leases, and payments made under them are charged to the income statement on a straight-line basis over the term of the lease.

Intangible assets
Research and development
The group undertakes research and development activities on an ongoing basis. Part of these costs relates to projects where the benefit is received in the short term (less than one year) and part relates to longer term projects where the benefit is expected to be received for several years to come. Costs associated with the shorter term activities are expensed as and when they are incurred. Costs associated with the longer term projects are capitalised as an intangible asset and amortised over the expected life of the benefit, generally at 33.33% per annum, commencing when the income stream is expected to flow into the business. Research and development assets are recognised where there is certainty that the asset will generate economic benefit. The timing of economic success for research and development activities is uncertain and carrying amounts are reviewed at each balance sheet date for impairment.

1 Accounting policies *(continued)*

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net assets of the acquired subsidiary undertaking at the date of acquisition. All the goodwill relates to acquisitions which have occurred prior to 1 July 2006 and is included on the basis of its deemed cost, which represents the amount recorded under previous GAAP. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Software costs

Software costs are stated at cost less accumulated amortisation and impairment where applicable. Amortisation is calculated on a straight line basis to write down the cost less estimated residual value over its useful life. The amortisation rates are between 20% and 50% per annum.

Investment properties

Investment properties are stated at historical cost or the higher of market value or residual value if lower. The residual value of the property is assessed annually.

Inventories

Inventories 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.

Trade receivables

Trade receivables are recorded at their fair value on initial recognition less provision for expected settlement discounts and for impairment. A provision for impairment of trade receivables is established when there is evidence between the carrying value and present value of expected cash flows receivable. Any change in the value of trade receivables through impairment or reversal of impairment is recognised as an administrative expense in the income statement.

Warranty

The group recognises the obligation to repair or replace parts or products supplied still under warranty at the balance sheet date. This provision is principally based on past experience.

Short term financial assets

Short term financial assets are defined as cash term deposits with an original term of three months and over.

Cash and cash equivalents

Cash and cash equivalents are defined as cash in hand, on demand deposits and short-term deposits with banks, with an original term less than three months.

Current asset investments

Current asset investments are valued at fair value. Changes in fair value are recognised in the income statement.

Available for sale financial assets

The fair values of quoted investments are based on current bid prices.

Trade payables

Trade payables are not interest bearing and are recorded at their settlement amount after allowing for expected discounts for prompt payment.

Provisions

Provisions are recognised when the group has an obligation as a result of past events which can be quantified or reasonably estimated at the balance sheet date.

Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Retirement benefit obligations

The group recognises its obligations to employee retirement benefits. The quantification of these obligations is subject to significant estimates and assumptions regarding life expectancy, discount and inflation rates and the rate of increase in pension payments. In making these assumptions the group takes advice from an independent qualified actuary about which assumptions best reflect the nature of the group's obligations to employee retirement benefits. These assumptions are regularly reviewed by S B J Benefit Consultants Ltd to ensure their appropriateness.

1 Accounting policies *(continued)*

Inventory provisions

The group values inventory on the basis of its use in the current market and the ability of the products and components to result in revenue streams for the business in the future. This assumption requires estimates of the market requirements and expectations. The group makes provision for inventory on the basis of product obsolescence and usage during the preceding periods together with market adjustments where required. These methods have been used consistently on a historic basis.

Financial risk factors

The group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance. The group uses derivative financial instruments to hedge certain risk exposures.

a) Market risk

i) Foreign exchange risk

The group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Euro, US Dollar and the UK Pound. Foreign exchange risk arises from future commercial transactions denominated in a currency that is not the entity's functional currency.

ii) Price risk

The group is exposed to equity securities price risk because of investments held by the group and classified on the consolidated balance sheet either as available-for-sale or at fair value through profit or loss.

The group's investments in equity of other entities that are publicly traded and are included in the FTSE 100 UK equity index and Dow Jones equity index.

iii) Commodity price risk

The group has an exposure to the risk of commodity price changes, in particular metals. The group seeks to minimise the risk by agreeing prices with major suppliers in advance.

b) Credit risk

Credit risk is managed on group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum Fitch rating of F1+ are accepted. If wholesale customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board. The utilisation of credit limits is regularly monitored.

c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the ability to close out market positions.

Management monitors rolling forecasts of the group's liquidity reserve which comprises cash and cash equivalents together with short term financial assets (note 15 and 16) on the basis of expected cash flow.

Capital risk management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the group is the current bid price.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments.

2 Segmental analysis

a) Primary reporting format — business segments

At 30 June 2008, the group trades solely from the UK and operates in one business segment, that of the manufacture and supply of lighting systems for the professional lighting market.

b) Secondary reporting format — geographical segments

The group's business segment operates in two main areas, even though they are managed on a world wide basis.

The home country of the company, which is also the main operating company is the UK.

The group's revenue is generated mainly within the UK and Europe.

	2008 £'000	2007 £'000
UK	**42,806**	38,389
Europe	**6,281**	5,112
Other countries	**2,693**	2,193
	51,780	45,694

3 Group operating profit

	2008 £'000	2007 £'000
Group operating profit is stated after charging/(crediting)		
Impairment of Sugg fixed assets	**—**	6
Profit on sale of property, plant and equipment	**(37)**	(62)
Rental income from investment property	**(8)**	(4)
Depreciation of property, plant and equipment (note 10):		
— owned assets	**1,085**	1,055
Operating lease rentals:		
— plant and machinery	**45**	44
— other	**47**	55
Intangible amortisation	**826**	789
Foreign exchange (gains)/losses recognised in income statement	**(132)**	25

Services provided by the company's auditors

During the year, the group obtained the following services from the company's audit and its auditors:

Group	2008 £'000	2007 £'000
Fees payable to company's auditors for the audit of parent company and consolidated financial statements	**35**	31
Fee payable to the company's auditors and their associates for other services:		
— The audit of company's subsidiaries pursuant to legislation	**27**	23
— Other services pursuant to legislation	**25**	3
— Tax services	**3**	8
	90	65

It is the group's practice to employ PricewaterhouseCoopers LLP on assignments additional to their statutory audit duties where their expertise and experience with the group are important. During 2008, the group enlisted the services of PricewaterhouseCoopers LLP for the transition from UK GAAP to IFRS, and the cost of £25,000 is included in the above figures.

4 Other (losses)/gains — net

Other financial assets at fair value through profit or loss (note 19):

	2008 £'000	2007 £'000
Fair value gains	**18**	15
	18	15

Other financial assets at fair value consist of units in a Sterling cash fund.

5 Employee information

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

	Group		Company	
	2008 Number	2007 Number	2008 Number	2007 Number
Production	**319**	314	**140**	140
Sales and distribution	**84**	86	**77**	73
Administration	**142**	137	**86**	84
Total average headcount	**545**	537	**303**	297

Employment costs of all employees (including executive Directors):

	Group		Company	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Aggregate gross wages and salaries	**12,377**	11,710	**7,905**	7,068
Employers' national insurance contributions	**1,255**	1,164	**837**	755
Employers' pension and related charges	**701**	668	**495**	464
	14,333	13,542	**9,237**	8,287

Directors' emoluments:

	2008 £'000	2007 £'000
Aggregate emoluments	**1,159**	1,027
Contributions to money purchase pension scheme	**17**	20
	1,176	1,047

Employers' pension related charges include health insurance, pension administration and professional charges, a pension paid to a former director and contributions to Sugg Lighting Ltd group personal pension plan.

Aggregate gains on the exercise of share options in the year were £53,000 (2007: £84,000).

Highest paid Director	2008 £'000	2007 £'000
Total of emoluments and amounts receivable	**261**	241

During the year the highest paid Director exercised nil share options (2007: nil).

The accrued pension for the highest paid Director is £122,000 at 30 June 2008 (2007: £105,000).

Further details are provided in the Directors' remuneration report on pages 9 to 12.

6 Net financial income

	2008 £'000	2007 £'000
Finance income		
Current assets		
Net interest receivable	**1,027**	756
Non current assets		
Dividend income on available-for-sale financial assets	**7**	6
Net interest on pension scheme assets and liabilities	**179**	85
	1,213	847

7 Tax expense

Analysis of tax expense in the year:

	2008 £'000	2007 £'000
Current tax	**3,113**	1,872
Deferred tax (note 22)	**(124)**	298
	2,989	2,170

The tax assessed for the year is lower (2007: lower) than the standard rate of corporation tax in the UK of 29.5%. The differences are explained below:

	2008 £'000	2007 £'000
Profit before tax	**11,720**	9,208
Profit on ordinary activities multiplied by the standard rate in the UK of 29.5% (2007: 30%)	**3,457**	2,762
Effects of:		
Expenses not deductible for tax purposes	**(121)**	(23)
Accelerated tax allowances and other timing differences	**(115)**	239
Pension cost relief in excess of pension charge	**(83)**	(700)
Adjustments in respect of prior years	**(91)**	(48)
Profits taxed at small companies rate	**(4)**	(13)
Other	**(54)**	(47)
Tax charge	**2,989**	2,170

During the year, as a result of the change in UK Corporation Tax rates which are effective from 1 April 2008, deferred tax balances have been remeasured. Deferred tax relating to temporary differences which are expected to reverse after 1 April 2008 is measured at the tax rate of 28% as this is the tax rate that will apply to the reversal.

The weighted average applicable tax rate was 25.5% (2007: 23.6%).

8 Dividends

The dividends paid in 2008 and 2007 were £1,655,000 (13.25 pence per share) and £2,885,000 (24.25 pence per share). A dividend in respect of the year ended 30 June 2008 of 12.1 pence per share, amounting to a total dividend of £1,442,000, is to be approved at the Annual General Meeting on 13 November 2008. These financial statements do not reflect this dividend payable.

9 Intangible assets

	Group			Company		
	Goodwill £'000	Other £'000	Total £'000	Goodwill £'000	Other £'000	Total £'000
Cost						
At 1 July 2007	600	3,550	4,150	600	1,708	2,308
Additions	—	983	983	—	525	525
Write-offs	—	(834)	(834)	—	(304)	(304)
At 30 June 2008	**600**	**3,699**	**4,299**	**600**	**1,929**	**2,529**
Accumulated amortisation						
At 1 July 2007	600	1,422	2,022	600	662	1,262
Charge for the year	—	826	826	—	385	385
Write-offs	—	(834)	(834)	—	(304)	(304)
At 30 June 2008	**600**	**1,414**	**2,014**	**600**	**743**	**1,343**
Net book amount						
At 30 June 2008	**—**	**2,285**	**2,285**	**—**	**1,186**	**1,186**

	Group			Company		
	Goodwill £'000	Other £'000	Total £'000	Goodwill £'000	Other £'000	Total £'000
Cost						
At 1 July 2006	600	3,154	3,754	600	1,415	2,015
Additions	—	1,038	1,038	—	561	561
Write-offs	—	(642)	(642)	—	(268)	(268)
At 30 June 2007	**600**	**3,550**	**4,150**	**600**	**1,708**	**2,308**
Accumulated amortisation						
At 1 July 2006	600	1,275	1,875	600	595	1,195
Charge for the year	—	789	789	—	335	335
Write-offs	—	(642)	(642)	—	(268)	(268)
At 30 June 2007	**600**	**1,422**	**2,022**	**600**	**662**	**1,262**
Net book amount						
At 30 June 2007	**—**	**2,128**	**2,128**	**—**	**1,046**	**1,046**

Other intangible assets include research and development costs, computer software and fishing rights on owned freehold land.

At 30 June 2008, the net book amount for 'other' is analysed as follows:

	Group		Company	
	2008 £'000	2007 £'000	**2008 £'000**	2007 £'000
Research and development costs	**2,111**	1,929	**1,039**	889
Software costs	**139**	164	**112**	123
Fishing rights	**35**	35	**35**	35
	2,285	2,128	**1,186**	1,046

Amortisation of £826,000 (2007: £789,000) is included in the administration expenses in the consolidated income statement.

10 Property, plant and equipment

	Group			Company		
	Land and buildings £'000	Plant and equipment £'000	Total £'000	Land and buildings £'000	Plant and equipment £'000	Total £'000
Cost						
At 1 July 2007	8,288	12,735	21,023	8,183	8,442	16,625
Additions	—	786	786	—	359	359
Disposals	—	(459)	(459)	—	(305)	(305)
At 30 June 2008	**8,288**	**13,062**	**21,350**	**8,183**	**8,496**	**16,679**
Accumulated depreciation						
At 1 July 2007	1,506	9,568	11,074	1,401	6,421	7,822
Charge for the year	138	947	1,085	138	490	628
Disposals	—	(421)	(421)	—	(276)	(276)
At 30 June 2008	**1,644**	**10,094**	**11,738**	**1,539**	**6,635**	**8,174**
Net book amount						
At 30 June 2008	**6,644**	**2,968**	**9,612**	**6,644**	**1,861**	**8,505**

Freehold land which was not depreciated at 30 June 2008 amounted to £1,218,000 (2007: £1,218,000) (group and company).

	Group			Company		
	Land and buildings £'000	Plant and equipment £'000	Total £'000	Land and buildings £'000	Plant and equipment £'000	Total £'000
Cost						
At 1 July 2006	8,187	12,054	20,241	8,039	8,047	16,086
Additions	144	1,019	1,163	144	539	683
Disposals	—	(338)	(338)	—	(144)	(144)
Written off	(43)	—	(43)	—	—	—
At 30 June 2007	**8,288**	**12,735**	**21,023**	**8,183**	**8,442**	**16,625**
Accumulated depreciation						
At 1 July 2006	1,409	8,965	10,374	1,264	6,042	7,306
Charge for the year	140	915	1,055	137	508	645
Disposals	—	(312)	(312)	—	(129)	(129)
Written-off	(43)	—	(43)	—	—	—
At 30 June 2007	**1,506**	**9,568**	**11,074**	**1,401**	**6,421**	**7,822**
Net book amount						
At 30 June 2007	**6,782**	**3,167**	**9,949**	**6,782**	**2,021**	**8,803**

Included in the land and buildings is a finance lease which has a nil book amount (2007: £nil) (group and company).

11 Commitments

a) Capital commitments

Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	Group		Company	
	2008 £'000	2007 £'000	**2008 £'000**	2007 £'000
Property, plant and equipment	**45**	90	**44**	55

(b) Operating lease commitments

The group leases premises under non-cancellable operating lease agreements. The lease terms are between 20 and 25 years (2007: 20 and 25 years), and the lease agreements are renewable at the end of the lease period at market rate.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	Group			
	Land and buildings 2008 £'000	Land and buildings 2007 £'000	**Other 2008 £'000**	Other 2007 £'000
No later than 1 year	**32**	37	**—**	—
Later than 1 year and no later than 5 years	**—**	32	**—**	—
	32	69	**—**	—

	Company			
	Land and buildings 2008 £'000	Land and buildings 2007 £'000	**Other 2008 £'000**	Other 2007 £'000
No later than 1 year	**3**	8	**—**	—
Later than 1 year and no later than 5 years	**—**	3	**—**	—
	3	11	**—**	—

Finance leases

Leases liabilities for the group are effectively secured as the rights to the leased asset revert to the lessor in event of default.

Gross finance lease liabilities — minimum lease payments:

	2008 £'000	2007 £'000
No later than 1 year	**87**	116
Later than 1 year and no later than 5 years	**—**	87
Future finance charges on finance leases	**(2)**	(12)
Present value of finance lease liabilities	**85**	191
The present value of finance lease liabilities is as follows:		
No later than 1 year	**85**	106
Later than 1 year and no later than 5 years	**—**	85
	85	191

12 a) Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

Group	Loans and receivables £'000	Available-for-sale £'000	Assets at fair value through the profit and loss £'000	Total £'000
30 June 2008				
Assets as per balance sheet				
Available-for-sale financial assets	—	115	—	115
Other financial assets at fair value through profit or loss	—	—	377	377
Trade and other receivables	9,909	—	—	9,909
Short term financial assets – deposits	13,332	—	—	13,332
Cash and cash equivalents	—	—	6,710	6,710
Total	**23,241**	**115**	**7,087**	**30,443**

Group	Loans and receivables £'000	Available-for-sale £'000	Assets at fair value through the profit and loss £'000	Total £'000
30 June 2007				
Assets as per balance sheet				
Available-for-sale financial assets	—	103	—	103
Other financial assets at fair value through profit or loss	—	—	359	359
Trade and other receivables	8,871	—	—	8,871
Short term financial assets – deposits	8,865	—	—	8,865
Cash and cash equivalents	—	—	3,716	3,716
Total	**17,736**	**103**	**4,075**	**21, 814**

Company	Loans and receivables £'000	Available-for-sale £'000	Assets at fair value through the profit and loss £'000	Total £'000
30 June 2008				
Assets as per balance sheet				
Available-for-sale financial assets	—	115	—	115
Other financial assets at fair value through profit or loss	—	—	377	377
Trade and other receivables	6,636	—	—	6,636
Short term financial assets – deposits	13,332	—	—	13,332
Cash and cash equivalents	—	—	6,802	6,802
Total	**19,968**	**115**	**7,179**	**27,262**

Company	Loans and receivables £'000	Available-for-sale £'000	Assets at fair value through the profit and loss £'000	Total £'000
30 June 2007				
Assets as per balance sheet				
Available-for-sale financial assets	—	103	—	103
Other financial assets at fair value through profit or loss	—	—	359	359
Trade and other receivables	5,876	—	—	5,876
Short term financial assets – deposits	8,865	—	—	8,865
Cash and cash equivalents	—	—	3,940	3,940
Total	**14,741**	**103**	**4,299**	**19,143**

The group and company did not have borrowings at 30 June 2008 or 30 June 2007, other than a finance lease (note 20).

The group and company did not have derivative financial instruments at 30 June 2008 or 30 June 2007.

13 Investment property

Group and Company	2008 £'000	2007 £'000
At 1 July and 30 June	184	184
	184	184

The investment property is carried at historical cost, as allowed by IAS 40, is not depreciated and assessed for impairment annually.

The following amounts have been recognised in the income statement:

Group and Company	2008 £'000	2007 £'000
Rental income	8	4
Direct operating expenses arising from investment properties that generate rental income	(17)	(12)

The investment property consists of a property by the river Wye. The associated fishing rights are included in intangible assets.

14 Available-for-sale financial assets

Group and Company	2008 £'000	2007 £'000
Beginning of year	103	98
Additions	67	—
Revaluation	(55)	5
End of year	115	103

There were no impairment provisions on available-for-sale financial assets in 2008 or 2007.

Available-for-sale financial assets comprise listed equity.

15 Short-term financial assets — deposits

Group and Company	2008 £'000	2007 £'000
Beginning of year	8,865	5,676
Net additions	4,467	3,189
End of year	13,332	8,865

The short-term financial assets consist of term cash deposits in sterling with an original term in excess of three months.

16 Cash and cash equivalents

	Group		Company	
	2008	2007	**2008**	2007
	£'000	£'000	**£'000**	£'000
Cash at bank and on hand	**6,710**	3,716	**6,802**	3,940

17 Inventories

	Group		Company	
	2008	2007	**2008**	2007
	£'000	£'000	**£'000**	£'000
Raw materials	**4,088**	3,606	**2,136**	2,002
Work in progress	**1,551**	1,508	**1,168**	1,179
Finished goods	**3,007**	3,377	**2,467**	2,604
	8,646	8,491	**5,771**	5,785

In the opinion of the Directors, the replacement cost of stocks is not materially different from their carrying value.

The cost of inventories recognised as an expense and included in cost of sales amounted to £23,070,000 (2007: £19,950,000).

18 Trade and other receivables

	Group		Company	
	2008	2007	**2008**	2007
Current	**£'000**	£'000	**£'000**	£'000
Trade receivables	**9,909**	8,871	**6,636**	5,876
Other debtors	**295**	209	**259**	209
Prepayments and accrued income	**355**	419	**163**	219
Amounts owed by subsidiaries	**—**	—	**2,122**	2,124
	10,559	9,499	**9,180**	8,428

	Group		Company	
	2008	2007	**2008**	2007
	£'000	£'000	**£'000**	£'000
Trade receivables past due date not provided	**737**	836	**140**	108

A significant proportion of these amounts were settled shortly after the end of the financial year, and taken together with the credit insurance policy and good credit history, the directors considered that there is no impairment and the trade receivables are therefore stated at their fair value, which equals their book value.

Provisions are made for bad debt when an undisputed debt is three months past due date or earlier if an adverse event occurs. A significant proportion of the trade receivables are insured. The policy covers 90% of the debt in the event of a claim for default. The bad debt provision includes the remaining 10% of the default in the event of a potential claim. No bad debt provision is made in respect of government departments or agencies. At 30 June 2008, the bad debt provision for the group amounted to £33,000 (2007: £15,000) and for the company £25,000 (2007: £2,000).

19 Other financial assets at fair value through profit and loss

The group and company have units in a sterling cash fund. At 30 June 2008 this amounted to £377,000 (2007: £359,000).

20 Trade and other payables

	Group		Company	
	2008 £'000	2007 £'000	**2008 £'000**	2007 £'000
Current				
Trade payables	**4,265**	3,907	**2,276**	2,243
Social security and other taxes	**1,032**	729	**765**	514
Other creditors	**1,255**	997	**1,219**	959
Finance lease creditor (note 11)	**85**	191	**—**	—
Accruals and deferred income	**744**	546	**177**	120
Amounts owed to subsidiaries	**—**	—	**4,311**	3,420
	7,381	6,370	**8,748**	7,256

21 Provisions for liabilities and charges

	Group			Company	
	Onerous rental and dilapidation provision £'000	WEEE provision £'000	Total £'000	WEEE provision £'000	Total £'000
At 1 July 2007	140	102	242	102	102
Charged/(credited) to the income statement	(29)	—	(29)	—	—
At 30 June 2008	**111**	**102**	**213**	**102**	**102**

Analysis of total provisions:

	Group		Company	
	2008 £'000	2007 £'000	**2008 £'000**	2007 £'000
Non-current	**213**	242	**102**	102
Total	**213**	242	**102**	102

(a) Dilapidation provision
This provision relates to the dilapidations for the lease of the premises. The lease expires in April 2009.

(b) WEEE provision
A potential liability exists for the future cost of disposal of products under the WEEE (Waste Electrical and Electronic Equipment) legislation for a transitional period between the adoption of the WEEE legislation in the European Union in August 2005 and the effective date in the UK of 1 July 2007. From 1 July 2007 the group has followed Regulation 9 of the Legislation and amended the terms of sale to our customers so that the customer is responsible for the actual costs of WEEE at the time of disposal as set out above).

22 Deferred tax

Deferred income tax assets and liabilities are offset where there is a legally enforcement right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

	Group		Company	
	2008 £'000	2007 £'000	**2008 £'000**	2007 £'000
Deferred tax assets:				
— Deferred tax assets to be recovered after more than 12 months	**276**	—	**219**	—
— Deferred tax asset to be recovered within 12 months	**—**	—	**—**	—
	276	—	**219**	—
Deferred tax liabilities:				
— Deferred tax liability to be recovered after more than 12 months	**(640)**	(943)	**(348)**	(689)
— Deferred tax liability to be recovered within 12 months	**—**	—	**—**	—
	(640)	(943)	**(348)**	(689)
Net deferred tax liabilities	**(364)**	(943)	**(129)**	(689)

The gross movement on the deferred income tax account is as follows:

	Group		Company	
	2008 £'000	2007 £'000	**2008 £'000**	2007 £'000
Beginning of year	**(943)**	(443)	**(689)**	(126)
Income statement charge (note 7)	**124**	(298)	**105**	(361)
Tax charged directly to equity	**455**	(202)	**455**	(202)
End of year	**(364)**	(943)	**(129)**	(689)

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax assets	Accelerated tax depreciation £'000	Retirement benefit obligations £'000	Fair value gains and losses £'000	Other £'000	Total £'000
At 1 July 2006	—	570	—	169	739
(Charged)/credited to the income statement	—	(570)	—	(169)	(739)
Charged directly to equity	—	—	—	—	—
At 1 July 2007	—	—	—	—	—
(Charged)/credited to the income statement	197	(129)	—	—	68
Charged directly to equity	—	208	—	—	208
At 30 June 2008	**197**	**79**	**—**	**—**	**276**

Deferred tax liabilities	Accelerated tax depreciation £'000	Retirement benefit obligations £'000	Fair value gains and losses £'000	Other £'000	Total £'000
At 1 July 2006	581	—	60	541	1,182
Charged/(credited) to the income statement	(489)	45	3	—	(441)
Charged directly to equity	—	202	—	—	202
At 1 July 2007	92	247	63	541	943
Charged/(credited) to the income statement	(92)	—	(6)	42	(56)
Charged directly to equity	—	(247)	—	—	(247)
At 30 June 2008	**—**	**—**	**57**	**583**	**640**

The deferred tax analysed as 'other' primarily relates to research and development costs.

22 Deferred tax *(continued)*

The deferred tax charged to equity during the year is as follows:

	Group		Company	
	2008 £'000	2007 £'000	**2008 £'000**	2007 £'000
Tax on actuarial gain/(loss) on retirement benefits scheme	**(455)**	134	**(455)**	134
Impact of change in UK tax rate on deferred tax	**—**	68	**—**	68
	(455)	202	**(455)**	202

Deferred tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable.

No provision has been made for deferred tax on gains recognised on revaluing property to its market value, or on the sale of properties where potentially taxable gains have been rolled over into replacement assets. Such tax would become payable only if the property were sold without it being possible to claim rollover relief.

23 Earnings per share

Basic earnings per share for profit attributable to equity holders of the company

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the period.

	2008	2007
Profit attributable to equity holders of the company (£'000)	**8,731**	7,038
Weighted average number of shares in issue	**11,908,970**	11,892,834
Basic earnings per share (pence per share)	**73.3**	59.2

Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The company has one category of dilutive potential ordinary shares: share options. A calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

The diluted earnings per share have been calculated on the following earnings and weighted average number of shares in issue:

	2008	2007
Profit attributable to equity holders of the company (£'000)	**8,731**	7,038
Weighted average number of ordinary shares in issue	**11,908,970**	11,892,834
Adjustment for share options		
— share options	**23,870**	33,360
Weighted average number of ordinary shares for diluted earnings per share	**11,932,840**	11,926,194
Diluted earnings per share (pence per share)	**73.2**	59.0

24 Share capital

	Group and Company 2008 £'000	2007 £'000
Authorised		
15,000,000 ordinary shares of 10p each (2007: 15,000,000 ordinary shares of 10p each)	**1,500**	1,500
Allotted and fully paid		
11,913,559 ordinary shares of 10p each (2007: 11,897,576 ordinary shares of 10p each)	**1,191**	1,190

The ordinary shareholders each have one vote per share.

	Group and Company 2008 £'000	2007 £'000
Share capital at 1 July 2007	**1,190**	1,188
Shares issued	**1**	2
Share capital at 30 June 2008	**1,191**	1,190

During the year shares were issued as follows:

Date of issue	Reason for issue	Number of shares
4 October 2007	exercise of options	7,500.
23 October 2008	exercise of options	8,483

25 Retained earnings

	Group £'000	Company £'000
At 1 July 2006	29,461	25,022
Profit for the year	7,038	6,091
Dividends paid in respect of 2006 and 2007	(2,885)	(2,885)
Actuarial gains net of tax	312	312
Revaluation of available for sale assets	5	5
Impact of change in UK tax rate on deferred tax	(68)	(68)
At 30 June 2007	**33,863**	**28,477**
At 1 July 2007	33,863	28,477
Profit for the year	8,731	7,760
Dividends paid in respect of 2007 and 2008	(1,655)	(1,655)
Actuarial losses net of tax	(1,169)	(1,169)
Revaluation of available-for-sale assets	(55)	(55)
At 30 June 2008	**39,715**	**33,358**

26 Other reserves

Group and Company	Share premium £'000	Capital redemption reserves £'000
Balance at 1 July 2006	586	135
Share issue	21	—
Balance at 30 June 2007	607	135
Share issue	17	—
Balance at 30 June 2008	**624**	**135**

27 Cash generated from operations

	Group		Company	
	2008 £'000	2007 £'000	**2008 £'000**	2007 £'000
Profit before income tax	**11,720**	9,208	**10,136**	7,826
Depreciation charge	**1,085**	1,055	**628**	645
Amortisation of intangibles	**826**	789	**385**	335
Profit on disposal of property, plant and equipment	**(37)**	(62)	**(22)**	(28)
Finance income (net)	**(1,213)**	(847)	**(2,227)**	(1,730)
Retirement benefit contributions in excess of current and past service charge	**(283)**	(2,249)	**(283)**	(2,249)
Changes in working capital				
— Inventories	**(155)**	(1,539)	**14**	(1,092)
— Trade and other receivables	**(937)**	475	**291**	807
— Trade and other payables	**1,034**	385	**563**	752
Cash generated from operations	**12,040**	7,215	**9,485**	5,266

28 Related party transactions

D A Dimeloe is also a Director of Lighting Industry Federation Ltd, a company limited by guarantee whose aims are committed to raising standards for safety, performance and quality within the lighting industry. D A Dimeloe does not receive a salary, benefits or expenses from Lighting Industry Federation Ltd. The trading companies within the group are members of the Lighting Industry Federation and pay a subscription for membership on the same terms as other lighting organisations. The subscription paid by the group amounted to £20,354 (2007: £20,355).

The following amounts relate to transactions between the company and its subsidiaries:

2008	**Purchases of goods £'000**	**Sales of goods £'000**	**Sales of services £'000**	**Dividends paid to company £'000**
Mackwell Electronics Ltd	**2,138**	**66**	**3**	**473**
Compact Lighting Ltd	**59**	**97**	**3**	**153**
Philip Payne Ltd	**280**	**21**	**1**	**180**
Sugg Lighting Ltd	**6**	**6**	**18**	**—**

2007	Purchases of goods £'000	Sales of goods £'000	Sales of services £'000	Dividends paid to company £'000
Mackwell Electronics Ltd	1,869	97	3	385
Compact Lighting Ltd	56	69	3	97
Philip Payne Ltd	167	13	1	172
Sugg Lighting Ltd	6	2	7	—

Balances due to and from the company by related entities were as follows:

	Amounts due to related party at 30 June		Amounts due from related party at 30 June	
	2008 £'000	2007 £'000	**2008 £'000**	2007 £'000
Mackwell Electronics Ltd	**(1,585)**	(1,184)	**73**	106
Compact Lightning Ltd	**(1,507)**	(1,179)	**2,013**	2,024
Philip Payne Ltd	**(1,217)**	(1,057)	**7**	7
Sugg Lighting Ltd	**(1)**	—	**3,254**	3,176
Axis Lighting Ltd	**(1)**	(1)	**—**	—

Trading balances arise from transactions of goods and services carried out under normal commercial terms.

Cash resources are managed centrally by the company and result in balances owed to and from the company when cash is transferred.

In addition to the balances stated above, the company has made a provision against the inter-company receivables and this amounts to £3,225,000 (2007: £3,188,000).

The key management personnel are the group Board Directors; their interests are disclosed in the Directors' Remuneration Report on pages 9 to 12.

29 Pension schemes

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 group, being invested in Managed Funds. Contributions by the group to the Scheme during the year ended 30 June 2008 amounted to £755,000 (2007: £2,700,000) which included a lump sum payment of £nil (2007: £2,000,000). Contributions are determined by an independent qualified actuary on the basis of triennial valuations using the Project Unit Method.

The date of the most recent actuarial valuation was 1 July 2006. 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 2006 have been updated as at the balance sheet dates in order to assess the additional disclosures required under IAS 19 as at 30 June 2008 by an independent qualified actuary using the following major assumptions.

	2008	2007	2006
Price inflation	**4.00%**	3.30%	3.10%
Salary increases	**5.89%**	5.21%	4.97%
Discount rate	**6.40%**	5.80%	5.30%
Revaluation for deferred pensioners	**4.00%**	3.30%	3.10%
Pension increases in payment of 5% pa or RPI if less	**3.80%**	3.15%	3.00%
Pension increases in payment of 2.5% pa or RPI if less	**2.40%**	2.25%	2.20%
Life expectancy at age 65 — men	**22.0 years**	21.7 years	
Life expectancy at age 65 — women	**24.9 years**	24.5 years	

29 Pension schemes *(continued)*

On this basis, the balance sheet figures required under IAS 19 are as follows:

	30 June 2008 Expected long-term rate of return	30 June 2008 Value £'000	30 June 2007 Expected long-term rate of return	30 June 2007 Value £'000	30 June 2006 Expected long-term rate of return	30 June 2006 Value £'000
Equities	**7.75%**	**8,573**	7.75%	9,471	7.80%	7,976
Bonds	**5.60%**	**7,002**	4.75%	4,198	5.00%	3,921
Property	**7.75%**	**11**	7.45%	11	7.50%	9
Other	**5.00%**	**1,755**	5.25%	4,104	4.25%	1,810
Total market value of assets		**17,341**		17,784		13,716
Present value of scheme liabilities		**(17,622)**		(16,903)		(15,615)
Surplus/(deficit) in the scheme		**(281)**		881		(1,899)
Related deferred tax asset/ (liability) — note 23		**79**		(247)		570
Net pension surplus/(deficit)		**(202)**		634		(1,329)

The amounts recognised in the balance sheet are determined as follows:

	2008 £'000	2007 £'000
Present value of funded obligations	**(17,622)**	(16,903)
Fair value of plan assets	**17,341**	17,784
Present value of unfunded obligations	**(281)**	881
Unrecognised actuarial losses	**—**	—
Unrecognised past service cost	**—**	—
(Liability)/asset in the balance sheet	**(281)**	881

The movement in the defined benefit surplus over the years is as follows:

	2008 £'000	2007 £'000
Beginning of year	**(16,903)**	(15,615)
Current service cost	**(472)**	(451)
Interest cost	**(985)**	(837)
Contributions by plan participants	**(267)**	(259)
Actuarial (losses)/gains	**414**	(110)
Benefits paid	**591**	369
End of year	**(17,622)**	(16,903)

The movement in the fair value of the plan assets of the year is as follows:

	2008 £'000	2007 £'000
Beginning of the year	**17,784**	13,716
Expected return in plan assets	**1,164**	922
Actuarial (losses)/gains	**(2,038)**	556
Employer contributions	**755**	2,700
Employee contributions	**267**	259
Benefits paid	**(591)**	(369)
End of year	**17,341**	17,784

The amount recognised in the income statement are as follows:

	2008 £'000	2007 £'000
Current service cost	**472**	451
Interest cost	**985**	837
Expected return on plan assets	**(1,164)**	(922)
Past service cost	**—**	—
Total included within staff costs and other financial income	**293**	366

29 Pension schemes *(continued)*

Analysis of amount recognised in the statement of recognised income and expense (SORIE):

	2008 £'000	2007 £'000
Cumulative actuarial loss recognised in the SORIE at 1 July 2007	**(131)**	(577)
Actuarial gain/(loss) recognised in the SORIE for the year	**(1,624)**	446
Cumulative actuarial loss recognised in the SORIE at 30 June 2008	**(1,755)**	(131)

	2008 £'000	2007 £'000
Actual return less expected return on pension scheme assets	**(2,038)**	556
Experience losses arising on the scheme liabilities	**(219)**	(622)
Changes in assumptions underlying the present value on the scheme liabilities	**633**	512
Actuarial gain/(loss) recognised in the SORIE	**(1,624)**	446

The expected return on plan assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity and property investments reflect long-term real rates of return experienced in the respective markets.

The actual return on plan assets over the period ending 30 June 2008 was £(874,000), or -4.9%.

The group expect to pay £833,000 contributions (2007: £755,000) into the pension scheme during the forthcoming year.

History of experience gains and losses recognised in the SORIE:

	2008 £'000	**2008 %**	2007 £'000	2007 %	2006 £'000	2006 %	2005 £'000	2005 %	2004 £'000	2004 %
Difference between the expected and actual return on scheme assets	**(2,038)**		556		661		680		65	
Percentage of scheme assets		**12%**		3%		5%		7%		1%
Experience gain/(loss) on scheme liabilities	**(219)**		(622)		(164)		(1,070)		495	
Percentage of the present value of scheme liabilities		**1%**		4%		1%		7%		4%
Changes in assumptions underlying the present value of scheme liabilities	**633**		512		917		(1,601)		(238)	
Percentage of the present value of scheme liabilities		**4%**		3%		6%		11%		2%
Amount which has been recognised in the SORIE	**(1,624)**		446		1,414		(1,991)		322	
Percentage of the present value of the scheme liabilities		**9%**		3%		9%		13%		3%

30 Group companies

The parent company has the following investments as at 30 June 2008 and 30 June 2007:

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

There were no additions or disposals during the year. The cost of investments for 30 June 2008 and 30 June 2007 was £2,173,000. Provisions have been made amounting to £1,571,000 (2007: £1,571,000).

30 Group companies *(continued)*

The cost of investment in subsidiaries is as follows:

	Group		Company	
	2008 £'000	2007 £'000	**2008 £'000**	2007 £'000
Investment in subsidiaries — cost	**—**	—	**2,173**	2,173
Less provisions	**—**	—	**(1,571)**	(1,571)
	—	—	**602**	602

There were no additions or disposals during the year.

31 Events after the balance sheet date

On 13 October 2008 the company purchased 20,000 of its own ordinary shares of 10p each at a price of 497.5 pence per share. The shares were cancelled with immediate effect.

32 Reconciliation of net assets and profit under UK GAAP to IFRS

FW Thorpe Plc reported under UK GAAP in its previously published financial statements for the year ended 30 June 2007. The analysis below shows a reconciliation of net assets and profit as reported under UK GAAP as at 30 June 2007 to the revised net assets and profit under IFRS as reported in these financial statements. In addition, there is a reconciliation of net assets under UK GAAP to IFRS at the transition date for the group, being 1 July 2006. These disclosures have also been included for the company.

The group has taken advantage of certain exemptions from full retrospective application of IFRS accounting policies under IFRS 1, and the key exemptions taken are included within the accounting policies note 1.

Reconciliation of UK GAAP to IFRS for the year ended 30 June 2007

	UK GAAP £'000	Effect of transition to IFRS £'000	IFRS £'000
Revenue	46,508	(814)	45,694
Operating profit	8,221	140	8,361
Finance income	833	14	847
Profit before income taxation	9,054	154	9,208
Income taxation	(2,168)	(2)	(2,170)
Profit for the period	6,886	152	7,038
Actuarial gain on pension scheme	446	—	446
Movement on associated deferred tax liability relating to the pension scheme	(134)	—	(134)
Impact of change in UK tax rate of deferred tax	(68)	—	(68)
Revaluation of available-for-sale assets	—	5	5
Total recognised income for the period	7,130	157	7,287

The adjustment to revenue of (£814,000) relates to settlement discounts allowed to customers which are no longer shown as an expense. The adjustments to operating profit consist of settlement discounts receivable (£1,000), holiday pay timing adjustment of (£3,000), Pension scheme adjustment of £35,000, capitalisation of research and development £124,000, and timing adjustment to settlement discounts allowed of (£15,000). Finance income has been adjusted by £14,000 to reflect the market values of the financial investments at fair value through profit or loss. Deferred tax has been adjusted by (£2,000). The available-for-sale assets have been adjusted by £5,000 to reflect the change in market value.

32 Reconciliation of net assets and profit under UK GAAP to IFRS *(continued)*

Reconciliation of UK GAAP to IFRS as at 30 June 2006

	UK GAAP as at June 2006 £'000	Effect of transition to IFRS £'000	Note ref £'000	IFRS as at June 2006 £'000
Assets				
Non-current assets				
Property, plant and equipment	9,907	(40)	b)	9,867
Intangible assets	—	1,879	a)b)	1,879
Investment property	219	(35)	b)	184
Deferred tax asset	739	—		739
Available-for-sale financial assets	39	59	c)	98
	10,904	1,863		12,767
Current assets				
Inventories	7,005	(53)	e)	6,952
Trade and other receivables	10,075	(148)	f)k)	9,927
Other financial assets at fair value through profit or loss	70	274	g)	344
Short-term financial assets — deposits	—	5,676	m)	5,676
Cash and cash equivalents	11,848	(5,676)	m)	6,172
	28,998	73		29,071
Total assets	39,902	1,936		41,838
Liabilities				
Current liabilities				
Trade and other payables	(5,824)	(318)	h)i)k)	(6,142)
Current income taxation liabilities	(1,027)	—		(1,027)
	(6,851)	(318)		(7,169)
Non-current liabilities				
Long-term provisions	(471)	288	k)	(183)
Deferred income taxation liability	(1,151)	(31)	d)l)	(1,182)
Retirement benefit obligations	(1,329)	(605)	d)j)	(1,934)
	(2,951)	(348)		(3,299)
Total liabilities	(9,802)	(666)		(10,468)
Net assets	30,100	1,270		31,370
Capital and reserves attributable to equity holders of the company				
Issued share capital	1,188	—		1,188
Capital redemption reserve	135	—		135
Share premium account	586	—		586
Retained earnings	28,191	1,270		29,461
Total equity	30,100	1,270		31,370

32 Reconciliation of net assets and profit under UK GAAP to IFRS *(continued)*

Reconciliation of UK GAAP to IFRS as at 30 June 2007

	UK GAAP as at June 2006 £'000	Effect of transition to IFRS £'000	Note ref £'000	IFRS as at June 2006 £'000
Assets				
Non-current assets				
Property, plant and equipment	10,114	(165)	b)	9,949
Intangible assets	—	2,128	a)b)	2,128
Investment property	219	(35)	b)	184
Available-for-sale financial assets	39	64	c)	103
Retirement benefit surplus	634	247	d)j)	881
	11,006	2,239		13,245
Current assets				
Inventories	8,562	(71)	e)	8,491
Trade and other receivables	9,663	(164)	f)k)	9,499
Other financial assets at fair value through profit or loss	70	289	g)	359
Short-term financial assets — deposits	—	8,865	m)	8,865
Cash and cash equivalents	12,581	(8,865)	m)	3,716
	30,876	54		30,930
Total assets	41,882	2,293		44,175
Liabilities				
Current liabilities				
Trade and other payables	(6,164)	(206)	h)i)k)	(6,370)
Current income taxation liabilities	(825)	—		(825)
	(6,989)	(206)		(7,195)
Non-current liabilities				
Long-term provisions	(433)	191	k)	(242)
Deferred income taxation liability	(92)	(851)	d)l)	(943)
	(525)	(660)		(1,185)
Total liabilities	(7,514)	(866)		(8,380)
Net assets	34,368	1,427		35,795
Capital and reserves attributable to equity holders of the company				
Issued share capital	1,190	—		1,190
Capital redemption reserve	135	—		135
Share premium account	607	—		607
Retained earnings	32,436	1,427		33,863
Total equity	34,368	1,427		35,795

32 Reconciliation of net assets and profit under UK GAAP to IFRS *(continued)*

Description of adjustments for transition to IFRS

Note ref	Adjustment description	As at 30 June 2007 £'000	As at 30 June 2006 £'000
a)	IAS 38 — Capitalisation of research and development costs	1,928	1,804
b)	IAS 38 and IAS 40 — Property rights element of investment property reclassified from investments to intangible assets. Reclassification of software from property, plant and equipment to intangible assets.	132	135
c)	IAS 39 — Quoted investments shown at market value	64	59
d)	IAS 19 and IAS 26 — Deferred tax adjustment to pension scheme surplus or deficit	247	570
e)	IAS 2 — Settlement discounts received adjusted to fair value	(71)	(53)
f)	IAS 18 — Settlement discount allowed adjusted to fair value	(135)	(120)
g)	IAS 39 — Current asset investments shown at market value	289	274
h)	IAS 2 — Settlement discount received adjusted to fair value	33	16
i)	IAS 19 — Holiday pay timing adjustment for monthly paid staff	(48)	(45)
j)	IAS 19 and IAS 26 — Adjustment of pension scheme assets to fair value	—	(35)
k)	IAS 17 — Lease obligations adjustment to trade and other receivables	(29)	(29)
	IAS 17 — Lease obligation and adjustment to trade and other payables	(191)	(288)
	IAS 17 — Lease obligation adjustment to long term provisions	191	288
l)	IAS 12 — Deferred tax adjustment following capitalisation of research and development costs	604	601
m)	IAS 7 — Reclassification of cash term deposits with an original maturity over three months	8,865	5,676

Reconciliation of equity at 1 July 2006

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Retained earnings £'000	Total £'000
Reported under UK GAAP	1,188	586	135	28,191	30,100
IAS 2 — Settlement discount received	—	—	—	(37)	(37)
IAS 12 — Deferred income taxation	—	—	—	(601)	(601)
IAS 17 — Lease obligation	—	—	—	(29)	(29)
IAS 18 — Settlement discount allowed	—	—	—	(120)	(120)
IAS 19 — Holiday pay	—	—	—	(45)	(45)
IAS 19 and IAS 26 — Pension scheme valuation	—	—	—	(35)	(35)
IAS 38 — Research and development	—	—	—	1,804	1,804
IAS 39 — Market value of investments	—	—	—	333	333
	1,188	586	135	29,461	31,370

Notice of meeting

Notice is hereby given that the seventy-second Annual General Meeting of F W Thorpe Plc will be held at Merse Road, North Moons Moat, Redditch, Worcestershire, B98 9HH on 13 November 2008 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 2008.

2. To declare a dividend.

3. To elect Mr N A Brangwin as a Director.

4. To elect Mr A M Cooper as a Director.

5. To elect Mr D Taylor as a Director.

6. To re-elect Mr I A Thorpe as a Director.

7. To re-elect Mr P D Mason as a Director.

8. 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 9 and 10 as ordinary resolutions and in the case of 11 and 12 as special resolutions.

9. That the Directors' Remuneration Report (as set out on pages 9 to 12 of the Annual Report and Accounts) for the year ended 30 June 2008 be approved.

10. 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 2009 and that for such period the Section 80 Amount (as defined in said Article 15) shall be £310,644.

11. 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 2009 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 £59,468.

12. 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 1,189,356;

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 Alternative Investment Market 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 2009; 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.

Notes

1. The register of Directors' share interests pursuant to Section 808 of the Companies Act 2006 and copies of the Directors' service contracts will be available for inspection during usual business hours, at the registered office of the company on any weekday (Saturdays and public holidays excepted) from the date of this notice until the date of the meeting and also at the meeting for at least 15 minutes prior to, and until the conclusion of the meeting.

2. To be entitled to attend and vote at the meeting (and for the purposes of the determination by the company of the votes they may cast), members must be registered in the Register of Members of the company at 6.00 pm on 11 November 2008 (or, in the event of any adjournment, 6.00 pm on the date which is two days before the time of the adjourned meeting). Changes to the Register of Members of the company after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.

3. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend, speak and vote on his or her behalf. A proxy need not also be a member but must attend the meeting to represent you. Details of how to appoint the chairman of the meeting or another person as your proxy using the form of proxy are set out in the notes on the form of proxy. If you wish your proxy to speak on your behalf at the meeting you will need to appoint your own choice of proxy (not the chairman) and give your instructions directly to them.

4. To appoint more than one proxy, an additional proxy form(s) may be obtained by contacting the company's registrars, Equiniti, The Causeway, Goring-By-Sea, Worthing, West Sussex, BN99 6DA, or you may photocopy the proxy form. Please indicate in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given.

5. A reply paid form of proxy is enclosed with shareholders' copies of this document. To be valid, it should be lodged with the company's registrars, Equiniti, The Causeway, Goring-By-Sea, Worthing, West Sussex, BN99 6DA, so as to be received not later than 3.15 pm on 11 November 2008 or 48 hours before the time appointed for any adjourned meeting or, in the case of a poll taken subsequent to the date of the meeting or adjourned meeting, so as to be received no later than 24 hours before the time appointed for taking the poll.

6. As at 15 October 2008 (being the last practicable day prior to the publication of this notice), the company's issued share capital consists of ordinary shares of 10p each, carrying one vote each. Excluding any shares held in treasury, the total voting rights in the company as at 15 October 2008 are 11,893,559.

7. In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (a) if a corporate shareholder has appointed the chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the chairman and the chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (b) if more than one corporate representative for the same corporate shareholder has not appointed the chairman of the meeting as its corporate representative, a designated corporate representative will be nominated from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives — www.icsa.org.uk — for further details of this procedure, The guidance includes a sample form of representation letter if the chairman is being appointed as described in (a) above.

8. Appointment of a proxy will not preclude a member from subsequently attending and voting at the meeting should he or she subsequently decide to do so. You can only appoint a proxy using the procedures set out in these notes and the notes to the form of proxy.

By order of the Board

P D Mason
Company Secretary

Merse Road
North Moons Moat
Redditch
Worcestershire
B98 9HH
16 October 2008

Form of proxy

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 13 November 2008 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	VOTES WITHHELD
1 To adopt the Directors' Report and Accounts			
2 To declare a final dividend			
3 To elect Mr N A Brangwin as a Director			
4 To elect Mr A M Cooper as a Director			
5 To elect Mr D Taylor as a Director			
6 To re-elect Mr I A Thorpe as a Director			
7 To re-elect Mr P D Mason as a Director			
8 To reappoint PricewaterhouseCoopers LLP as Auditors of the company			
SPECIAL BUSINESS			
9 To approve the Directors' Remuneration Report			
10 To give the Directors authority to allot relevant securities (Section 80 C.A. 1985)			
11 To give the Directors authority to allot equity securities (Section 94 C.A. 1985)			
12 To give the company authority to make market purchases of its ordinary shares			

Dated this .... day of ....2008 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.

The "votes withheld" option on this proxy is provided to enable you to abstain on any particular resolution. However, a vote withheld is not a vote in law and will not be counted in the calculation of votes "for" or "against" a resolution.

Second fold

BUSINESS REPLY SERVICE
Licence No. SEA 10846

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Equiniti
The Causeway
Worthing
West Sussex
BN99 6ZL

First fold

Third fold
and tuck in flap opposite

Financial calendar

2008	
21 October	Posting of Report and Accounts
13 November	Annual General Meeting
20 November	Payment of final dividend

2009	
March	Announcement of Interim results
May	Payment of Interim dividend
September	Announcement of results for the year

FW THORPE PLC

F W Thorpe Plc
Merse Road
North Moons Moat
Redditch
Worcestershire
B98 9HH
England

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www.fwthorpe.co.uk

Incorporating
Thorlux Lighting
Compact Lighting
Sugg Lighting
Mackwell Electronics
Philip Payne