FW Thorpe Plc

Annual Report and Accounts **2011**

75th 1936 - 2011 ANNIVERSARY

INTRODUCTION

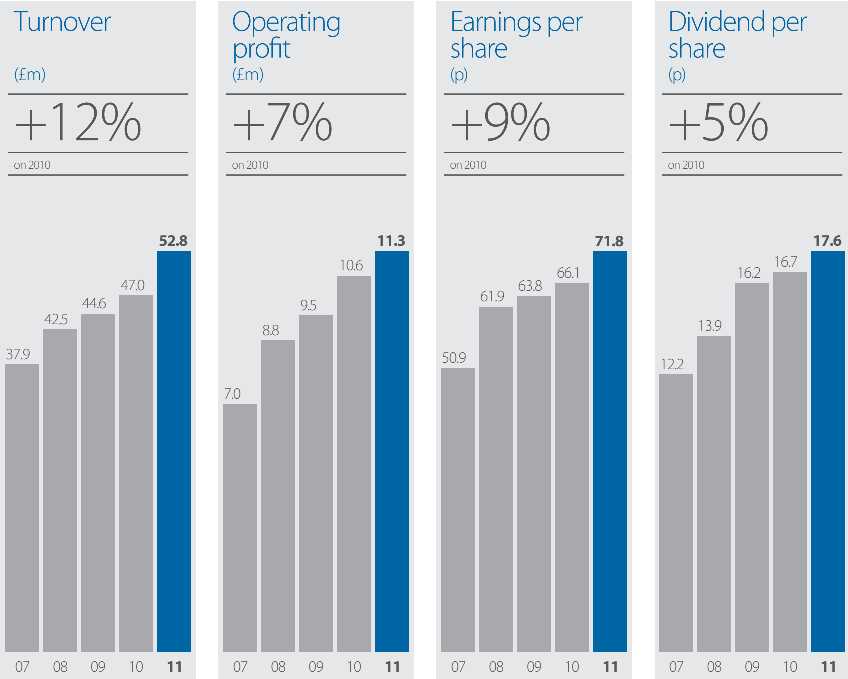
We specialise in designing and manufacturing professional lighting equipment. We currently employ nearly 600 people and although each company works autonomously, our skills and markets are complementary. Our focus is for long-term growth and stability achieved by developing market leading products backed by excellent customer service.

Our products are sold throughout the world. The group management team is passionate about developing the business for the benefit of the shareholders, employees and customers. With the energy and ability of our staff we look forward to the future with enthusiasm.

Our aim is to create shareholder value through market leadership in the design, manufacture and supply of professional lighting systems.

For more information on our business, visit our website **www.fwthorpe.co.uk**

HIGHLIGHTS OF THE YEAR



The above figures have been adjusted to show continuing operations.

The dividend per share for 2007 and 2009 excludes the special dividend of 12.0p per share, and represents dividend for the year, not dividend paid in the year.

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Operational highlights

- Growth in both operating profit and profit before tax
- Thorlux Applications Centre opened
- Potential sale of Mackwell – negotiations at an advanced stage
- Portland Lighting acquisition completed subsequent to year end

FW THORPE PLC AT A GLANCE

Thorlux Lighting

The Thorlux range of luminaires is designed, manufactured and distributed by Thorlux Lighting, a division of FW Thorpe Plc.

Thorlux luminaires have been manufactured continuously since 1936, the year Frederick William Thorpe founded the company.

The company now operates from the group's modern 14,410 square metre self-contained factory in Redditch, Worcestershire, central England.

Example products

Mackwell Electronics

Mackwell Electronics was formed in 1979 and has grown consistently since that time to become one of the leading manufacturers of emergency lighting components in the UK. Mackwell operates from purpose designed premises of over 3,800 square metres in Aldridge, West Midlands.

It develops all products in house and has a wide and innovative product portfolio which now includes emergency modules incorporating DALI interface and a range of LED conversion kits.

Example products

Compact Lighting

Compact manufactures and supplies professional lighting systems to retailers. Its focus on this market enables it to produce cost effective products designed specifically for today's retail environment.

Its aim is to enable retailers to design and test new lighting concepts, control their implementation and manage the roll-out to a budget. Compact employs both lighting and project management professionals and already supplies lighting to many of the UK's top 100 retailers.

Example products

Philip Payne

Philip Payne recognises that most trade emergency exit signage products are generally designed with the functional in mind.

Philip Payne offers a backbone range of quality standard products but more importantly encourage direct dialogue with architects and designers to ensure via product variation or bespoke work aesthetic aspirations and requirements are fully met.

Example products

Sugg Lighting

Established in 1837, Sugg Lighting is renowned as the leading name in decorative and heritage lighting.

Ornate Sugg Lighting columns and decorative lanterns are in use throughout the world, with many nineteenth century installations still in excellent working order.

The historic skills and traditions behind this unique pedigree remain the cornerstone of the Sugg Lighting success story.

Example products

Solite Europe

Solite Europe is a leading manufacturer and supplier of cleanroom lighting equipment and luminaires within the UK and Europe.

It provides luminaires for laboratories, pharmaceutical and semi-conductor manufacturing areas including hospitals, kitchens and food preparation applications.

Example products

OUR GEOGRAPHIC REACH

Our aim is to create shareholder value through market leadership in the design, manufacture and supply of professional lighting systems.

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

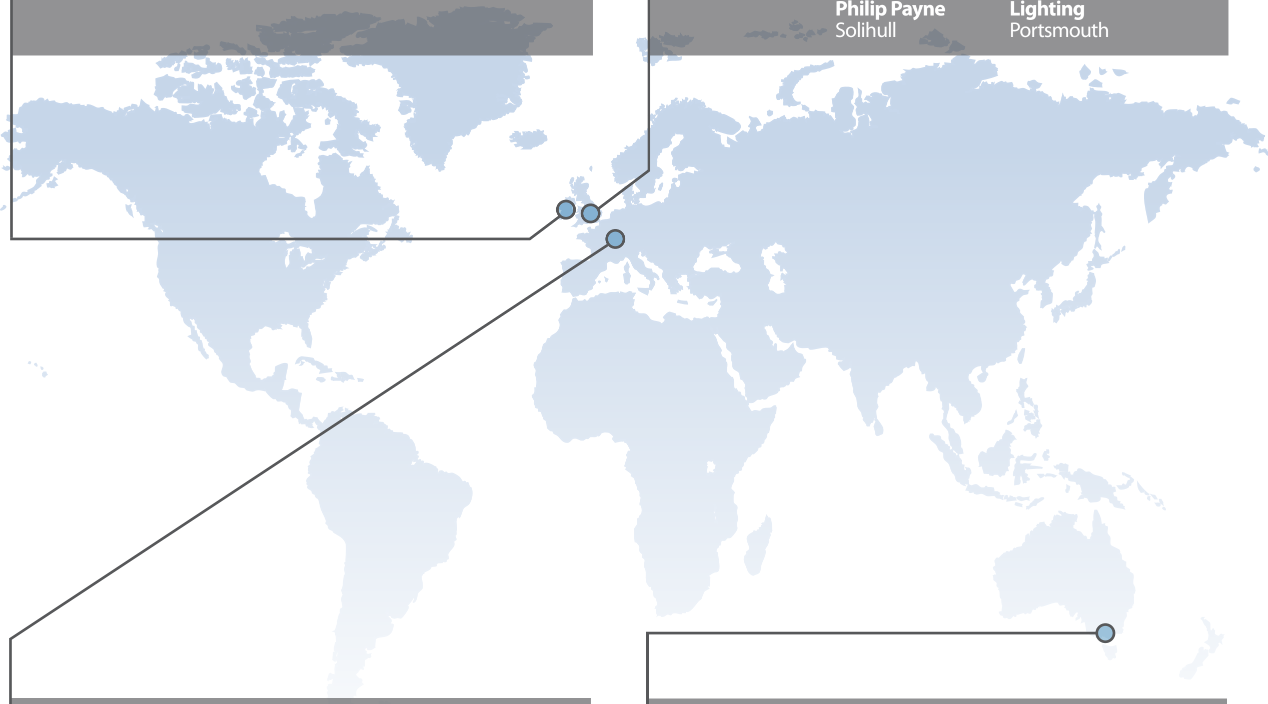
We operate as six companies and although each company works autonomously, our skills and markets are complementary.

IRELAND

LOCATIONS	COMPANIES
1	**Thorlux Lighting** Dublin

UNITED KINGDOM

LOCATIONS	COMPANIES	
6	**Thorlux Lighting** Redditch	**Solite Europe** Manchester
	Mackwell Electronics Aldridge	**Sugg Lighting** Horsham
	Philip Payne Solihull	**Compact Lighting** Portsmouth



GERMANY

LOCATIONS	COMPANIES
1	**Thorlux Lighting** Munich

AUSTRALIA

LOCATIONS	COMPANIES
1	**Thorlux Lighting Australasia** Melbourne

CHAIRMAN'S STATEMENT

I am pleased to be able to report another successful year for FW Thorpe Plc, despite a continuing uncertain global and national financial environment.

A B Thorpe
Chairman

"With the energy saving "driver" becoming progressively more important, your company's products are where they should be."

In referring to the group's performance below for comparative purposes, we have compared continuing operations, being those figures required for disclosure under International Financial Reporting Standards, plus discontinued operations.

On the basis of the above, total revenues increased 12% from £55.6m to £62.5m with an accompanying increase in operating profit of 13% from £11.2m to £12.6m. Income from investments also improved to £376k, giving a resulting group profit before taxation of £12.9m.

These figures, happily, indicate a resumption of an increasing earnings per share path.

Last year, I commented on the likely situation with a new coalition government of a future governed by "things coming home to roost". I would suggest that this is the situation in which we now find ourselves both nationally and internationally with some western governments in danger of defaulting on their loans.

Nationally, "the cuts" are having a patchy effect and it is with thanks that I can say that, by and large, your company's market is in between the patches.

Infrastructure upgrades have to continue and with the energy saving "driver" becoming progressively more important, your company's products are where they should be, although at this time we would like to be offering in a number of market areas where we are currently absent.

On the export front the euro stayed fairly stable throughout the period 30 June 2010/2011 although the pound strengthened somewhat against the dollar. Group wise the stable euro allowed further strengthening of export channels for the luminaire manufacturers within the group and the trend of a slightly weakening dollar against the pound allowed lower purchase costs for our electronics company Mackwell Electronics Ltd. The main constraints on luminaire sales outside Europe were the finishing of some large one-off supply contracts in the Middle East and, within Europe, financial constraints in certain areas such as the Republic of Ireland. Group exports totalled £10.7m for the year to 30 June 2011 compared to £10.5m for the previous corresponding period.

2010/2011 also saw your company return to a path of further investment in the group, investing some £2.2m during the year. Some investments to note were a new sheet metal punching machine for Compact Lighting Ltd for £250k, the movement of the incumbent Compact Lighting Ltd metal punching machine to Solite Europe Ltd in Manchester, the decision to purchase, requiring part payment during the year of a new sheet metal laser/punching machine for Thorlux Lighting for £150k, the purchase of Portland Lighting Ltd as announced on 1 July 2011, and the building of a new 350 square metre "Applications Centre" at Thorlux Lighting about which more will be explained in the Thorlux Lighting section.

The year also brought a re-crystallising of group future strategy emphasising that your company should return itself to a pure lighting fittings and controls systems entity. It has become our intention, therefore, to sell Mackwell Electronics Ltd and at this time I would report that talks are well advanced with a potential purchaser, Mr Nicholas Brangwin, Mackwell's current Sales Director.

Mackwell was originally purchased in 1990 to secure a supply of emergency lighting control gear for Thorlux Lighting, the only trading company in FW Thorpe Plc at that time. It was seen that emergency lighting would become increasingly required but emergency lighting control gear was hard to source. The purchase of Mackwell Electronics Ltd solved this problem. Now, however, developments in emergency lighting are very pointedly towards the use of LED systems and this situation has required Mackwell Electronics to invest in LED technology. To justify this expense it has had to diversify its product range into the provision of complete LED

CHAIRMAN'S STATEMENT
CONTINUED

"The year also brought a re-crystallising of group future strategy emphasising that your company should return itself to a pure lighting fittings and controls systems entity."

emergency lighting luminaires and systems which often mirror products offered by other group companies and which are placed on the general market for sale to other OEM's.

Mackwell needs to and will continue to tailor its range more towards emergency LED control gear, luminaires and systems and needs to be free to do so. Separating Mackwell from the group will, further, allow other group companies to devote their efforts simply to pure lighting matters.

Whilst there can be no guarantee that the sale will complete, discussions are at an advanced stage. The transaction will as a result of certain terms, in accordance with the Companies Act, be subject to shareholder approval.

Group results stated at the start of this report allow your Board to recommend a final dividend of 13.3p per share (2010: 12.6p) which added to the interim paid in May 2011 totals a dividend of 17.6p per share (2010: 16.7p).

Thorlux Lighting
Thorlux, our commercial and industrial lighting systems firm achieved another successful year deriving great benefit from the ever increasing thirst for energy saving lighting. Energy prices and the advance in efficiency of lighting technology now make it possible for an installation installed in only recent years to be replaced with the expectation of a short payback due to energy costs savings.

The impetus of product development continues with many products being increasingly offered in LED variants whilst new LED specific luminaires are being designed and introduced. In the field of general lighting, LED technology still has a way to go before cost savings can be easily achieved in comparison to more conventional solutions. The introduction of new and improved lighting control systems will also feature in the coming year.

During this financial year some £150k has been invested in improvements to the powder coating plant allowing quicker colour changes and some £150k has been advanced for the purchase of a new sheet metal laser/punching machine which will have cost some £1m by the time it is installed later in 2011.

The year also saw Thorlux build a new 350 square metre, £350k "Applications Centre" now fitted out with many and various forms of Thorlux luminaire and control systems allowing "active" demonstrations in real life surroundings. Unlike a "static" showroom the emphasis here is to allow dynamic demonstrations. The centre includes sample classrooms, prison cells, mock road tunnels, a hospital ward and a simulated park area.

The continuing increase in volume and complexity of Thorlux products is taking its toll on capacity availability at the Thorlux Works and serious thought is being given to the provision of future capacity requirements and the possible costs thereof.

Export efforts continue internationally with the Republic of Ireland market holding up well despite their economic woes, Thorlux Australasia gaining further orders and credibility as it advances and Thorlux Germany starting to mature nicely with further small but continuing market penetration.

Mackwell Electronics Ltd
Mackwell, being a manufacturer of emergency lighting control gear and systems has enjoyed the slight strengthening of the pound against the dollar, assisting in component purchases usually priced in dollars.

Control gear for LED emergency lighting solutions now makes up around 35% in value of Mackwell sales, with an increasing trend. Control gear for traditional fluorescent based emergency lighting is still a major part of the company's offering and is, especially, important still for some export areas.

Careful management and hard selling have restored revenues to an upward direction and profitability to pre 2009/2010 levels.

Compact Lighting Ltd
Compact, our retail lighting specialist manufacturer in Portsmouth, enjoyed a much improved year despite much of their sales force leaving by one means or another or retiring. A stalwart effort by senior management has kept progress on track and a new sales team is now in place.

The general retail environment has been flat in regards to new stores and refit work but the location and servicing of new customers, as mentioned in last year's report, with forward-looking expansion plans has been the foundation of a good year.

It is pleasing to report that the popularity of the increasing variety of highly-tooled ranges of Compact Lighting products continues helping to meet our aim of making Compact a high-end player in the retail and display lighting market.

Philip Payne Ltd
Philip Payne Ltd, manufacturer of high specification exit signage also resumed a growth path returning both revenue and profit to pre 2009/2010 levels.

Mr David Ball who was reported as having assumed the position of Operations Director last year has successfully undertaken the role and now provides the group with the comfort of a solid "deputy" in this small company.

A most notable achievement for Philip Payne Ltd during this period is the success being gained on the export market especially, in Eastern Europe and the Middle East. A number of specifications have been gained through London specifiers and now specifications are appearing having been generated in those markets themselves.

A notable such job completed during the 2010/2011 year has been the supply of exit signage for the Qatar National Convention Centre in the Middle East.

Sugg Lighting Ltd
Sugg Lighting, the group heritage lighting manufacturer and refurbisher has operated in a similar vein to 2009/2010 wherein, not withstanding all the craftsmanship of the out coming product, respectable profit levels are still required from their efforts. Input pleasingly improved some 13% but a similar increase in profit was not achieved.

The new northern salesman for this small company made an immediate effect in his territory and provided a good contribution to the sales input. If sales can increase there must be profit to be made and greater efforts are required in this regard.

A notable achievement for Sugg Lighting during the year has been the refurbishment of the Gas Rochester Lanterns in Henrietta Street near Covent Garden in London.

Solite Europe
Solite Europe being a specialist manufacturer of luminaires for "clean rooms" joined the group during 2008/2009 providing a small resultant loss for that year. Subsequently, as previously reported, a deal of work was completed improving literature, providing a website, and making various improvements in the manufacturing area.

Since that date performance has continued improving to produce for the year 30 June 2010/2011, a revenue of over £1.2m with an associated profit of over 17%.

It is with the above in mind that I must bid thanks to retiring MD, Mr Keith Bennett and thank him not only for his great efforts over his years with Solite but also for enthusiastically joining FW Thorpe Plc a year or two ago. Keith, in fact, is continuing for a number of months more as part time Sales Director, however, I would like to take this opportunity of wishing him well in his eventual retirement.

It is, therefore, with great pleasure that I would like to welcome Mr "Phil" Myles as the new Managing Director of Solite Europe Ltd. Phil has spent a number of years in the lighting industry and has a wealth of lighting knowledge especially in regard to educational and clean room lighting. He joined the group as Thorlux Educational Product Manager in 2009. The Board wishes Phil every success in his new role.

People
It has been a busy year in most areas of FW Thorpe Plc and sometimes there have been the frustrations that come with a busy schedule. We should not forget, however, that any such feelings cannot match the frustration of those who want work but cannot find it. We should be grateful for our positions.

So, to all those lucky ones within FW Thorpe Plc may I take this opportunity to offer my thanks for their diligence, hard work and loyalty throughout the year.

The future
The times are very difficult to predict as I, and others have said for quite a period now. A month before the time of writing things were getting better, now they are not again and the talk is of Greece once more.

This past year has been more successful than we could have envisaged at the start but in the light of spending reductions by the UK's biggest customer, the Government, we must continue striving to give our customers what they desire and control our costs as well as is feasible, in an effort to further improve our market share.

This we will do to the best of our ability.

Andrew Thorpe

A B Thorpe
Chairman
22 September 2011

FW THORPE'S 75TH ANNIVERSARY

1962 – 1986

In 1963 the company moved to a purpose built site in Kings Norton, Birmingham; bulkheads for "gas filled" and discharge lamps were developed and cast floodlights for tungsten halogen lamps. Further ranges were introduced to satisfy hazardous area requirements.

On 6 January 1964 F W Thorpe died. Due to problems with death duties and unfavourable tax conditions the decision was made to "go public". Ken Brangwin became Chairman of FW Thorpe Ltd. The policy of the company continued to be that of producing high quality light fittings and the emphasis on exports increased.

By the 1970s the factory had been extended to include a powder coating plant, but it was felt that space was still limited and a search began for a new site.

In June 1981 Ernest Thorpe took office as Chairman. CNC machinery was introduced and new design staff recruited. Luminaires were designed to meet the specific needs of offices and retail stores and their sales more than offset those of the declining industrial fittings. A stores and distribution unit was built in Redditch to cater for the demand for extra space.

1936 – 1961

Frederick William Thorpe and his son Ernest Thorpe started Thorlux Lighting in 1936. Based in a small factory in Small Heath, Birmingham, they initially designed and manufactured vitreous enamelled steel reflectors. By 1939 they were struggling to keep up with orders and moved to larger premises in Welby Road, Hall Green, Birmingham, shortly afterwards the Small Heath factory was destroyed by a bomb.

During war time, alongside the production of circular reflectors for gas filled and mercury discharge lamps, the company was spinning nose cones for Spitfire and Hurricane fighter planes.

Following the arrival of the fluorescent lamp in 1937 the product range was extended to include trough fittings and street lanterns. Production was limited due to steel shortages, and delivery times of two years were not unusual.

Throughout the 1950s, despite the problems of power cuts and strikes, the company prospered and extended its manufacturing area until all the land was exhausted.

1987 – 2011

In 1989 the company moved to its new 14,410 square metre self-contained factory in Redditch, Worcestershire, central England. Significant investments were made in new state of the art manufacturing machinery and methods and a large test laboratory including a seven metre high goniophotometer. In the next 20 years, high technology products became Thorlux's key focus including development of their first electronic energy saving products in the mid 1990s. Andrew Thorpe, the grandson of the founder, became Chairman in 2003 and now Thorlux (and the FW Thorpe Plc group) is one of the largest manufacturers of lighting systems in the UK and employs over 600 people.

Thorlux is now well known throughout the world and has offices in Germany, Dublin and Melbourne. The company provides a comprehensive range of professional lighting and control systems for architectural, commercial, floodlighting, industrial, hazardous area and tunnel applications.

THE NEW THORLUX APPLICATIONS CENTRE

The new Thorlux Applications Centre provides 350 square metres of interactive, full scale demonstrations showcasing the latest advancement in lighting control systems, lamp technology and luminaire design. It was opened in November 2010 and since then over 350 customers have passed through having received general product information, specialist training or project specific advice.

Healthcare

The healthcare area demonstrates the Thorlux approach to hospital lighting and the impact LG2 has on lighting schemes for hospital wards. The Thorlux range of healthcare luminaires combine innovative design and energy saving technology ensuring a comfortable environment for patients.

Education

Two interactive classrooms demonstrate how Thorlux luminaires provide the ideal lighting solution for modern learning environments in both new build and refurbishments.

Thorlux can offer a multi-service lighting system that can incorporate acoustic attenuation, lighting controls, sprinklers and public address systems. Luminaires can incorporate Smart controls for energy savings through daylight linking and presence detection.

Emergency

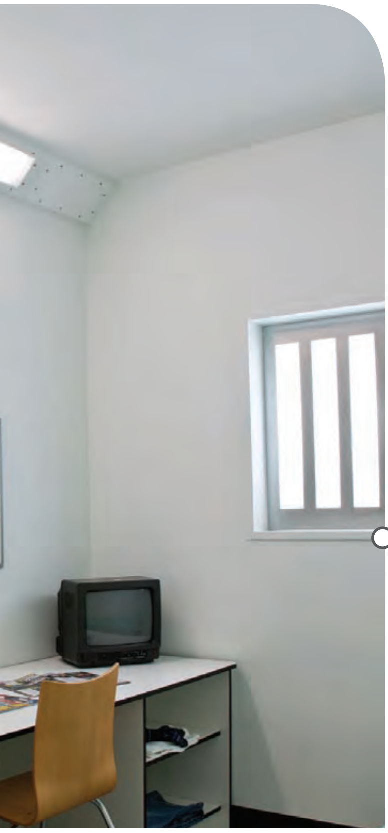
The interactive emergency lighting area demonstrates Scanlight AT. The system provides the unique opportunity to have reliable fit and forget emergency lighting combined with centralised testing and reporting. Automated testing eliminates the time taken for inspection of individual emergency luminaires and significantly reduces costs.

Thorlux is able to advise on current emergency lighting legislation and test requirements.

THE NEW THORLUX APPLICATIONS CENTRE
CONTINUED

Exterior

The exterior display demonstrates our advancements in LED technology combined with the energy saving benefits of our new Smart External system. Our "night-time" facility enables the visitor to see at first hand the advantages of programmable presence and ambient light sensing.



Custodial

Thorlux can supply comprehensive ranges of custodial luminaires for UK Prisons and Police Custody Buildings. Specific luminaires are approved by both the National Offender Management Service (NOMS) and the Home Office to meet the stringent new standards for use in bedded accommodation areas. Our Safe-Cell and Secure Unit facility incorporates a selection of luminaires specifically engineered for these environments.

Tunnel

Within the Applications Centre we have been able to simulate a road tunnel lighting scheme. With 15 years of tunnel lighting experience our engineers are able to advise on the rigorous demands of road tunnel environments and demonstrate how Thorlux can provide a reliable and energy efficient lighting solution.

ENERGY SAVING CASE STUDY

Volkswagen Group UK Ltd. Distribution Centre – Dordon

3,787,590 kWh energy saving per annum

Warehouse lighting refurbishment
Volkswagen Group UK Ltd. decided to refurbish the lighting at its Dordon facility to increase lighting levels and reduce energy.

The warehouse is divided into three main types of area; low bay, high bay and a small parts store. The low and high bay areas were originally illuminated by 8 x 55W PL luminaires; these were replaced by a combination of 4 x 54W and 4 x 80W T5 Solow XL Smart luminaires. On the top floor of the mezzanine, which benefits from ingress of natural light, the existing 2 x 70W battens were replaced by 2 x 35W Kanby Smart luminaires. The other mezzanine floors were fitted with 2 x 35W Kanby luminaires having occupancy detection via integrated PIRs.

Main results
- 50% reduction in installed load
- Reduction in CO_2 emissions overall per annum

Method of control/operation
Movement sensing
Lighting across the warehouse is now controlled using integral presence detectors. Time delays and security settings vary across the site to suit each different occupancy patterns.

Daylight dimming
Each luminaire will dim itself independently depending upon the light level within its surrounding area. The lamps will switch off if the light level exceeds its pre-programmed level.

This provides a uniform lighting level and takes advantage of the natural daylight throughout the warehouse.

Genuine energy savings from Smart luminaires
The data displayed demonstrates how the Smart luminaires have provided significant energy savings.

Programmability
Tremendous flexibility can be achieved by individually programming luminaires to suit local conditions and the requirements of the users.

Data logging
The site has a full energy monitoring system in place that has provided the data for this study. The graph shows the energy consumption for the site, of which the warehouse lighting accounts for the vast majority. 25–30% of the "old" luminaires had failed at the time of monitoring, if they were all working the savings shown would be far greater as the original load would have been far higher than that recorded.

	OLD	NEW
Luminaires	1520 qty 2 x 70W Batten	1825 qty 2 x 35W Kanby
	1383 qty 8 x 55W PL	682 qty 4 x 80W Solow XL
		265 qty 4 x 54W Solow XL
Total maximum load	843kW	428kW
Annual saving		£268,920*
Reduction in CO_2		2,007,423 kg

* Based on 7.1p per kWh

"What a result, a lighting system that pays for itself in 2.4 years!

We set out to replace the eight-year-old lighting system because the light levels were poor and automatic controls non-existent.

Thorlux Lighting put so much effort into the design and manufacture of the luminaires, the light output is amazing, even when the luminaires are on they are saving energy!

In our large warehouse the density of occupation is low, so movement sensing is essential; also there are lots of roof lights which allow daylight dimming to deliver significant savings for us.

We are now using Thorlux luminaires at our head office and other warehouse locations to improve lighting and save energy."

NICK LAWS
HEAD OF FACILITIES
VOLKSWAGEN GROUP UK LTD.

Volkswagen Group UK Ltd. Distribution Centre electrical consumption

This study is currently based on six months data from the site.

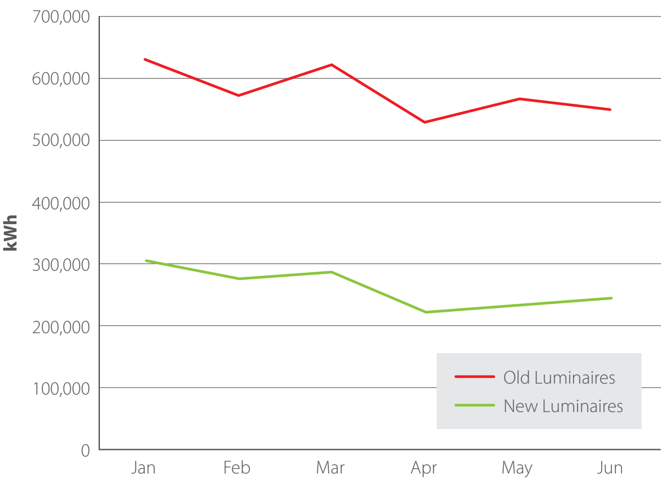
This graph illustrates energy saved during the monitoring trial.

The red line indicates the energy consumed by the old luminaires whilst the green line shows the actual measured energy consumption following installation of the new luminaires.

Luminaires are switched on in response to presence and dim whilst there is daylight contribution.

Site: Volkswagen Group UK Ltd.

Installed: 2010



DIRECTORS

1. Andrew Thorpe
Chairman and Joint Group Chief Executive

Andrew is the grandson of the company founder, Frederick William Thorpe. After serving an apprenticeship with the company, he has worked in various parts of the business, leading to the positions of Export Sales Director, Manufacturing Director and then Managing Director of Thorlux Lighting. In 2000, he became Joint Group Chief Executive and in 2003 Group Chairman.

2. Mike Allcock
Joint Group Chief Executive and Managing Director, Thorlux Lighting

Mike joined FW Thorpe Plc in 1984 as an apprentice, working his way to Technical Director for Thorlux Lighting in 1998, taking responsibility for the company's design programme. He was appointed Group Technical Director in 2001, Managing Director of Thorlux Lighting in 2003 and Joint Group Chief Executive in 2010. Mike is a Chartered Electrical Engineer and a Fellow of the Institution of Engineering and Technology. He is passionate about developing innovative, high technology, market leading products.

3. Craig Muncaster
Financial Director and Company Secretary

After graduating in Business Administration, Craig qualified as a Chartered Management Accountant in 2000. He has spent time in the manufacturing and engineering sectors, more recently as UK Financial Director for Durr, which included a number of overseas ventures and projects for the wider group.

4. David Dimeloe
Managing Director, Mackwell Electronics

David graduated from Birmingham University, with a Ph.D. in Chemical Engineering. His early career was based in the commercial areas of the process control industry. In August 1995, David was appointed as Managing Director of Mackwell Electronics, and appointed a Director of FW Thorpe Plc in July 1997. David has been actively involved in the Lighting Industry Federation for many years and he was elected President of this federation in April 2003, a post he held for two years.

5. Tony Cooper
Manufacturing Director, Thorlux Lighting

Tony graduated from Loughborough University with a B.Tech in Production Engineering and Management in 1984 and became a Chartered Engineer in 1988. He worked in various manufacturing industries, including Mars Electronics and Thomas & Betts, before joining Thorlux Lighting as Manufacturing Director in 1998.

6. David Taylor
Managing Director, Philip Payne

David joined FW Thorpe Plc in 1978 and on completion of a commercial apprenticeship leading to an HNC in Business Studies he worked in various roles at Thorlux Lighting and elsewhere within the group. In 1996, he became Managing Director of Philip Payne Limited.

7. Nicholas Brangwin
Sales Director, Mackwell Electronics

Nick joined Mackwell Electronics Limited, the emergency lighting component division of FW Thorpe Plc, in 1991, having previously worked within the Electrical Wholesale sector. His initial years were spent developing the UK business, moving to Export Sales Manager in 1998 to set up and develop the company's international business. He was appointed Sales Director of Mackwell Electronics Limited in 2004.

8. Colin Brangwin
Non-executive director

After joining the company in 1963, Colin 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.

9. Ian Thorpe
Non-executive director

Ian, grandson of the company founder, was Manufacturing Director of Thorlux Lighting from 1978 until 1993 when he became Personnel Director. He became a non-executive director on 1 October 1997 and is a member of the remuneration committee.

10. Peter Mason
Non-executive director

After studying Electrical Engineering at Aberdeen University, Peter qualified as a Chartered Accountant with Price Waterhouse in 1976. He spent time with Planet Group and TI Group before joining FW Thorpe Group in 1987 as Finance Director. He became Joint Chief Executive in July 2000. He became a non-executive director in June 2010, and is the Chairman of the remuneration committee.

ADVISERS AND COMPANY INFORMATION

ADVISERS

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

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Worcestershire B98 8BZ

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Nominated Adviser
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London EC1A 9BD

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Lancing BN99 6DA

COMPANY INFORMATION

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

Registered No.
F W Thorpe Plc is registered in
England and Wales No. 317886

Websites
www.fwthorpe.co.uk
www.thorlux.com
www.thorluxdesign.com
www.thorlux.com.au
www.thorlux.de
www.thorlux.ie
www.thorlux.es
www.thorlux.se
www.mackwell.co.uk
www.compact-lighting.co.uk
www.philippayne.co.uk
www.solite-europe.com
www.sugglighting.co.uk

REPORT OF THE DIRECTORS

The directors have the pleasure in submitting their annual report and the audited consolidated financial statements of the group and the company for the year ended 30 June 2011.

Principal activity and business review

The main activity of the group continues to be the design, manufacture and supply of professional lighting equipment. Each company within the group operates in a different market of the lighting sector.

Business review

A review of the business and future developments is included in the Chairman's statement on pages 5 to 7.

Key performance indicators

The directors consider the main financial key performance indicators (KPIs) to be those disclosed within page 1 of the financial highlights. The two most important KPIs to the business are turnover and operating 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 which have appropriate measurements that reflect their nature. These are monitored regularly at local and group Board level, during the year the majority of objectives were achieved or substantially achieved.

Principal risks and uncertainties

We have detailed below what we consider to be the principal risks and uncertainties to the business, and how we seek to manage and mitigate these risks.

The group's revenue and profit could be affected by spending reductions and inflationary pressures, particularly concerning the current global economic challenges. Adverse economic conditions can defer or reduce capital investment plans which our products are supplied into and are key sources of revenue for the group. We seek to manage and mitigate these risks by ensuring we have a broad range of customers in differing sectors, and also ensuring we differentiate the group by offering high quality, technically advanced products, to differentiate the group from competitors. In addition, we actively seek to identify new opportunities to ensure we maximise our potential of winning new business.

Changes in government policy, laws and regulation are constantly evolving, with continuing pressures on government spending plans. Reductions in spending and changing policy increases the risk to our order book; we have sought and continue to seek to diversify our customer portfolio to ensure we have an appropriate spread, mitigating the risk of any industry or specific sector spending issues.

The group operates within a competitive environment with threats from existing competitors, potential new entrants and the continued evolution of existing technologies within the lighting industry. The group seeks to minimise these risks by offering innovative products and service solutions. We seek to manage and mitigate these risks by offering technologically advanced products to enable us to differentiate ourselves from our competitors, investing in our research and development activities to produce new and evolving product ranges for the future, to maintain and enhance our market position. The financial risks which impact the company are covered in the following paragraphs.

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

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.

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

Cash and liquidity management

The group's cash is managed in accordance with the treasury policy. Cash is managed centrally on a daily basis to ensure that the group has sufficient funds available to meet its needs and invests the remainder. The majority of cash is placed with approved counterparties either on overnight deposit or time deposit. There are a series of time deposits which are maturing on a rolling cycle in order to meet regular business payments with a margin for larger regular and one-off payments as well as seasonal variation in cash requirements.

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. There were no currency hedging derivatives in place at 30 June 2011 or 30 June 2010.

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.

Pension scheme position and funding

The pension scheme position as shown in the balance sheet, has improved during the year, which is a combination of an increase in the market value of the investments held by the scheme and additional company contributions, movement on the discount rate, partially offset by an increase in projected liabilities arising from increased life expectancy rates of members. Some of these effects are expected to reverse, whilst others may continue to adversely affect the surplus. A triennial actuarial valuation was carried out in 2009 and, following the results, a funding level for the future has been agreed between the trustees of the scheme and the directors of the company. The directors consider it unlikely that any changes to the present funding levels will have any significant effect on the strength of the company's balance sheet.

Results and dividends

The results for the year are set out in detail on page 27.

On 10 May 2011 the company paid an interim dividend of 4.3p per share (2010: 4.1p) amounting to £504,000 (2010: £481,000). A final dividend of 13.3p (2010: 12.6p) per ordinary share is proposed amounting to £1,559,000 (2010: £1,477,000) and, if approved, will be paid on 17 November 2011. Total dividends paid during the year amounted to £1,981,000 in aggregate (2010: £3,306,000).

Directors

The directors of the company at the date of this report are set out on page 16.

The directors retiring by rotation are Mr D Taylor, Mr I A Thorpe and Mr P D Mason who, being eligible, offer themselves for re-election. The contract for Mr D Taylor is terminable on 12 months' notice. Mr I A Thorpe and Mr P D Mason do not have service contracts with the company.

Directors' share interests

The details of the directors' share interests are set out in the Directors' remuneration report on pages 22 to 24.

Directors' indemnities

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its directors.

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 year end trade creditors is 42 (2010: 43).

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.

During the year the group spent £930,000 on capitalised development costs which includes internal labour.

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. Whilst it is considered that the market value is significantly greater than the net book value for many of the group's properties as a result of being acquired between three and 22 years ago, management consider that undertaking formal valuation exercises would be costly for limited value and consequently no formal exercise has been undertaken.

Charitable gifts

During the year the group gave £4,714 (2010: £3,550) for charitable purposes. This is made up of donations to UK charities for children's welfare of £2,775, educational schemes of £530, cancer care of £292, emergency aid of £99 and local causes of £1,018.

Substantial shareholdings

At 12 October 2011 the company had received notification of the following interests in 3% or more of the issued share capital, excluding holdings of directors:

FMR LLC	636,000 shares (5.3%)
E G Thorpe	655,698 shares (5.5%)

Statement on the provision of information to auditors

Each of the directors confirms that, as far as he is aware, there is no relevant audit information of which the group's auditors are unaware, and that he has taken all the steps he ought to have as a director to make himself aware of any relevant audit information, and to establish that the auditors are aware of that information. The above is in accordance with the provisions of section 418 of the Companies Act 2006.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have expressed their willingness to continue in office and a resolution for their re-appointment will be proposed at the next Annual General Meeting.

Directors' authority to issue shares

There is no longer a requirement to obtain 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 571 of the Companies Act 2006 to disapply generally the statutory pre-emption rights conferred by section 561 of the Companies Act 2006. Ordinary resolution number 8 would give the directors the authority to allot shares in the company or to grant rights to subscribe for, or to convert any security into shares in the company up to an aggregate nominal amount of £310,644 (which represents approximately 26% of the company's issued ordinary shares, excluding treasury shares, as at 12 October 2011). Special resolution number 9 would further allow the directors to allot equity securities or sell treasury shares for cash without first offering them to existing shareholders, in proportion to existing holdings, up to the same maximum nominal amount of £310,644 (which represents approximately 26% of the company's issued ordinary shares, excluding treasury shares) as at 12 October 2011.

This authority would, however, only allow the directors to do so in connection with a pre-emptive rights issue and, in any other case, the maximum nominal amount of equity securities which may be so allotted is £58,618 (which represents approximately 5% of the company's issued ordinary shares (excluding treasury shares) as at 12 October 2011.

These authorities, if approved, would expire at the conclusion of the next Annual General Meeting, save that the authority relating to section 561 would expire 15 months after being passed, if earlier.

REPORT OF THE DIRECTORS
CONTINUED

Purchase of own shares

Resolution number 10 set out in the notice of the Annual General Meeting will, if it is approved, allow the company to exercise the authority contained in the Articles of Association to purchase its own shares. The Board has no firm intention that the company should make purchases of its own shares if the proposed authority becomes effective, but would like to be able to act quickly if circumstances arise in which such a purchase would be desirable. Purchases will only be made on the 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 12 October 2011 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 2012. 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 UK Corporate Governance Code", or the "Code"). However, the Board supports the standards required by the Code and fully endorses the principles of openness, integrity and accountability of the Code. The directors consider that 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 contract for A B Thorpe exceeds one year.
- The pensionable salary includes 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:

P D Mason
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 22 to 24.

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.

Where there is a requirement for a senior personnel or subsidiary board appointment a sub-committee is formed. Any appointment to the group board 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.

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.

Internal financial control

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

During the year and continuing after the year end, the Board has operated a formal risk identification and evaluation process as part of a continuous review of the group's internal controls. This process 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.

Going concern

The directors confirm that they are satisfied that the group and company have adequate resources, with £14.2m cash and £11.6m short-term deposits, 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

C Muncaster
Company Secretary

12 October 2011

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

Company Registration Number: 317886

DIRECTORS' REMUNERATION REPORT

The Board has prepared this report to the shareholders, taking into account the provisions in the UK Corporate Governance Code and sections 420 to 422 of the Companies Act 2006. 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 conditions of employment.

Remuneration committee

The current members of the remuneration committee are the non-executive directors P D Mason (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 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.

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.

Remuneration policy – non-executive directors

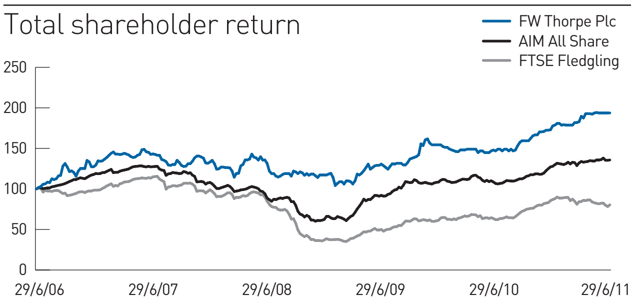
The Board as whole determines the remuneration of the non-executive directors. The Board takes into account the contribution made and the relative time spent on the company's affairs. The non-executive directors do not receive bonuses. Their benefits in kind consist of the provision of health insurance.

Directors' service contracts

The policy for directors' service contracts is to follow the Code for new appointments; however, for contracts in existence prior to the date the Code became effective, no amendment is expected to be made in view of the predicted service lives of the people concerned. A B Thorpe has a service contract which is terminable on two years' notice. This contract does not comply with the Code because it is in excess of one year. D A Dimeloe, M Allcock, A M Cooper, D Taylor and N A Brangwin have service contracts terminable on one year's notice. C Muncaster has a service contract which is terminable on six months' notice. P D Mason, 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, rebased to 100, as these are considered to be the most appropriate comparative indices for the company's business.



Directors' emoluments

	2011 Salary/fees £'000	2011 Bonus £'000	2011 Benefits £'000	2011 Total £'000	2010 Total £'000
Executive directors					
A B Thorpe	182	88	15	285	275
M Allcock	172	88	12	272	224
D A Dimeloe	108	135	12	255	208
D Taylor	66	35	17	118	106
N A Brangwin	62	21	11	94	89
A M Cooper	85	61	11	157	146
C Muncaster	83	61	12	156	–
Non-executive directors					
C M Brangwin	31	–	3	34	33
I A Thorpe	33	–	2	35	35
P D Mason	79	26	9	114	266
Total emoluments	901	515	104	1,520	1,382

The bonus for D A Dimeloe includes a contribution of £67,000 (2010: £46,000) to the pension scheme.

Directors' pension arrangements

M Allcock, D A Dimeloe, A M Cooper, N A Brangwin and D Taylor are members of the defined contribution section of the FW Thorpe Retirement Benefits Scheme. M Allcock and D Taylor have a final salary guarantee as they were previously members of the defined benefit section. C Muncaster has a personal pension to which the company contributes.

C M Brangwin, I A Thorpe, A B Thorpe and P D Mason 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. 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 four times pensionable salary. In addition, the defined benefit scheme members are entitled to a spouse's pension on death.

The following directors, excluding those classified as pensioners, 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 2011 £pa	Director's contributions during the year £	Change in value of accrued pension since 30 June 2010 £pa
M Allcock	43	65	55,641	9,945	9,911
D Taylor	49	65	33,673	4,593	3,934

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.

	2011 £	2010 £
D A Dimeloe	14,688	14,688
N A Brangwin	3,008	2,407
A M Cooper	4,000	4,000

Mr C Muncaster has a personal pension which is not part of the company scheme, and the following contributions have been made during the year.

	2011 £	2010 £
C Muncaster	8,480	–

DIRECTORS' REMUNERATION REPORT
CONTINUED

Directors' shareholdings

The directors listed below were in office during the year. Directors' interests in the share capital of the company at 30 June 2011 and 1 July 2010 were as follows:

	Ordinary shares of 10p Beneficial	
	2011	2010
Executive directors		
A B Thorpe	**2,805,841**	2,803,843
M Allcock	**11,400**	11,400
D A Dimeloe	**24,000**	26,341
D Taylor	**5,022**	5,022
N A Brangwin	**103,783**	103,783
A M Cooper	**8,400**	8,400
C Muncaster	**–**	–
Non-executive directors		
C M Brangwin	**773,155**	773,155
I A Thorpe	**2,504,712**	2,504,712
P D Mason	**165,137**	168,337

In addition, C M Brangwin has a joint non-beneficial interest in 170,000 shares (2010: 170,000 shares). Included in the holding for N A Brangwin are 56,667 shares (2010: 56,667 shares), representing one third of the holding of 170,000 shares in which Mr C M Brangwin has a non-beneficial interest.

The market price of the company's shares at the beginning and end of the financial year was 585p and 797.5p respectively and the range of market prices during the year was from 585p to 810p.

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 2011 to 12 October 2011.

Approved by the Board and signed on its behalf by:

C Muncaster
Company Secretary

12 October 2011

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 prepared the group and parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of the affairs of the group and the company and of the profit or loss of the group for that period.

In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRS's as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statement;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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

C Muncaster
Company Secretary

12 October 2011

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 2011 which comprise consolidated income statement, consolidated statement of comprehensive income, consolidated and company balance sheets, consolidated statement of changes in equity, consolidated and company statements of cash flows, the accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Respective responsibilities of directors and auditors
As explained more fully in the statement of directors' responsibilities set out on page 25, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with chapter 3 of part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements
In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 2011 and of the group's profit and group's and parent company's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006
In our opinion the information given in the report of the directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you, if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Matthew Mullins

Matthew Mullins (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors
Birmingham

12 October 2011

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011 £'000	2010 (restated) £'000
Continuing operations			
Revenue	2	**52,833**	46,950
Cost of sales		**(29,635)**	(25,723)
Gross profit		**23,198**	21,227
Distribution costs		**(3,994)**	(3,376)
Administrative expenses		**(7,952)**	(7,234)
Operating profit	3	**11,252**	10,617
Net finance income	6	**372**	110
Share of loss of joint venture		**(11)**	(27)
Profit before income tax		**11,613**	10,700
Income tax expense	7	**(3,201)**	(2,954)
Profit for the year from continuing operations		**8,412**	7,746

	Note	2011 £'000		2010 £'000	
Discontinued operations					
Revenue	2	**9,669**		8,692	
Cost of sales		**(5,942)**		(5,323)	
Gross profit		**3,727**		3,369	
Distribution costs		**(543)**		(433)	
Administrative expenses		**(1,855)**		(2,365)	
Operating profit		**1,329**		571	
Net finance income		**4**		6	
Share of loss of joint venture		**–**		–	
Profit before income tax expense		**1,333**		577	
Income tax expense		**(334)**		(107)	
Profit for the year from discontinued operations		**999**	**999**	470	470
Profit for the year	26		**9,411**		8,216

The restatement is to take account of the discontinued operation, Mackwell Electronics, see notes 1 and 2.

Earnings per share from continuing and discontinued operations attributable to the equity holders of the company during the year (expressed in pence per share).

		Continuing operations		Discontinued operations		Total	
Basic and diluted earnings per share	Note	2011 pence	2010 pence	2011 pence	2010 pence	2011 pence	2010 pence
– Basic	24	**71.8**	66.1	**8.5**	4.0	**80.3**	70.1
– Diluted	24	**71.8**	66.1	**8.5**	4.0	**80.3**	70.1

The notes on pages 32 to 62 are an integral part of these consolidated financial statements and parent company financial statements.

The company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the parent company income statement.

The profit for the parent company for the year was £8,376,000 (2010: £8,022,000).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011 £'000	2010 £'000
Profit for the year:	26	**9,411**	8,216
Other comprehensive income			
Actuarial gain/(loss) on pension scheme	30	**1,054**	(46)
Movement on associated deferred tax asset relating to the pension scheme	23	**(274)**	13
Restriction of pension scheme surplus	30	**(483)**	–
Deferred tax not recognised relating to the restriction of pension scheme surplus	23	**126**	–
Revaluation of available-for-sale assets		**37**	5
Movement on associated deferred tax	23	**(10)**	(1)
Impact of deferred tax rate change	23	**(24)**	–
Exchange rate movement on investment in joint venture		**(9)**	–
Other comprehensive income for the year, net of tax		**417**	(29)
Total comprehensive income for the year		**9,828**	8,187

All comprehensive income is attributable to the owners of the company.

The notes on pages 32 to 62 are an integral part of these consolidated financial statements and parent company financial statements.

CONSOLIDATED AND COMPANY BALANCE SHEETS

AS AT 30 JUNE 2011

	Note	Group 2011 £'000	Group 2010 £'000	Company 2011 £'000	Company 2010 £'000
Assets					
Non-current assets					
Property, plant and equipment	10	**11,109**	10,634	**10,429**	9,713
Intangible assets	9	**2,533**	2,683	**2,014**	1,715
Investment in subsidiaries	31	**–**	–	**1,008**	1,008
Investment property	13	**1,037**	1,006	**1,037**	1,006
Investment in joint venture	32	**136**	156	**156**	156
Available-for-sale financial assets	14	**1,105**	78	**1,105**	78
Deferred tax assets	23	**27**	622	**81**	534
		15,947	15,179	**15,830**	14,210
Current assets					
Inventories	17	**11,297**	11,363	**9,149**	7,172
Trade and other receivables	18	**11,377**	11,040	**12,116**	9,729
Other financial assets at fair value through profit or loss	19	**387**	386	**387**	386
Short-term financial assets – deposits	15	**11,616**	16,058	**11,616**	16,058
Cash and cash equivalents	16	**14,236**	8,754	**14,260**	8,770
Total current assets (excluding non-current assets and disposal groups held for sale)		**48,913**	47,601	**47,528**	42,115
Non-current assets and disposal groups held for sale	20	**5,823**	–	**–**	–
		54,736	47,601	**47,528**	42,115
Total assets		**70,683**	62,780	**63,358**	56,325
Liabilities					
Current liabilities					
Trade and other payables	21	**(8,199)**	(8,309)	**(10,235)**	(8,936)
Current tax liabilities		**(1,564)**	(1,668)	**(1,486)**	(1,483)
Total current liabilities (excluding liabilities directly associated with non-current assets and disposal groups for sale)		**(9,763)**	(9,977)	**(11,721)**	(10,419)
Liabilities directly associated with non-current assets and disposal groups held for resale	20	**(1,634)**	–	**–**	–
		(11,397)	(9,977)	**(11,721)**	(10,419)
Net current assets		**43,339**	37,624	**35,807**	31,696
Non-current liabilities					
Retirement benefit deficit	30	**–**	(1,379)	**–**	(1,379)
Provisions for liabilities and charges	22	**(102)**	(102)	**(102)**	(102)
Deferred tax liabilities	23	**(699)**	(684)	**(769)**	(506)
Total liabilities		**(12,198)**	(12,142)	**(12,592)**	(12,406)
Net assets		**58,485**	50,638	**50,766**	43,919
Equity attributable to owners of the company					
Called up share capital	25	**1,189**	1,189	**1,189**	1,189
Share premium account	27	**656**	656	**656**	656
Capital redemption reserve	27	**137**	137	**137**	137
Retained earnings	26	**56,503**	48,656	**48,784**	41,937
Total equity		**58,485**	50,638	**50,766**	43,919

The notes on pages 32 to 62 form part of these financial statements.

The financial statements on pages 27 to 62 were approved by the Board on 12 October 2011 and signed on its behalf by

A B Thorpe **C Muncaster**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2011

	Note	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 July 2009		1,189	656	137	43,775	45,757
Comprehensive income						
Profit for the year to 30 June 2010	26	–	–	–	8,216	8,216
Actuarial loss on pension scheme	30	–	–	–	(46)	(46)
Movement on associated deferred tax asset relating to the pension scheme		–	–	–	13	13
Revaluation of available-for-sale assets		–	–	–	5	5
Movement on associated deferred tax		–	–	–	(1)	(1)
Total comprehensive income		–	–	–	8,187	8,187
Transactions with owners						
Dividends paid to shareholders		–	–	–	(3,306)	(3,306)
Total transactions with owners		–	–	–	(3,306)	(3,306)
Balance at 1 July 2010		1,189	656	137	48,656	50,638
Comprehensive income						
Profit for the year to 30 June 2011	26	–	–	–	9,411	9,411
Actuarial gain on pension scheme	30	–	–	–	1,054	1,054
Movement on associated deferred tax asset relating to the pension scheme		–	–	–	(274)	(274)
Restriction of pension scheme surplus	30	–	–	–	(483)	(483)
Deferred tax not recognised relating to the restriction of pension scheme surplus	23	–	–	–	126	126
Revaluation of available-for-sale assets		–	–	–	37	37
Movement on associated deferred tax	23	–	–	–	(10)	(10)
Impact of deferred tax rate change	23	–	–	–	(24)	(24)
Exchange rate movement on joint venture		–	–	–	(9)	(9)
Total comprehensive income		–	–	–	9,828	9,828
Transactions with owners						
Dividends paid to shareholders		–	–	–	(1,981)	(1,981)
Total transactions with owners		–	–	–	(1,981)	(1,981)
Balance at 30 June 2011		**1,189**	**656**	**137**	**56,503**	**58,485**

The notes on pages 32 to 62 form part of these financial statements.

CONSOLIDATED AND COMPANY STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2011

	Note	Group 2011 £'000	Group 2010 £'000	Company 2011 £'000	Company 2010 £'000
Cash flows from operating activities					
Cash generated from operations	28	**9,861**	11,474	**7,800**	9,564
Tax paid		**(2,901)**	(3,017)	**(2,570)**	(2,714)
Net cash generated from operating activities		**6,960**	8,457	**5,230**	6,850
Cash flows from investing activities					
Purchases of property, plant and equipment		**(2,209)**	(1,045)	**(1,459)**	(668)
Proceeds from sale of property, plant and equipment		**112**	62	**88**	43
Purchase of intangibles		**(1,116)**	(1,014)	**(908)**	(780)
Purchase of investment property		**(31)**	(9)	**(31)**	(9)
Proceeds of sale of investment property		**–**	31	**–**	31
Purchase of shares in joint venture and costs		**–**	(183)	**–**	(183)
Purchase of available-for-sale financial assets		**(990)**	(30)	**(990)**	(30)
Property rental and similar income		**65**	69	**359**	363
Dividend income		**–**	–	**507**	676
Net sale/(purchase) of deposits		**4,442**	(1,569)	**4,442**	(1,569)
Interest received		**230**	159	**233**	162
Net cash inflow/(outflow) from investing activities		**503**	(3,529)	**2,241**	(1,964)
Cash flows from financing activities					
Dividends paid to company's shareholders		**(1,981)**	(3,306)	**(1,981)**	(3,306)
Net cash outflow from financing activities		**(1,981)**	(3,306)	**(1,981)**	(3,306)
Net increase in cash in the year		**5,482**	1,622	**5,490**	1,580
Cash and cash equivalents at beginning of year		**8,754**	7,132	**8,770**	7,190
Cash and cash equivalents at end of year		**14,236**	8,754	**14,260**	8,770

Discontinued operations	2011 £'000	2010 £'000
Net cash generated from operating activities	**596**	896
Net cash outflow from investing activities	**(366)**	(350)
Net cash outflow from financing activities	**(282)**	(501)
Cash and cash equivalents at the end of the year	**(101)**	(49)

The notes on pages 32 to 62 are an integral part of these consolidated financial statements and parent company financial statements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

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.

FW Thorpe Plc is incorporated in England and Wales. The company is domiciled in the UK. The company is a public limited company which is listed on the Alternative Investment Market and is incorporated and domiciled in the UK. The address of its registered office is Merse Road, North Moons Moat, Redditch, Worcestershire B98 9HH.

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 2006 applicable to Companies reporting under IFRS. The financial statements have been prepared on a going concern basis, under the historical cost convention, as modified by available-for-sale financial assets, financial assets and financial liabilities (including derivative instruments) at fair value through the profit and loss.

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, other than the amendments to IFRS 8 "Operating segments".

The company has adopted the following new and amended standards as of 1 July 2010.

IAS 32 (amendment)	Financial Instrument, presentation on classification of rights issues
IFRS 1 (amendment)	First time adoption on financial instrument disclosures and additional exemptions
IFRS 2 (amendment)	Group cash-settled and share-based payment transactions
IFRIC 15	Arrangements for construction of real estates
IFRIC 19	Extinguishing financial liabilities with equity instruments

The adoption of these accounting standards did not have a material impact on the company's financial statements.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the company.

IAS 1 (amendment)	Presentation of financial statements, on other comprehensive income (OCI) – effective from annual periods beginning on or after 1 July 2012
IAS 12 (amendment)	"Income taxes" on deferred tax – effective from annual periods beginning on or after 1 January 2012
IFRIC 14 and IAS 19	Prepayments of a minimum funding requirement – effective from annual periods beginning on or after 1 January 2011
IAS 24 (revised)	Related party disclosures – effective from annual periods beginning on or after 1 January 2011
IAS 28 (revised)	Associates and joint ventures – effective from annual periods beginning on or after 1 January 2013
IFRS 1 (amendment)	First time adoption, on hyperinflation and fixed dates – effective from annual periods beginning on or after 1 July 2011
IFRS 9	Financial instruments – effective from annual periods beginning on or after 1 January 2013
IFRS 10	Consolidated financial statements – effective from annual periods beginning on or after 1 January 2013
IFRS 11	Joint arrangements – effective from annual periods beginning on or after 1 January 2013
IFRS 12	Disclosures of interests in other equities – effective from annual periods beginning on or after 1 January 2013
IFRS 13	Fair value measurement – effective from annual periods beginning on or after 1 January 2013
Annual improvements 2010	Effective from annual periods beginning on or after 1 January 2011.

1 Accounting policies continued

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the company.

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.

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.

Joint venture

Joint ventures are all entities over which the group exercised joint control. Investments in joint ventures are accounted for by the equity method of accounting and are initially recognised at cost.

The group discloses its share of the revenue and the operating profits on the face of the income statement. The group also discloses its share of the gross assets and liabilities on the face of the balance sheet.

The carrying amount of an investment in a joint venture is tested for impairment by comparing its recoverable amount with its carrying amount whenever there is an indication that the investment may be impaired.

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 cash flow discounted at the original effective interest rate of the instrument and continues unwinding the discount as interest income.

Interest 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

1 Accounting policies continued

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, it is identified as the group Board that makes strategic decisions.

The group is organised into six operating segments based on the products and customer base in the lighting market. The largest businesses are Thorlux and Mackwell. The four remaining operating segments have been aggregated into the "other companies" reportable segment based upon their size, comprising the entities Compact Lighting, Philip Payne, Sugg Lighting and Solite Europe.

Pension costs

The group operates a hybrid defined benefit and defined contribution pension scheme. The basis of the groups' hybrid pension scheme provides benefits to members based upon the following:

- Service before 1 October 1995, benefits provided are defined benefit in nature (the "pure" defined benefit element)
- Service after 1 October 1995 has two elements:
  - For members joining pre-1 October 1995, benefits provided are the maximum of their defined contribution pension and their defined benefit pension (the "defined benefit underpin" element);
  - For members joining post-1 October 1995, benefits provided are defined contribution in nature (the "pure defined contribution" element).

The contributions of all three elements are paid into one pension scheme, where the contributions and assets are segregated and ring-fenced from each other. The assets of the scheme are invested and managed independently of the finances of the group. Pension costs are assessed in accordance with the advice of an independent qualified actuary. Costs include the regular cost of providing benefits which it is intended should remain at a substantially level percentage of current and expected future earnings of the employees covered. Variations from the regular pensions cost are spread evenly through the income over the remaining service lives of current employees. Contributions made to the defined benefit scheme are charged to the income statement in the period in which they are made.

The liability recognised in the balance sheet in respect of defined benefit pension plans 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. In the defined benefit underpin element of the scheme the liabilities reflect the greater of the defined contribution or defined benefit liabilities.

For the defined benefit underpin element of the scheme each member is tested to see whether the pension on a defined contribution or defined benefit basis is higher. The liabilities shown in the pensions note are based on the greater of the two liabilities for each member, which in almost all cases is the defined benefit liability. For the service cost, again tests are performed to see which is the higher for each member out of the company's share of the defined contribution payments or the company's share of accruing benefits on a defined benefit basis. The higher of these two figures for each member is then used to give the total service cost; again the defined benefit cost is the higher for the vast majority of members.

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 comprehensive income 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 and pure defined contribution elements, 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 in the income statement as they fall due, or as an accrued or prepaid expense. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available. A defined benefit surplus is only recognised if it meets the following criteria; if the group has an unconditional right to a refund; or if the group can realise it at some point during the life of the plan or when the plan liabilities are settled. If the criteria are not met then a defined benefit surplus is not recognised.

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.

The results of joint ventures and financial position of the joint ventures (which does not have the currency of a hyper-inflationary economy) that has a functional currency different from the presentational currency is translated into presentational currency as follows; assets and liabilities for the balance sheet presented are translated at the closing rate at the date of the balance sheet; and income and expenses for the income statement are translated at average exchange rates. All resulting exchange differences are recognised in other comprehensive income.

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 joint ventures, 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

Final 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.

Interim dividends are recognised as a liability in the group's financial statements when approved by the directors.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses where applicable. Cost includes the original purchase price together with the costs attributable to bringing the asset to its working condition for its intended use.

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%

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within administrative expenses in the income statement.

Leases

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

1 Accounting policies continued
Intangible assets
Development costs
The group undertakes development activities on an ongoing basis. Part of these costs relate 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 asset is available for use within the business. Development assets are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the intangible asset so that it will be available for use;
- Management intends to complete the intangible asset and use or sell it;
- There is an ability to use or sell the intangible asset
- It can be demonstrated how the intangible asset will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- The expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred.

Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

The economic success for development activities is uncertain and carrying amounts are reviewed at each balance sheet date for impairment in accordance with IAS 36.

Development assets are valued at cost less accumulated amortisation and any impairment losses.

Fishing rights
Fishing rights are stated at cost less accumulated impairment where applicable. The rights are not amortised, but assessed annually for impairment. The rights relate to freehold land which is shown in investment property. Freehold land is not depreciated and the associated fishing rights are not amortised.

Goodwill
Goodwill is stated at cost less accumulated impairment where applicable. 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. Goodwill is tested at least annually for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Impairment losses on goodwill are not reversed.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from business combination in which the goodwill arose.

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.

Patent costs
Patents are stated at cost less accumulated amortisation. Amortisation is calculated on a straight-line basis to write down the cost less estimated residual value over its useful life. The amortisation rate is 20%.

1 Accounting policies continued

Investment properties

Investment properties are recognised at cost, and then subsequently cost less accumulated depreciation and (if applicable) any accumulated impairment losses. Freehold land is not depreciated.

Investments in subsidiaries and Joint Ventures

Investments in subsidiaries are held at cost less impairment. Cost includes directly attributable costs of investment. The group has applied the equity method of accounting to recognise the interest in the joint venture.

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, obsolete and other stock lines based on their net realisable value.

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, the amount of the loss is recognised in the income statement within "selling and distribution costs". When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against "selling and distribution costs" in the income statement.

Financial assets at fair value through profit and loss

Financial assets at fair value through profit and loss are financial assets held for trading and are measured at their fair values.

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. See further note 2

Short-term financial assets

Short-term financial assets are defined as cash term deposits with banks 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 value of quoted investments is based on current bid prices. Changes to fair value are recognised in the statement of comprehensive income.

Trade payables

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

Provisions

Provisions are recognised in the balance sheet when a group company has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. A provision for restructuring is recognised when the group has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced to those affected by it. Future operating costs are not provided for. In accordance with the group's published environmental policy and applicable legal requirements, a provision for site restoration in respect of contaminated land is recognised when land is contaminated.

A provision for onerous contracts is recognised when the expected benefits to be derived by the group from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

1 Accounting policies continued

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 our actuaries Bluefin Corporate Consulting Ltd to ensure their appropriateness.

Warranty provisions

The group makes provisions for the warranty provided with the terms and conditions of sale to the customer based on past experience together with specific provisions for known issues. There are quality control procedures in place to ensure that products reaching customers are of a high standard. The technical support areas record all warranty issues in order that problems can be identified that may affect a wider customer base. Additionally, product failures are tested thoroughly to examine technical failures and strategies are developed to minimise and correct issues arising from that examination. The group works closely with its suppliers to ensure a low failure rate for components.

Financial risk factors

The group's activities expose it to a variety of financial risks: market risk (including currency risk, commodity price risk and security 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 may use 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 has investments in UK listed securities of other entities and these are publicly traded on the London Stock Exchange.

(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.

(iv) Interest rate risk

The group is exposed to interest rate risk because it has cash investments and short-term financial assets which are mostly interest bearing. The effect of a reduction in interest rates is to reduce financial income. There are no borrowings and the group has no exposure to the risk of increased interest cost other than pension scheme interest cost.

1 Accounting policies continued

(b) Credit risk

Credit risk is managed on a 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) on the basis of expected cash flow.

All external current liabilities are expected to mature within four months.

Capital risk management

The group's policy has been to maintain a strong capital basis in order to maintain investor, customer, creditor and market confidence. This sustains future development of the business, safeguarding the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares. From time to time the group purchases its own shares in the market; the timing of these purchases is dependant on market prices, to ensure such transactions are sufficiently beneficial for the company, its earnings per share and returns to investors. The group continues to seek to maintain the balance of these returns, while strengthening the reserves and equity position of the company, via continued profitability, and structured growth.

The group has a long-standing policy not to utilise debt within the business, providing a robust capital structure even within the toughest economic conditions. The group's significant cash resources allow such a position, but also require close management, to ensure that sufficient returns are being generated from these resources. The group's policy with regards the cash resources are to ensure they generate sufficient returns, whether by investment in business activities, such as plant and equipment, or assessing suitable opportunities to grow the business, or the physical investment of these funds to ensure appropriate returns to investors. The maintenance of the group's cash position is also assessed against other assets of the business to allow investors the benefits of obtaining business property relief from investing within the group, which will continue to be a focus of the group due to our balance sheet position.

The group is able to maintain its current capital structure because there are no externally imposed capital requirements, and there were no changes in the group's approach to capital management during the year.

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

Financial instruments

Financial instruments that are measured at fair value are disclosed in the consolidated financial statements in accordance with the following fair value measurement hierarchy:

i) Quoted prices (unadjusted) in active markets for identical assets and liabilities (level 1)

ii) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices, or indirectly (that is, derived from prices) (level 2)

iii) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3)

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques.

These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Other assets and liabilities

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.

Share capital

Ordinary shares are classified as equity.

Where any group company purchases the company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from the equity attributable to the company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the company's equity holders.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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2 Segmental analysis

(a) Business segments

The segmental analysis is presented on the same basis as that used for internal reporting purposes. For internal reporting FW Thorpe is organised into six operating segments based on the products and customer base in the lighting market – the largest businesses are Thorlux, which manufactures professional lighting systems for industrial, commercial and controls markets, and Mackwell, which manufactures emergency lighting components. The four remaining operating segments have been aggregated into the "other companies" reportable segment based upon their size, comprising the entities Compact Lighting, Philip Payne, Sugg Lighting and Solite Europe.

FW Thorpe's chief operating decision-maker (CODM) is the group Board. The group Board reviews the group's internal reporting in order to monitor and assess performance of the operating segments for the purpose of making decisions about resources to be allocated. Performance is evaluated based on a combination of revenue and operating profit. Assets and liabilities have not been segmented, which is consistent with the group's internal reporting.

Mackwell Electronics Ltd has been disclosed as discontinued, however the CODM continues to receive and review their results.

	Thorlux £'000	Other companies £'000	Inter-segment adjustments £'000	Total Continuing operations £'000	Mackwell Discontinued operation £'000
Year to 30 June 2011					
Revenue to external customers	**43,909**	**8,924**	**–**	**52,833**	**9,669**
Revenue to other group companies	**145**	**619**	**(764)**	**–**	**3,183**
Total revenue	**44,054**	**9,543**	**(764)**	**52,833**	**12,852**
Operating profit	**10,407**	**649**	**196**	**11,252**	**1,329**
Net finance income				**372**	
Share of loss of joint venture				**(11)**	
Profit before income tax				**11,613**	
Year to 30 June 2010					
Revenue to external customers	39,386	7,564	–	46,950	8,692
Revenue to other group companies	84	395	(479)	–	2,581
Total revenue	39,470	7,959	(479)	46,950	11,273
Operating profit	9,882	539	196	10,617	571
Net finance income				110	
Share of loss of joint venture				(27)	
Profit before income tax				10,700	

Inter segment adjustments to operating profit consist of property rentals on premises owned by FW Thorpe Plc, adjustments to profit related to stocks held within the group that were supplied by another segment and adjustments to investment provisions relating to group companies.

(b) Geographical analysis

The group's business segments operate in three main areas, the UK, the rest of Europe and the rest of the World.

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.

	2011 £'000	2010 £'000
UK	**47,577**	41,556
Europe	**3,101**	2,983
Other countries	**2,155**	2,411
	52,833	46,950

All assets and consequently capital expenditure are in the UK, and cannot be split geographically in relation to the group's revenues.

3 Group operating profit

	2011 £'000	2010 (restated) £'000
Group operating profit is stated after charging/(crediting)		
Loss/(profit) on sale of fixed assets	**(48)**	(31)
Rental income from investment property	**(5)**	(9)
Depreciation of tangible fixed assets (note 10):		
– owned assets	**914**	825
Operating lease rentals:		
– plant and machinery	**43**	26
– other	**46**	49
Intangible amortisation (note 9)	**733**	655
Foreign exchange gains recognised in income statement	**(108)**	(36)

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	2011 £'000	2010 £'000
Fees payable to company's auditors for the audit of parent company and consolidated financial statements	**38**	37
Fee payable to the company's auditor and its associates for other services:		
– the audit of company's subsidiaries pursuant to legislation	**26**	24
– other services pursuant to legislation	**–**	6
– Transactional services	**15**	–
	79	67

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.

Both the current and prior year numbers reflect only continuing operations, following the reclassification of Mackwell as "held for sale" at 30 June 2011. Consequently, certain figures within the income statement notes will not agree directly to balance sheet movements, including depreciation and intangible amortisation with discontinued charges of £225,000 (2010: £224,000) and £214,000 (2010: £251,000) respectively.

4 Other gains – net

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

	2011 £'000	2010 £'000
Fair value gains	**1**	1
	1	1

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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5 Employee information

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

	2011 Number	2010 (restated) Number
Production	**216**	199
Sales and distribution	**91**	92
Administration	**136**	128
Total average headcount	**443**	419

Employment costs of all employees (including executive directors).

	2011 £'000	2010 (restated) £'000
Aggregate gross wages and salaries	**12,854**	11,741
Employers' national insurance contributions	**1,425**	1,261
Employers' pension and related charges	**610**	592
	14,889	13,594

Employers' pension related charges include life assurance of £58,000 (2010: £62,000), pension administration and professional charges of £62,000 (2010: £51,000), a pension paid to a former director, contributions to Sugg Lighting Ltd group personal pension plan and a private pension scheme amounting to £68,000 (2010: £61,000).

Contributions to the defined contribution section amounted to £311,000 (2010: £309,000).

Both the current and prior year numbers reflect only continuing operations, following the reclassification of Mackwell as "held for sale" at 30 June 2011. Consequently, certain figures within the income statement notes will not agree directly to balance sheet movements.

Directors' emoluments

	2011 £'000	2010 £'000
Aggregate emoluments	**1,520**	1,382
Contributions to money purchase pension schemes	**30**	21
	1,550	1,403

Highest paid director

	2011 £'000	2010 £'000
Total of emoluments and amounts receivable	**285**	275

The highest paid director is a pensioner of the retirement benefits scheme (2011 and 2010: accrued pension of £131,000).

At the 30 June retirement benefits were accruing to M Allcock and D Taylor (2010: M Allcock and D Taylor) under the defined benefit scheme and to D Dimeloe, N A Brangwin and A M Cooper (2010: D Dimeloe, N A Brangwin and A M Cooper) under the defined contribution scheme.

Further details are provided in the directors' remuneration report on pages 22 to 24.

6 Net financial income

	2011 £'000	2010 £'000
Finance income		
Current assets		
Interest receivable	**258**	167
Non-current assets		
Dividend income on available-for-sale financial assets	**16**	–
Net rental income	**65**	69
Net interest on pension scheme assets and liabilities	**33**	(126)
	372	110

7 Income tax expense

Analysis of income tax expense in the year.

	2011 £'000	2010 (restated) £'000
Current tax		
Current tax on profits for the year	**2,669**	2,700
Adjustments in respect of prior years	**6**	(38)
Total current tax	**2,675**	2,662
Deferred tax (note 23)		
Origination and reversal of temporary differences	**526**	292
Total deferred tax	**526**	292
Income tax expense	**3,201**	2,954

The tax assessed for the year is higher (2010: lower) than the standard rate of corporation tax in the UK of 27.5% (2010: 28%). The differences are explained below:

	2011 £'000	2010 (restated) £'000
Profit before tax	**11,613**	10,700
Profit on ordinary activities multiplied by the standard rate in the UK of 27.5% (2010: 28%)	**3,194**	2,996
Effects of:		
Expenses not deductible for tax purposes	**44**	5
Accelerated tax allowances and other timing differences	**(116)**	(119)
Adjustments in respect of prior years	**6**	(38)
Profits taxed at small companies rate	**(2)**	(7)
Other	**75**	117
Tax charge	**3,201**	2,954

The weighted average applicable tax rate was 27.5% (2010: 27.6%).

Both the current and prior year numbers reflect only continuing operations, following the reclassification of Mackwell as "held for sale" at 30 June 2011. Consequently, certain figures within the income statement notes will not agree directly to balance sheet movements.

8 Dividends

The dividends paid in 2011 and 2010 were £1,981,000 (16.9p per share) and £3,306,000 (28.2p per share) respectively.

A final dividend in respect of the year ended 30 June 2011 of 13.3p per share, amounting to a total dividend of £1,559,000, is to be proposed at the Annual General Meeting on 10 November 2011. These financial statements do not reflect this dividend payable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

9 Intangible assets

Group 2011	Goodwill £'000	Development costs £'000	Software £'000	Patents £'000	Fishing rights £'000	Total £'000
Cost						
At 1 July 2010	885	3,561	584	–	35	5,065
Additions	–	930	36	150	–	1,116
Write-offs	–	(861)	–	–	–	(861)
At 30 June 2011	**885**	**3,630**	**620**	**150**	**35**	**5,320**
Accumulated amortisation						
At 1 July 2010	600	1,320	462	–	–	2,382
Charge for the year	–	884	63	–	–	947
Write-offs	–	(861)	–	–	–	(861)
At 30 June 2011	**600**	**1,343**	**525**	**–**	**–**	**2,468**
Net book amount						
At 30 June 2011	**285**	**2,287**	**95**	**150**	**35**	**2,852**
Less intangible assets transferred to non-current assets and disposal groups held for sale at 30 June 2011	–	(307)	(12)	–	–	(319)
Net book amount at 30 June 2011 carried forward	**285**	**1,980**	**83**	**150**	**35**	**2,533**

Write-offs relate to development assets where no further economic benefits will be obtained.

Group 2010	Goodwill £'000	Development costs £'000	Software £'000	Patents £'000	Fishing rights £'000	Total £'000
Cost						
At 1 July 2009	885	3,295	521	–	35	4,736
Additions	–	951	63	–	–	1,014
Write-offs	–	(685)	–	–	–	(685)
At 30 June 2010	885	3,561	584	–	35	5,065
Accumulated amortisation						
At 1 July 2009	600	1,157	404	–	–	2,161
Charge for the year	–	848	58	–	–	906
Write-offs	–	(685)	–	–	–	(685)
At 30 June 2010	600	1,320	462	–	–	2,382
Net book amount						
At 30 June 2010	285	2,241	122	–	35	2,683

9 Intangible assets continued

Company 2011	Goodwill £'000	Development costs £'000	Software £'000	Patents £'000	Fishing rights £'000	Total £'000
Cost						
At 1 July 2010	600	2,301	424	–	35	3,360
Additions	–	740	18	150	–	908
Write-offs	–	(423)	–	–	–	(423)
At 30 June 2011	**600**	**2,618**	**442**	**150**	**35**	**3,845**
Accumulated amortisation						
At 1 July 2010	600	699	346	–	–	1,645
Charge for the year	–	570	39	–	–	609
Write-offs	–	(423)	–	–	–	(423)
At 30 June 2011	**600**	**846**	**385**	**–**	**–**	**1,831**
Net book amount						
At 30 June 2011	**–**	**1,772**	**57**	**150**	**35**	**2,014**

Company 2010	Goodwill £'000	Development costs £'000	Software £'000	Patents £'000	Fishing rights £'000	Total £'000
Cost						
At 1 July 2009	600	1,849	402	–	35	2,886
Additions	–	758	22	–	–	780
Write-offs	–	(306)	–	–	–	(306)
At 30 June 2010	600	2,301	424	–	35	3,360
Accumulated amortisation						
At 1 July 2009	600	546	304	–	–	1,450
Charge for the year	–	459	42	–	–	501
Write-offs	–	(306)	–	–	–	(306)
At 30 June 2010	600	699	346	–	–	1,645
Net book amount						
At 30 June 2010	–	1,602	78	–	35	1,715

Amortisation of £733,000 (2010: £655,000) is included in the administration costs.

For development costs, the group capitalises employee costs and directly attributable material costs necessary to design, construct and test new and improved product ranges and technology. These costs are only capitalised where they meet all the criteria set out in IAS 38.

Where development costs relate to products or technologies that are not expected to generate future economic benefits, do not meet the requirements of IAS 38 or relate to research, they are charged to the income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

10 Property, plant and equipment

	Group			Company		
	Freehold land and buildings £'000	Plant and equipment £'000	Total £'000	Freehold land and buildings £'000	Plant and equipment £'000	Total £'000
Cost						
At 1 July 2010	9,608	14,296	23,904	9,608	9,096	18,704
Additions	136	2,081	2,217	136	1,354	1,490
Disposals	–	(620)	(620)	–	(356)	(356)
At 30 June 2011	**9,744**	**15,757**	**25,501**	**9,744**	**10,094**	**19,838**
Accumulated depreciation						
At 1 July 2010	1,848	11,422	13,270	1,848	7,143	8,991
Charge for the year	170	969	1,139	170	551	721
Disposals	–	(556)	(556)	–	(303)	(303)
At 30 June 2011	**2,018**	**11,835**	**13,853**	**2,018**	**7,391**	**9,409**
Net book amount						
At 30 June 2011	**7,726**	**3,922**	**11,648**	**7,726**	**2,703**	**10,429**
Less property, plant and equipment transferred to non-current assets and disposal groups held for sale at 30 June 2011	–	(539)	(539)	–	–	–
Net book amount at 30 June 2011 carried forward	**7,726**	**3,383**	**11,109**	**7,726**	**2,703**	**10,429**

Freehold land which was not depreciated at 30 June 2011 amounted to £1,218,000 (2010: £1,218,000) (group and company).

	Group			Company		
	Freehold land and buildings £'000	Plant and equipment £'000	Total £'000	Freehold land and buildings £'000	Plant and equipment £'000	Total £'000
Cost						
At 1 July 2009	9,559	13,637	23,196	9,454	8,743	18,197
Additions	154	971	1,125	154	564	718
Disposals	–	(312)	(312)	–	(211)	(211)
Written off	(105)	–	(105)	–	–	–
At 30 June 2010	9,608	14,296	23,904	9,608	9,096	18,704
Accumulated depreciation						
At 1 July 2009	1,789	10,817	12,606	1,684	6,843	8,527
Charge for the year	164	885	1,049	164	488	652
Disposals	–	(280)	(280)	–	(188)	(188)
Written off	(105)	–	(105)	–	–	–
At 30 June 2010	1,848	11,422	13,270	1,848	7,143	8,991
Net book amount						
At 30 June 2010	7,760	2,874	10,634	7,760	1,953	9,713

11 Commitments

(a) Capital commitments

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

	Group		Company	
	2011 £'000	2010 £'000	**2011 £'000**	2010 £'000
Property, plant and equipment	**648**	210	**635**	206

(b) Operating lease commitments

The group leases premises under non-cancellable operating lease agreements. The lease terms are between five and 20 years (2010: five and 20 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 2011 £'000	Land and buildings 2010 £'000	**Other 2011 £'000**	Other 2010 £'000
Within one year	**46**	46	**–**	–
Within two to five years	**80**	126	**–**	–
Over five years	**–**	–	**–**	–
	126	172	**–**	–

12 Financial instruments by category

All financial instruments measured at fair value are categorised as level 2 in the fair value measurement hierarchy, whereby the fair value is determined by using valuation techniques, except for £1,492,000 (2010: £464,000) of fixed rate listed investments included in available-for-sale and other financial assets at fair value through profit or loss that are classified as level 1. The valuation techniques for level 2 instruments use observable market data where it is available, for example quoted market prices, and rely less on estimates.

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 2011				
Assets as per balance sheet				
Available-for-sale financial assets	**–**	**1,105**	**–**	**1,105**
Other financial assets at fair value through profit or loss	**–**	**–**	**387**	**387**
Trade and other receivables	**10,748**	**–**	**–**	**10,748**
Short-term financial assets – deposits	**11,616**	**–**	**–**	**11,616**
Cash and cash equivalents	**14,236**	**–**	**–**	**14,236**
Total	**36,600**	**1,105**	**387**	**38,092**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

12 Financial instruments by category continued

Group	Loans and receivables £'000	Available-for-sale £'000	Assets at fair value through the profit and loss £'000	Total £'000
30 June 2010				
Assets as per balance sheet				
Available-for-sale financial assets	–	78	–	78
Other financial assets at fair value through profit or loss	–	–	386	386
Trade and other receivables	10,517	–	–	10,517
Short-term financial assets – deposits	16,058	–	–	16,058
Cash and cash equivalents	8,754	–	–	8,754
Total	35,329	78	386	35,793

Company	**Loans and receivables £'000**	**Available-for-sale £'000**	**Assets at fair value through the profit and loss £'000**	**Total £'000**
30 June 2011				
Assets as per balance sheet				
Available-for-sale financial assets	**–**	**1,105**	**–**	**1,105**
Other financial assets at fair value through profit or loss	**–**	**–**	**387**	**387**
Trade and other receivables	**11,694**	**–**	**–**	**11,694**
Short-term financial assets – deposits	**11,616**	**–**	**–**	**11,616**
Short-term financial assets – cash and cash equivalents	**14,260**	**–**	**–**	**14,260**
Total	**37,570**	**1,105**	**387**	**39,062**

Company	Loans and receivables £'000	Available-for-sale £'000	Assets at fair value through the profit and loss £'000	Total £'000
30 June 2010				
Assets as per balance sheet				
Available-for-sale financial assets	–	78	–	78
Other financial assets at fair value through profit or loss	–	–	386	386
Trade and other receivables	9,495	–	–	9,495
Short-term financial assets – deposits	16,058	–	–	16,058
Short-term financial assets – cash and cash equivalents	8,770	–	–	8,770
Total	34,323	78	386	34,787

The above analysis excludes prepayments.

12 Financial instruments by category continued

Liabilities as per balance sheet	Group 2011 £'000	Group 2010 £'000	Company 2011 £'000	Company 2010 £'000
Trade and other payables (excluding statutory liabilities)	**7,036**	7,403	**9,271**	8,240
	7,036	7,403	**9,271**	8,240

The group and company did not have derivative financial instruments at 30 June 2011 or 30 June 2010.

All assets and liabilities above are considered to be at fair value.

13 Investment property

Group and company	2011 £'000	2010 £'000
At 1 July	**1,006**	1,028
Addition	**31**	9
Disposal	**–**	(31)
At 30 June	**1,037**	1,006

The following amounts have been recognised in the income statement:

Group and company	2011 £'000	2010 £'000
Rental income	**5**	9
Direct operating expenses arising from investment properties that generate rental income	**(12)**	(19)

The investment property and land consists of a property with land and fishing rights by the river Wye, and land designated for woodland in Monmouthshire.

The majority of investment property is freehold land and therefore not depreciated ; the property element is immaterial and not depreciated on that basis. The associated fishing rights for the property by the river Wye are included in intangible assets.

A fair value exercise has been undertaken subsequent to the year end which has resulted in a valuation of £1.2m.

Each investment property generates rental income.

14 Available-for-sale financial assets

Group and company	2011 £'000	2010 £'000
Beginning of year	**78**	43
Additions	**990**	30
Revaluation	**37**	5
End of year	**1,105**	78

There were no impairment provisions on available-for-sale financial assets in 2011 or 2010.

Available-for-sale financial assets comprise listed equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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15 Deposits

Group and company	2011 £'000	2010 £'000
Beginning of year	**16,058**	14,489
Net (disposals)/additions	**(4,442)**	1,569
End of year	**11,616**	16,058

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	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Cash at bank and on hand	**14,236**	8,754	**14,260**	8,770

17 Inventories

	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Raw materials	**6,832**	6,240	**4,845**	3,196
Work in progress	**1,561**	2,066	**1,376**	1,599
Finished goods	**2,904**	3,057	**2,928**	2,377
	11,297	11,363	**9,149**	7,172

The cost of inventories recognised as an expense and included in cost of sales amounted to £21,896,000 (2010: £18,862,000).

18 Trade and other receivables

	Group		Company	
Current	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Trade receivables	**10,687**	10,465	**8,929**	7,322
Other debtors	**61**	52	**84**	44
Prepayments and accrued income	**629**	523	**442**	234
Amounts owed by subsidiaries	**–**	–	**2,661**	2,129
	11,377	11,040	**12,116**	9,729

Amounts owed by subsidiaries are unsecured, interest free and have no fixed date for repayment.

	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Trade receivables past due date not provided	**321**	478	**72**	210

A significant proportion of the amounts past due date 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 trade receivables from government departments or agencies. At 30 June 2011 the bad debt provision for the group amounted to £125,000 (2010: £61,000) and for the company £102,000 (2010: £14,000).

18 Trade and other receivables continued

During the year the following amounts were written off:

	Group 2011 £'000	Group 2010 £'000	Company 2011 £'000	Company 2010 £'000
Bad debts written off	**78**	60	**41**	9
Bad debts recovered	**(5)**	(3)	**(5)**	(2)
Net bad debt expense	**73**	57	**36**	7

At 30 June 2011, trade receivables were due to the group and company in the following currency denominations.

	Group 2011 £'000	Group 2010 £'000	Company 2011 £'000	Company 2010 £'000
Due in £ sterling	**10,337**	9,491	**8,605**	6,956
Due in € euro	**198**	973	**172**	365
Due in Australian dollars	**152**	–	**152**	–
Due in Swedish krona	**–**	1	**–**	1
Total trade receivables	**10,687**	10,465	**8,929**	7,322

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 2011 this amounted to £387,000 (2010: £386,000).

20 Non-current assets and disposal groups held for sale

During the financial year the group has been in discussion with Nicholas Brangwin with regard to the potential purchase of Mackwell Electronics Ltd. The board has unanimously agreed to proceed with the transaction and it is expected to be completed within the next few months, although not guaranteed. The deal will be subject to shareholder approval under the Companies Act. As the sale of the Mackwell business is deemed highly probable at the balance sheet date it has therefore been treated as held for sale at the end of the year.

The assets of the disposal group held for sale:

	2011 £'000	2010 £'000
Plant and equipment	**539**	–
Intangible assets	**319**	–
Inventories	**3,091**	–
Trade and other receivables	**1,817**	–
Deferred tax asset	**57**	–
Total	**5,823**	–

The liabilities of the disposal group held for sale:

	2011 £'000	2010 £'000
Trade and other payables	**1,323**	–
Current tax liabilities	**231**	–
Deferred tax liability	**80**	–
Total cash flows	**1,634**	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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21 Trade and other payables

	Group		Company	
	2011 £'000	2010 £'000	**2011 £'000**	2010 £'000
Current				
Trade payables	**4,733**	5,213	**3,642**	3,146
Social security and other taxes	**1,163**	906	**964**	696
Other creditors	**1,745**	1,511	**1,707**	1,148
Accruals and deferred income	**558**	679	**385**	174
Amounts owed to subsidiaries	**–**	–	**3,537**	3,772
	8,199	8,309	**10,235**	8,936

Amounts owed to subsidiaries are unsecured, interest free and have no fixed date of repayment.

22 Provisions for liabilities and charges

	Group		Company	
	2011 £'000	2010 £'000	**2011 £'000**	2010 £'000
WEEE provision	**102**	102	**102**	102
Total	**102**	102	**102**	102

	Group		Company	
Analysis of total provisions:	**2011 £'000**	2010 £'000	**2011 £'000**	2010 £'000
Non-current	**102**	102	**102**	102
Total	**102**	102	**102**	102

WEEE provision

A potential liability exists for the future cost of disposal of products under the WEEE 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 its customers so that the customer is responsible for the actual costs of WEEE at the time of disposal.

Although the time scale of the utilisation of this provision cannot be predicted with certainty, it is expected that it will not be utilised before 30 June 2015.

23 Deferred income tax

Deferred income tax assets and liabilities are offset where there is a legally enforceable 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	
	2011 £'000	2010 £'000	**2011 £'000**	2010 £'000
Deferred tax assets:				
– Deferred tax assets to be recovered after more than 12 months	**27**	622	**81**	534
– Deferred tax asset to be recovered within 12 months	**–**	–	**–**	–
	27	622	**81**	534
Deferred tax liabilities:				
– Deferred tax liability to be recovered after more than 12 months	**(699)**	(684)	**(769)**	(506)
– Deferred tax liability to be recovered within 12 months	**–**	–	**–**	–
	(699)	(684)	**(769)**	(506)
Net deferred tax liabilities	**(672)**	(62)	**(688)**	28

23 Deferred income tax continued

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

	Group		Company	
	2011 £'000	2010 £'000	**2011 £'000**	2010 £'000
Beginning of year	**(62)**	177	**28**	329
Income statement charge	**(451)**	(251)	**(569)**	(313)
Tax charged directly to equity	**(182)**	12	**(147)**	12
Transferred to non-current assets and disposal groups for sale	**23**	–	**–**	–
End of year	**(672)**	(62)	**(688)**	28

The income statement charge comprises £526,000 (2010: £292,000) continuing operations and (£75,000) (2010: (£41,000)) discontinued.

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 2009	250	569	–	14	833
(Charged) to the income statement	(26)	(196)	–	–	(222)
Credited/(charged) directly to equity	–	13	–	(2)	11
At 1 July 2010	224	386	–	12	622
Transferred to non-current assets and disposal groups for sale	(57)	–	–	–	(57)
(Charged) to the income statement	(168)	(238)	–	–	(406)
Credited/(charged) directly to equity	20	(148)	–	(4)	(132)
At 30 June 2011	**19**	**–**	**–**	**8**	**27**

Deferred tax liabilities	Accelerated tax depreciation £'000	Retirement benefit obligations £'000	Fair value gains and losses £'000	Other £'000	Total £'000
At 1 July 2009	–	–	57	599	656
Charged to the income statement	–	–	–	28	28
Charged directly to equity	–	–	–	–	–
At 1 July 2010	–	–	57	627	684
Transferred to non-current assets and disposal groups for sale	–	–	–	(80)	(80)
Charged/(credited) to the income statement	55	–	–	(10)	45
Charged/(credited) directly to equity	–	–	32	18	50
At 30 June 2011	**55**	**–**	**89**	**555**	**699**

The "other" deferred tax liabilities consist of deferred tax on development expenditure classified as an intangible asset.

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23 Deferred income tax continued

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

	Group 2011 £'000	Group 2010 £'000	Company 2011 £'000	Company 2010 £'000
Tax on actuarial gain/(loss) on retirement benefits scheme	**(148)**	13	**(148)**	13
Tax on revaluation of available-for-sale assets	**(10)**	(1)	**(10)**	(1)
Impact of deferred tax rate change	**(24)**	–	**11**	–
	(182)	12	**(147)**	12

24 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.

	Continuing operations 2011	Continuing operations 2010	Discontinued operations 2011	Discontinued operations 2010	Total 2011	Total 2010
Profit attributable to equity holders of the company (£'000)	**8,412**	7,746	**999**	470	**9,411**	8,216
Weighted average number of shares in issue	**11,723,559**	11,723,559	**11,723,559**	11,723,559	**11,723,559**	11,723,559
Basic earnings per share (pence per share)	**71.8**	66.1	**8.5**	4.0	**80.3**	70.1

Diluted earnings per share

Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The company does not have any dilutive potential ordinary shares; hence there is no difference between basic earnings per share and dilutive earnings per share.

	Continuing operations 2011	Continuing operations 2010	Discontinued operations 2011	Discontinued operations 2010	Total 2011	Total 2010
Profit attributable to equity holders of the company (£'000)	**8,412**	7,746	**999**	470	**9,411**	8,216
Weighted average number of shares in issue	**11,723,559**	11,723,559	**11,723,559**	11,723,559	**11,723,559**	11,723,559
Adjustment for share options	**–**	–	**–**	–	**–**	–
Weighted average number of shares in issue for diluted earnings per share	**11,723,559**	11,723,559	**11,723,559**	11,723,559	**11,723,559**	11,723,559
Diluted earnings per share (pence per share)	**71.8**	66.1	**8.5**	4.0	**80.3**	70.1

25 Share capital

	Group and Company 2011 £'000	Group and Company 2010 £'000
Authorised		
15,000,000 ordinary shares of 10p each (2010: 15,000,000 ordinary shares of 10p each)	**1,500**	1,500
Allotted and fully paid		
11,893,559 ordinary shares of 10p each (2010: 11,893,559 ordinary shares of 10p each)	**1,189**	1,189

The ordinary shareholders each have one vote per share.

	Group and Company 2011 £'000	Group and Company 2010 £'000
Share capital at 1 July and 30 June	**1,189**	1,189

25 Share capital continued

	Group and Company 2011 £'000	2010 £'000
Movements in treasury shares included in share capital		
Shares held in treasury at 1 July	**17**	17
Share capital at 30 June	**17**	17
Number of shares held in treasury at 30 June	**170,000**	170,000

There were no shares issued during the year (2010: nil)

There are no share options outstanding at the year end (2010: nil).

26 Retained earnings

	Group £'000	Company £'000
At 1 July 2009	43,775	37,250
Profit for the year	8,216	8,022
Dividends paid in respect of 2009 and 2010	(3,306)	(3,306)
Actuarial loss net of tax	(33)	(33)
Revaluation of available-for-sale assets	4	4
At 30 June 2010	48,656	41,937
Profit for the year	9,411	8,376
Dividends paid in respect of 2010 and 2011	(1,981)	(1,981)
Actuarial gains and restriction of pension surplus net of tax	423	423
Impact of deferred tax rate change	(24)	11
Revaluation of available-for-sale assets net of tax	27	27
Exchange rate movement on investment in joint venture	(9)	(9)
At 30 June 2011	**56,503**	**48,784**

27 Other reserves

Group and company	Share premium £'000	Capital redemption reserves £'000
At 30 June 2010 and 30 June 2011	**656**	**137**

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28 Cash generated from operations

Cash generated from continuing operations	Group 2011 £'000	Group 2010 £'000	Company 2011 £'000	Company 2010 £'000
Profit before income tax	**11,613**	10,700	**11,482**	10,854
Depreciation charge	**913**	825	**721**	652
Amortisation of intangibles	**733**	655	**609**	501
Loss/(profit) on disposal of property, plant and equipment	**(42)**	(31)	**(35)**	(21)
Finance income	**(372)**	(110)	**(1,165)**	(1,088)
Retirement benefit contributions in excess of current and past service charge	**(776)**	(826)	**(776)**	(826)
Share of loss from joint venture	**11**	27	**–**	27
Changes in working capital				
– Inventories	**(2,843)**	(358)	**(1,977)**	(140)
– Trade and other receivables	**(2,424)**	(1,599)	**(2,341)**	(1,467)
– Trade and other payables	**2,292**	949	**1,282**	1,072
Cash generated from continuing operations	**9,105**	10,232	**7,800**	9,564

The cash generation from discontinued operations is as follows:

Cash generated from discontinued operations	2011 £'000	2010 £'000
Profit before income tax	**1,333**	577
Depreciation charge	**226**	224
Amortisation of intangibles	**214**	251
Profit on disposal of property, plant and equipment	**(6)**	–
Finance income – net	**(4)**	(6)
Changes in working capital		
– Inventories	**(182)**	(547)
– Trade and other receivables	**303**	(304)
– Trade and other payables	**(1,128)**	1,047
Cash generated from discontinued operations	**756**	1,242

Total cash generated from operations	2011 £'000	2010 £'000
Continuing operations	**9,105**	10,232
Discontinued operations	**756**	1,242
Total cash generated from operations	**9,861**	11,474

29 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 £17,755 (2010: £18,489).

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

2011	Purchases of goods £'000	Sales of goods £'000	Sales of services £'000	Dividends paid to company £'000
Mackwell Electronics Ltd	**2,823**	**33**	**4**	**282**
Compact Lighting Ltd	**53**	**46**	**3**	**32**
Philip Payne Ltd	**350**	**11**	**1**	**111**
Sugg Lighting Ltd	**6**	**7**	**18**	**–**
Solite Europe Ltd	**147**	**47**	**2**	**66**

2010	Purchases of goods £'000	Sales of goods £'000	Sales of services £'000	Dividends paid to company £'000
Mackwell Electronics Ltd	2,227	7	3	501
Compact Lighting Ltd	61	8	3	–
Philip Payne Ltd	268	1	1	175
Sugg Lighting Ltd	–	5	18	–
Solite Europe Ltd	7	1	1	–

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	
	2011 £'000	2010 £'000	**2011 £'000**	2010 £'000
Mackwell Electronics Ltd	**(1,792)**	(1,926)	**1**	574
Compact Lighting Ltd	**(9)**	(274)	**2,004**	1,031
Philip Payne Ltd	**(1,559)**	(1,375)	**–**	9
Sugg Lighting Ltd	**–**	(49)	**4,053**	3,882
Solite Europe Ltd	**(177)**	(147)	**–**	18
Axis Lighting Ltd	**–**	(1)	**–**	–
Total	**(3,537)**	(3,772)	**6,058**	5,514

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 for losses at Sugg Lighting Ltd of £3,397,000 (2010: £3,385,000).

Axis Lighting Ltd has been dissolved.

The key management personnel are the group Board directors; their interests are disclosed in the directors' remuneration report on pages 22 to 24.

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30 Pension scheme

The group operates a funded hybrid pension scheme for employees in the UK. 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 basis of the group's hybrid pension scheme is to provide benefits to members based on the following:

- For service prior to 1 October 1995, the benefits provided are defined benefit in nature
- For service from 1 October 1995, the benefits provided have two elements depending on the date that the member joined the pension scheme.
  - For members joining before 1 October 1995, benefits provided are the higher of their defined contribution pension and their defined benefit pension
  - For members joining on or after 1 October 1995, benefits provided are defined contribution in nature.

The contributions of the pure defined contribution, the defined benefit underpin and pure defined benefit elements are paid into one pension scheme, where the contributions and assets are segregated and ring-fenced from each other.

For the defined benefit underpin element of the scheme, each member is tested to see whether the pension on a defined contribution or defined benefit basis is higher. The liabilities shown in the pensions note are based on the greater of the two liabilities for each member, which in almost all cases is the defined benefit liability. For the service cost, again, tests are performed to see which is the higher for each member out of the company's share of the defined contribution payments or the company's share of accruing benefits on a defined benefit basis. The higher of these two figures for each member is then used to give the total service cost; again the defined benefit cost is the higher for the vast majority of members.

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 2011 amounted to £1,381,000 (2010: £1,384,000). 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 2009, and the value of the fund was £17,169,000 and this was sufficient to cover 83% 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	3.75%
Salary increases	5.66%
Discount rate	5.50%
Revaluation for deferred pensioners	3.75%
Pension increases in payment of 5% pa or RPI if less	3.60%
Pension increases in payment of 2.5% pa or RPI if less	2.35%

The figures at 1 July 2009 have been updated as at the balance sheet dates in order to assess the additional disclosures required under IAS 19 as at 30 June 2011 by an independent qualified actuary using the following major assumptions.

	2011	2010	2009	2008	2007
Price inflation	**3.70%**	3.50%	3.75%	4.00%	3.30%
Salary increases	**5.45%**	5.25%	5.66%	5.89%	5.21%
Discount rate	**5.50%**	5.35%	6.00%	6.40%	5.80%
Revaluation for deferred pensioners	**2.95%**	3.50%	3.75%	4.00%	3.30%
Pension increases in payment of 5% pa or RPI if less	**3.55%**	3.30%	3.60%	3.80%	3.15%
Pension increases in payment of 2.5% pa or RPI if less	**2.35%**	2.20%	2.35%	2.40%	2.25%
Life expectancy at age 65 – men	**22.4 years**	22.3 years	22.2 years	22.0 years	21.7 years
Life expectancy at age 65 in 20 years – men	**24.4 years**	24.3 years			
Life expectancy at age 65 – women	**24.8 years**	24.7 years	24.6 years	24.9 years	24.5 years
Life expectancy at age 65 in 20 years – women	**26.7 years**	26.6 years			

The basis of the rate applied to the revaluation for deferred pensioners has changed during the year from RPI to CPI in line with current scheme rules.

30 Pension scheme continued

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

	30 June 2011		30 June 2010		30 June 2009		30 June 2008		30 June 2007	
	Expected long-term rate of return	**Value £'000**	Expected long-term rate of return	Value £'000	Expected long-term rate of return	Value £'000	Expected long-term rate of return	Value £'000	Expected long-term rate of return	Value £'000
Equities	**7.75%**	**11,166**	7.65%	9,045	7.80%	7,265	7.75%	8,573	7.75%	9,471
Bonds	**5.00%**	**10,982**	4.84%	9,464	5.30%	8,066	5.60%	7,002	4.75%	4,198
Property	**–**	**–**	7.35%	19	7.80%	12	7.75%	11	7.45%	11
Other	**0.50%**	**1,328**	0.50%	1,565	0.50%	1,832	5.00%	1,755	5.25%	4,104
Total market value of assets		**23,476**		20,093		17,175		17,341		17,784
Present value of scheme liabilities		**(22,993)**		(21,472)		(19,208)		(17,622)		(16,903)
Surplus/(deficit) in the scheme		**483**		(1,379)		(2,033)		(281)		881

The property assets have been amalgamated with equities for reporting purposes during the year ended 2011 due to their low value.

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

	2011 £'000	2010 £'000
Present value of funded obligations	**(22,993)**	(21,472)
Fair value of plan assets	**23,476**	20,093
Surplus/(deficit) in the scheme	**483**	(1,379)
Less restriction of surplus recognised in the balance sheet	**(483)**	–
Liability recognised in the balance sheet	**–**	(1,379)

The movement in the defined benefit obligation over the year is as follows:

	2011 £'000	2010 £'000
At 1 July 2010	**(21,472)**	(19,208)
Current service cost	**(548)**	(558)
Interest cost	**(1,151)**	(1,136)
Contributions by plan participants	**(349)**	(327)
Actuarial losses	**(281)**	(1,759)
Benefits paid	**808**	1,516
At 30 June 2011	**(22,993)**	(21,472)

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

	2011 £'000	2010 £'000
At 1 July 2010	**20,093**	17,175
Expected return in plan assets	**1,184**	1,010
Actuarial gains/(losses)	**1,335**	1,713
Employer contributions	**1,323**	1,384
Employee contributions	**349**	327
Benefits paid	**(808)**	(1,516)
At 30 June 2011	**23,476**	20,093

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CONTINUED

30 Pension scheme continued

The amounts recognised in the income statement are as follows:

	2011 £'000	2010 £'000
Current service cost	**548**	558
Interest cost	**1,151**	1,136
Expected return on plan assets	**(1,184)**	(1,010)
Total included within staff costs and other financial income	**515**	684

Of the total charge, £548,000 (2010: £558,000) and £33,000 (2010: £126,000) were included in "administrative expenses" and "net finance income" respectively.

Analysis of amount recognised in the statement of comprehensive income

	2011 £'000	2010 £'000
Actual return less expected return on pension scheme assets	**1,335**	1,713
Experience losses arising on the scheme liabilities	**(433)**	(388)
Changes in assumptions underlying the present value on the scheme liabilities	**152**	(1,371)
Restriction of pension scheme surplus	**(483)**	–
Actuarial gain/(loss) recognised in the statement of comprehensive income	**571**	(46)

	2011 £'000	2010 £'000
Cumulative actuarial loss recognised in the statement of comprehensive income at 1 July	**(3,918)**	(3,872)
Actuarial loss recognised in the statement of comprehensive income for the year	**1,054**	(46)
Cumulative actuarial loss recognised in the statement of comprehensive income at 30 June	**(2,864)**	(3,918)

The restriction in the scheme surplus is excluded from the cumulative actuarial loss recognised in the statement of comprehensive income.

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 2011 was £2,519,000 or 12.5%.

The group expect to pay £1,229,000 contributions (2010: £1,424,000) into the pension scheme during the forthcoming year.

History of experience gains and losses recognised in the statement of comprehensive income

	2011		2010		2009		2008		2007	
	£'000	%	£'000	%	£'000	%	£'000	%	£'000	%
Difference between the expected and actual return on scheme assets	**1,335**		1,713		(1,969)		(2,038)		556	
Percentage of scheme assets		**6%**		9%		11%		12%		3%
Experience loss on scheme liabilities	**(433)**		(388)		(492)		(219)		(622)	
Percentage of the present value of scheme liabilities		**2%**		2%		3%		1%		4%
Changes in assumptions underlying the present value of scheme liabilities	**152**		(1,371)		344		633		512	
Percentage of the present value of scheme liabilities		**0%**		6%		2%		4%		3%
Restriction of pension scheme surplus	**(483)**		–		–		–		–	
Percentage of the present value of scheme liabilities		**2%**		–		–		–		–
Amount which has been recognised in the SoCI	**571**		(46)		(2,117)		(1,624)		446	
Percentage of the present value of the scheme liabilities		**2%**		0%		11%		9%		3%

31 Group companies

The parent company has the following investments as at 30 June 2011 and 30 June 2010:

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%	
Solite Europe Limited	England	Ordinary £1 shares	100%	
Axis Lighting Limited	England	Ordinary £1 shares	100%	Dissolved 2011

All of the above companies operated in their country of incorporation and registration, except for Axis Lighting Limited which was dissolved during the year.

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
Solite Europe Ltd	– design and manufacture of cleanroom lighting equipment
Axis Lighting Limited	– non-trading – dissolved in 2011

The cost of investment in subsidiaries is as follows:

	Group		Company	
	2011 £'000	2010 £'000	**2011 £'000**	2010 £'000
Investment in subsidiaries – cost	**–**	–	**2,572**	2,578
Less provisions	**–**	–	**(1,564)**	(1,570)
	–	–	**1,008**	1,008

The movement in the investment and provisions is as follows:

	Cost £'000	Provisions £'000
At 1 July 2009 and 1 July 2010	2,578	(1,570)
Axis Lighting Ltd – dissolved	(6)	6
At 30 June 2011	**2,572**	**(1,564)**

Axis Lighting Limited was dissolved during the year.

Mackwell Electronics Limited has been classified as held for sale and treated as a discontinued operation in 2011.

There were no other additions or disposals during the year.

32 Investment in joint venture

The group has a joint venture in Australia with its local agent. The venture is jointly controlled with equal voting rights with the group holding a 51% interest. Thorlux Lighting Pty Ltd is registered in Queensland and operates from a sales office in Melbourne. The group has applied the equity method of accounting to recognise this interest.

	£'000
At 1 July 2010	156
Share of loss	(11)
Exchange rate movement	(9)
At 30 June 2011	**136**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

33 Events after the balance sheet date

Acquisition

On 1 July 2011 the group acquired 100% of the share capital of Portland Lighting Ltd for an initial amount of £2,500,000. There is also potential deferred consideration payable which is dependant upon the ongoing profitability of the company for the next two years.
The net assets acquired amount to £385,000 although the group has not finalised a fair value exercise over the acquired assets and liabilities of the company.

Details of the net assets acquired and goodwill are as follows:

	£'000
Cash paid	2,500
Direct costs relating to the acquisition	–
Total purchase consideration	2,500

The assets and liabilities at 1 July 2011 of Portland Lighting Ltd are as follows:

	£'000
Cash	232
Intangible assets	–
Property, plant and equipment	68
Inventories	151
Trade and other receivables	413
Trade and other payables	(479)
Fair value of net assets	385
Goodwill	2,115
Total purchase consideration	2,500
Purchase consideration in cash	2,500
Less cash in subsidiary acquired	(232)
Cash outflow on acquisition	2,268

At the date of approval of these financial statements, management have not completed a fair value exercise of the acquired business assets and liabilities, and consequently the assessment of goodwill and intangible assets has not been finalised. This exercise will be completed during the coming financial year.

Taxation

On 5 July 2011 a new Finance Act was enacted which reduced the main rate of Corporation Tax from 26% to 25% with effect from 1 April 2012. Further reductions to the main rate are proposed to reduce the rate by 1% per annum by 1 April 2014. These further changes have not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements. The reduction of the rate to 25% will have an impact on the deferred tax assets and liabilities, although it is neither material nor significant.

NOTICE OF MEETING

Notice is hereby given that the seventy-fifth Annual General Meeting of FW Thorpe Plc will be held at Merse Road, North Moons Moat, Redditch, Worcestershire B98 9HH on 10 November 2011 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 2011.
2. To declare a dividend.
3. To re-elect Mr D Taylor as a director.
4. To re-elect Mr I A Thorpe as a director.
5. To re-elect Mr P D Mason as a director.
6. To re-appoint PricewaterhouseCoopers LLP as auditors of the company, to hold office until the conclusion of the next General Meeting at which accounts are laid before the company and to authorise the directors to fix the auditors' remuneration.

Special business

To consider and, if thought fit, to pass the following resolutions which will be proposed in the case of 7 and 8 as ordinary resolutions and in the case of 9 and 10 as special resolutions.

7. That the directors' remuneration report (as set out on pages 22 to 24 of the Annual Report and Accounts) for the year ended 30 June 2011 be approved.
8. That the directors be and hereby are generally and unconditionally authorised to allot shares in the company or to grant rights to subscribe for, or to convert any security into, shares in the company ("Rights") comprising equity securities (as defined by section 560 of the Companies Act 2006 ("the Act")) up to an aggregate nominal amount of £310,644.

Provided that this authority shall, unless renewed, varied or revoked by the company, expire on the date of the next Annual General Meeting of the company, save that the company may, before such expiry, make offers or agreements which would or might require shares to be allotted or Rights to be granted and the directors may allot shares or grant Rights in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired.

This resolution revokes and replaces all unexercised authorities previously granted to the directors to allot shares or to grant Rights but without prejudice to any allotment of shares or grant of Rights already made, offered or agreed to be made pursuant to such authorities.

9. That, subject to the passing of resolution number 8, the directors be and hereby are given the general power to allot equity securities (as defined by section 560 of the Act) for cash, either pursuant to the authority conferred by resolution number 8 or by way of a sale of treasury shares, as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to;

9.1 the allotment of equity securities in connection with an offer by way of a rights issue:

(a) to the holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings; and

(b) to holders of other equity securities as required by the rights attaching to those securities or as the directors otherwise consider necessary

but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange; and

9.2 the allotment (otherwise than pursuant to paragraph 9.1) of equity securities up to an aggregate nominal amount of £58,618 representing no more than 5% of the issued ordinary share capital at 12 October 2011

The power granted by this resolution will (unless renewed, varied or revoked by the company prior to or on such date) expire on the earlier of the conclusion of the company's next Annual General Meeting and the expiry of the period of 15 months following the passing of this resolution, save that the company may, before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired.

This resolution revokes and replaces all unexercised powers previously granted to the directors to allot equity securities as if section 561(1) of the 2006 Act did not apply but without prejudice to any allotment of equity securities already made or agreed to be made pursuant to such powers.

NOTICE OF MEETING
CONTINUED

10. That the company be generally and unconditionally authorised to make market purchases (within the meaning of section 693(4) of the Companies Act 2006) 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 2012; 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. 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 8 November 2011 (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, Aspect House, Spencer Road, Lancing, West Sussex BN99 6ZL, 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, Aspect House, Spencer Road, Lancing, West Sussex BN99 6ZL, so as to be received not later than 3.15 pm on 8 November 2011 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 12 October 2011 (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 170,000 shares held in treasury, the total voting rights in the company as at 12 October 2011 are 11,723,559.

7. 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

C Muncaster
Company Secretary
Merse Road
North Moons Moat
Redditch
Worcestershire
B98 9HH

12 October 2011

FINANCIAL CALENDAR

2011	
18 October	Posting of the Annual Report and Accounts
10 November	Annual General Meeting
17 November	Payment of final dividend

2012	
March	Announcement of interim results
May	Payment of interim dividend
September	Announcement of results for the year

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