



FW THORPE PLC

Business review

INTRODUCTION

We specialise in designing and manufacturing professional lighting equipment. We currently employ approximately 470 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.

In this report

Business review

- 01 How we have performed
- 02 FW Thorpe Plc at a glance
- 04 Our geographic reach
- 05 Chairman's statement
- 08 New LED product ranges
- 10 TRT Lighting
- 12 Portland Lighting
- 14 Carbon offsetting project

Governance

- 16 Directors
- 17 Advisers and Company information
- 18 Report of the directors
- 22 Directors' remuneration report
- 25 Statement of directors' responsibilities
- 26 Independent auditors' report

Accounts

- 27 Consolidated income statement
- 28 Consolidated statement of comprehensive income
- 29 Consolidated and company balance sheets
- 30 Consolidated statement of changes in equity
- 31 Company statements of changes in equity
- 32 Consolidated and Company statements of cash flows
- 33 Notes to the consolidated financial statements

Additional information

- 65 Notice of meeting
- 67 Shareholder notes
- IBC Financial calendar



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BUSINESS REVIEW
HOW WE HAVE PERFORMED



Operational highlights

- Strong export performance, 47% increase to £7.8m
- Investment in new LED street lighting division – TRT Lighting
- Successful integration of Portland Lighting
- Continued investment in LED products across the group

BUSINESS REVIEW FW THORPE 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.



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compact



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.



*



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.



*



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.



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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.



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Portland Lighting

Portland Lighting design, manufacture and supply innovative lighting products to the brewery, retail and sign lighting industries.

The company operates from a modern 1,300 square metre facility in Walsall that was purposely designed to enable the fast turnaround of customer orders.

Established in 1994, the product range has continually evolved to ensure that Portland remains one of the leading companies in their sector.



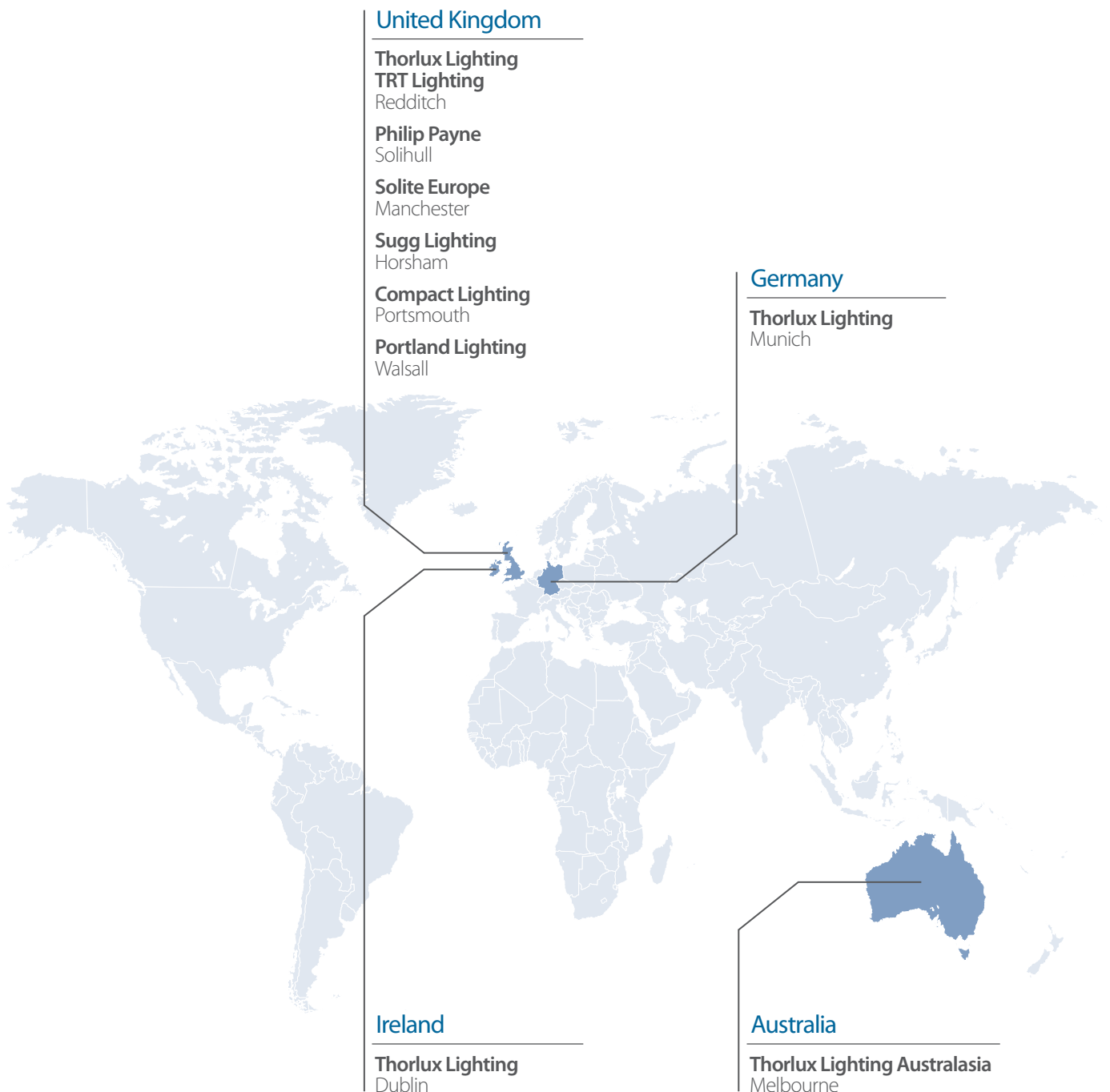
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BUSINESS REVIEW
OUR GEOGRAPHIC REACH

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

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



BUSINESS REVIEW
CHAIRMAN'S STATEMENT



A B Thorpe
Chairman

“5% is, however, 5% and marks another group record operating profit.”

The financial year ended 30 June 2012 provided your company with revenue of £55.6m being an increase on the corresponding period of 5%. Operating profit increased to £11.9m which combined with an increase in net financial income resulted in a group profit before tax expense of £12.7m, up 9% compared to the 2010/2011 figure.

The above represents the results of our continuing operations and excludes the profit on sale of Mackwell Electronics Ltd and any contribution prior to the business leaving the group in December 2011.

A 5% rise in operating profit is perhaps not what some commentators may have expected looking at our half year figures. Times are strange, however, and some of our subsidiaries as well as our largest firm, Thorlux, experienced a noticeable downturn in orders during May and June 2012, the two final months of our financial year and those which normally provide the “fruit on the sideboard” in the way of a good finale to the year.

The reasons for this occurrence are not clear especially as the first two months of the new financial year, July and August, have seen trading for those companies affected, return to the levels of last year. Indeed, the recently published UK Manufacturing Purchasing Managers Index which had been falling in recent months, showed a sharp rise in August and somewhat correlates with our experiences. Elements within the group have also reported a notable slowdown in business from the areas affected by the Olympic Games.

5% is, however, 5% and marks another group record operating profit.

Investment in the group has continued during the year and has centred around four majors, being the installation of the £1m sheet metal laser punching machine at Thorlux, the purchase of a new 1,000 square metre factory, the starting of a new venture, TRT Lighting, and the purchase of Portland Lighting Ltd in Walsall, West Midlands. More detail will be given on these investments later in the report.

Export sales excluding the previous sizeable contribution from Mackwell Electronics Ltd increased 47% during the financial year in question. Thorlux contributed a 42% increase with notable “one off” order contributions from Solite Europe Ltd and Compact Lighting Ltd.

The financial performance outlined at the beginning of this report allows your Board to recommend a final dividend of 14.6p per share (2011: 13.3p) which together with the interim dividend paid in April 2012 makes a total dividend for the year of 19.4p (2011: 17.6p) an increase of 10%.

BUSINESS REVIEW
CHAIRMAN'S STATEMENT CONTINUED

“Continuing investment in design and introduction of new products, the bulk of which are for the LED light source”

Thorlux Lighting

Industrial and commercial lighting systems maker, Thorlux, entered the financial year with a healthy backlog of orders. This and ongoing business resulted in a busy first half after which, however, orders slowed marginally followed by a dip in May and June 2012. This phenomenon within the group was most noticed at Thorlux which, as mentioned earlier, is now trading at levels akin to last year.

Notwithstanding the continuing investment in design and introduction of new products, the bulk of which are for the LED light source, the main investment at Thorlux has been the actual installation of the £1m sheet metal laser cutting and punching machine. The machine which takes up a similar space as a single tennis court, punches holes in sheet metal to the shape of the individual tool selected for the particular punching stroke. This part of the operation is the same as with other existing similar machines at Thorlux, except that it is much quicker. The laser cutting function allows the cutting of shapes in the sheet metal without the need for expensive tooling; this latter function means that sheet metal blanks with complicated profiles can be produced on a “one stop shop” basis on this machine. In addition a finished component picking and stacking facility negates the need for manual separation and stacking of finished profiles.

The year 2010/11 severely strained current manufacturing capacity and so to free further manufacturing space in the required areas, Thorlux will be building a new 2,400 square metre high roof warehouse on existing spare land adjacent to the main factory. The new facility will house some 90% more finished goods per square metre than the current facility and be equipped with more appropriate product picking equipment than currently installed.

The export effort continues with an increase of 42% on last year. Virtually all areas have performed well with a caveat that our office in Munich though not contributing an increase this year, has substantially modified its sales platform to one which we are confident will provide noticeable growth in the coming financial year.

Compact Lighting Ltd

Compact Lighting, our Portsmouth retail and display lighting company, has seen a flat year as the sector as a whole has not been buoyant. New sales staff brought in due to the retirement of a successful long running Sales Manager last year and the imminent retirement of another have not produced the required results. A new high calibre Sales Director has, therefore, just been engaged with a view to improving the situation.

Compact is continuing to follow the group directive to increase its already now significant range of tooled display lighting luminaires. These highly tooled ranges of product have played an important role in Compact specification lighting during the last financial year and they will be at the forefront of our improved sales initiative.

Philip Payne Ltd

Philip Payne Ltd, the group's manufacturer of specification exit signage, experienced a patchy year struggling to match last year's volumes and, no doubt, suffering from the general reduction in construction activity. Saying this, Payne still managed to present a profit to sales ratio which would be considered most satisfactory for many organisations.

Notable projects supplied during the year include the provision of exit signage for the Jacobean Theatre at the Globe complex and exit lighting for the shell and core areas of the Shard in London.

Sugg Lighting Ltd

Heritage lighting maker and refurbisher, Sugg, endured another fairly stand-still year in financial performance terms despite producing, again, some fine quality work such as the manufacture and supply of exterior lighting for the Bomber Command Memorial which included a series of special lanterns mounted on bespoke eight metre columns.

A proportion of Sugg's product offering is the supply of complete heritage lanterns of traditional but fairly standard patterns and in this sector of the market there are a number of small similar "family-style" firms producing similar products and whose existence continues mainly due to their small and parochial make up.

It is hard for Sugg to compete in this sector and make the required profit, and there is, therefore, a current project of "blue sky" thinking in regard to Sugg Lighting and its forward strategy.

Solite Europe Ltd

A specialist in "clean room" lighting, Solite, performed well in its first year with new Managing Director Mr Phil Myles.

Solite, as with Compact Lighting, has been lacking the market penetration deserved of its product range and expertise and I can report that, at this time, a new Sales Director with a deal of successful clean room lighting experience has just been appointed.

Portland Lighting Ltd

Portland, a specialist in external sign lighting, joined the group as stated earlier in July 2011, and so may I take this opportunity to officially welcome Portland and Managing Director Mr Andy Truelove and his team to the group. The change of ownership does not seem to have dampened enthusiasm at Portland and, I am pleased to report, that they have put Thorlux, for once, in number two slot in regard to operational profit to sales ratio!

Portland, which is based in Walsall, West Midlands, makes lights for signs and, though you may not know it you will be seeing their products most days.

TRT Lighting

Initially a division of Thorlux, TRT has been established to concentrate on the design, manufacture and supply of LED outdoor lighting systems. It is currently in its one year design and establishment phase. Thorlux has in recent years successfully concentrated on commercial indoor lighting systems somewhat to the detriment of its outdoor offering and the complexity of modern lighting renders it hard for one company to concentrate 100% on very many aspects at the same time.

The inauguration of TRT will not only allow 100% group concentration on both areas of lighting but also a move into LED street lighting, an area new to the group, and one which is no longer in the commodity sector due to the shift over to LED light sources for these applications.

The almost new factory purchased for around £0.75m is close to the group HQ in Redditch and has been purchased on a 999 year lease, a period which is considered sufficient by the current management.

Carbon Offsetting Project

The FW Thorpe Plc Carbon Offsetting Project at Devauden in Monmouthshire has now 35,000 trees planted. Ahead of the schedule required for group carbon offsetting but as required to take advantage of grants available from the Forestry Commission Wales. In November 2011 the company was awarded the accolade of being the first company to be successfully assessed to the "Woodland Carbon Code" of Wales.

A press day was held on site during which a "celebration tree" was planted by Welsh Minister of Environment and Sustainability, Mr John Griffiths; Mr Jon Owen Jones of Forestry Commission Wales, and FW Thorpe Plc Joint Managing Director, Mr Mike Allcock.

People

Once again I would like to thank all those within FW Thorpe Plc for their loyalty and hard work throughout this slightly up and down year. I am pleased that the company has once again been able to supply a stable work-place and I would like to express my appreciation for the most cooperative attitude shown by so many and which makes heading the group a pleasure.

The future

In lighting terms the future now definitely includes LED for general lighting applications. The amount of light output from an LED per watt of electricity can now match or even surpass more traditional light sources such as high intensity discharge or fluorescent lamps. That is not to say, however, that an LED lighting solution should be the only consideration, as the "fluorescent boys" have not been asleep to the challenge. Fifty thousand hour fluorescent lamps are now available at reasonable prices and these match the life expectancy of an LED product.

LED technology is currently expensive and although this will change, conventional technology may still give a better economic outcome when considering initial cost, energy savings, longevity and ease of maintenance.

The new technology has created an entry point for many new small start-up companies and some users are being tempted by the "pot of gold" in energy savings that are possible using LED products. Unfortunately the temptation of the "pot of gold" often clouds the judgement in regard to the selection of a quality supplier.

Behind an LED product there are electronic circuits which have to be designed properly, circuit boards which have to be made properly, LED chips which have to be placed and cooled properly otherwise failures will be frequent and a great deal more costly to put right than with conventional technology.

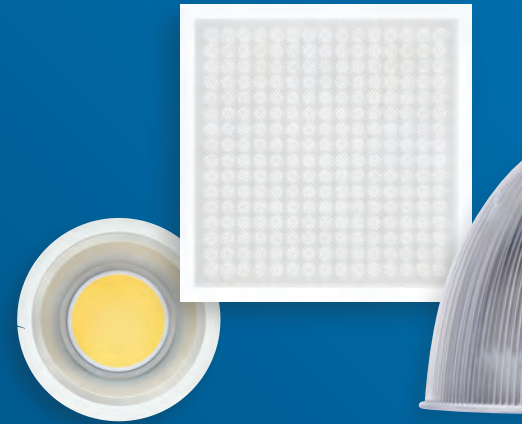
Your company has availed itself of the expertise in all these areas and sees no long-term threat from these new starters.

The rest just depends on our ability to sell and a reasonable market prevailing.



A B Thorpe
Chairman
20 September 2012

New LED product ranges



Advanced LED Luminaire Technology

In the last six months, LEDs have developed significantly and sometimes exceed the performance of the best fluorescent solutions. Volume increases have reduced costs, making LEDs the ideal choice in many more applications.

Not all LED solutions are the same, however, and not all will provide customers with long lasting, efficient installations often promised by some competitors. Thorlux has invested heavily in technology to be at the forefront of the industry, providing excellent technical lighting solutions. Thorlux designs, manufactures and tests the vast majority of its own LED electronic circuits and lenses – the latter for precise optical control.

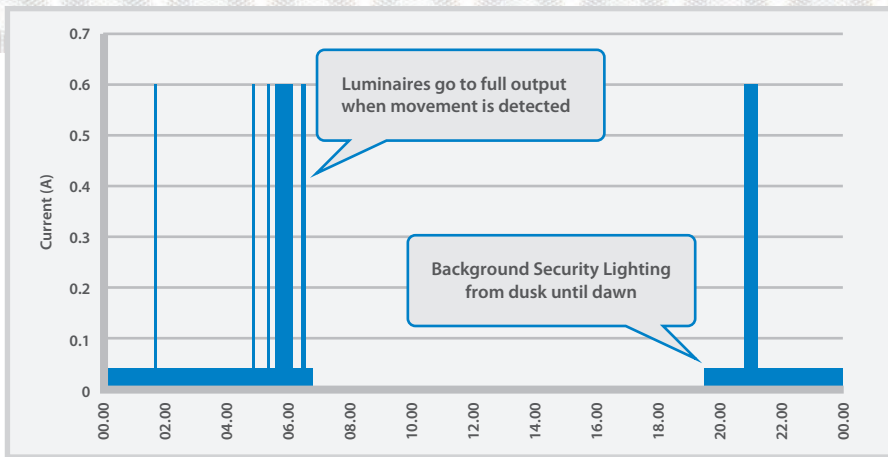
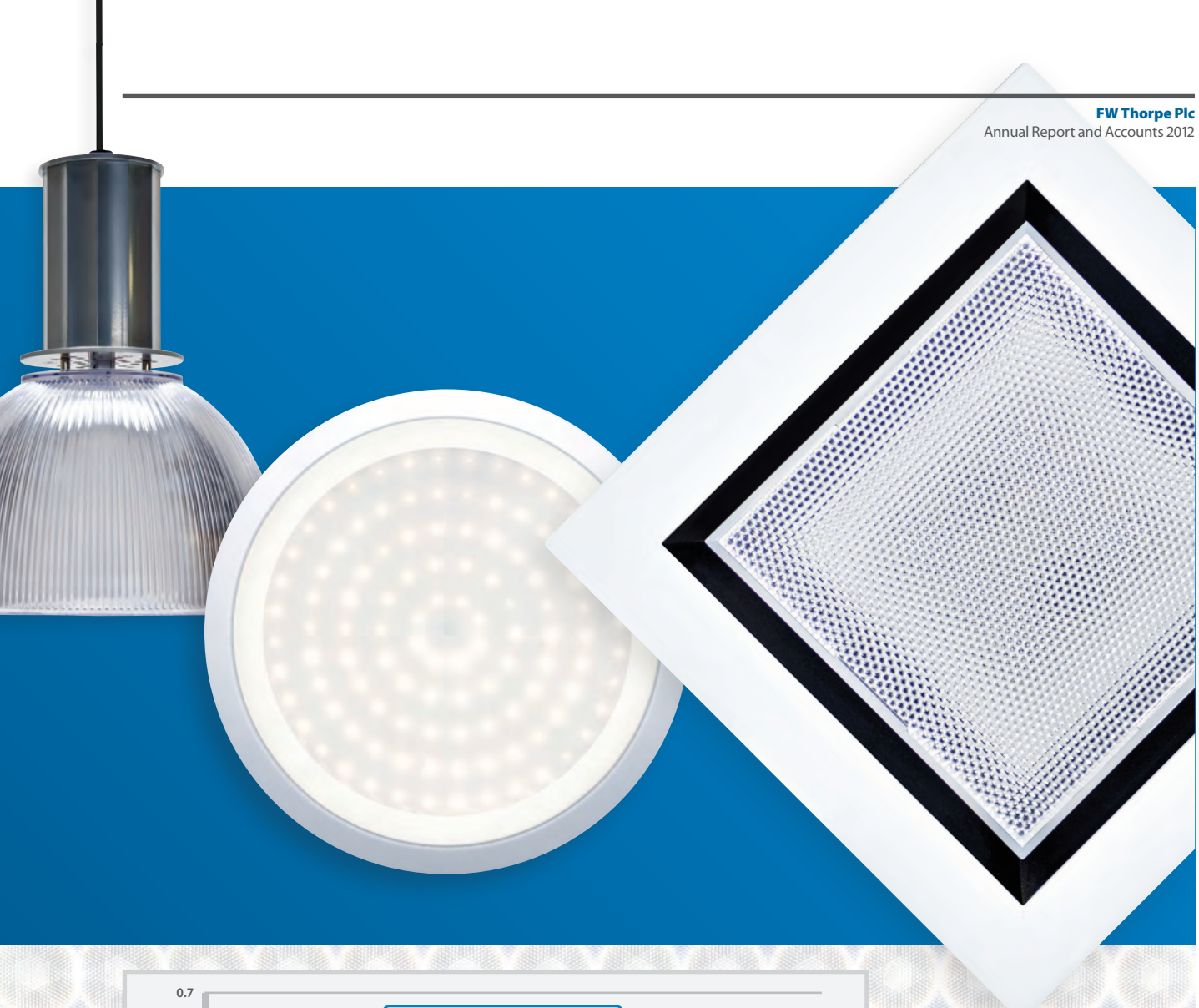
The company's 76-year history, running into thousands of years of combined experience, ensures every aspect of lighting a space is carefully considered – a requirement all the more important as system lifetimes are now expected to reach 50,000 to 100,000 hours or even more. Thorlux carefully considers end-of-life scenarios – for example LED failures, solder joint failures and isolated component failures – to ensure new designs have on-going system reliability even when individual components fail.



Solow LED

In 2011/2012 Thorlux launched more new products than ever before. Late in 2012 the company will launch a significant number of new products, several with patents applied for, and all LED based. Thorlux expects to see significant growth in LED luminaire sales in 2013.

Group technical capabilities will drive increasing LED market penetration and increased revenue potential whilst presenting a serious technical challenge to others in the marketplace.



Smart External Monitored Installation

The car park lighting at FW Thorpe's head office in Redditch has been upgraded to demonstrate the savings that can be made by using the latest in lighting technology – a Smart External control system with Realta LED luminaires.

Smart External is an innovative control system developed specifically for use with external LED lighting. It utilises the instant switching and dimming capability of LEDs to produce substantial energy savings. The system is configured so that the luminaires in the office car park switch on

at a low output level at dusk and remain on at that level until dawn to provide security lighting. If a person drives or walks into the car park, the luminaires go to full output then dim down again five minutes after the last movement detection. This is a convenient feature for early starters and those working late, and it also deters intruders.

Realta LED luminaires have been installed to reduce energy consumption, improve the lighting level and improve the quality of light, providing better security. LEDs offer very long life and are ideally suited to exterior

lighting applications. They can be switched on and off without the warm-up time associated with conventional discharge light sources, and can be dimmed to save energy. The LED luminaires use approximately half of the energy required for an equivalent fluorescent scheme.

Initial monitoring studies conducted during September 2012 indicate that the installation will provide savings of approximately 80% compared with LED luminaires remaining on at full brightness all night.



TRT Lighting

TRT (Thorlux Road and Tunnel) Lighting, an independent specialist division which has evolved from Thorlux Lighting, is the latest venture within the FW Thorpe PLC group.

Building on 76 years of lighting experience, TRT is dedicated to the design, manufacture and supply of LED road and tunnel luminaires. The target for TRT is to produce quality, efficient, stylish, high performance LED products that are manufactured in the UK.

Historically, Thorlux supplied products to many major road tunnel projects within the UK and the Far East, with a global supply in excess of 30,000 luminaires. With this specialist knowledge, TRT can provide unique tunnel lighting and control systems using the Scanlight DALI based lighting control system.

The group has invested in a new facility, a few miles from Thorlux's main manufacturing site, to enable TRT to concentrate on the fast-track development of new products and control systems for the road and tunnel lighting market.

TRT is developing a range of LED-based road-lighting luminaires for residential S-lighting-class and up to ME3-lighting-class roads. The products take full advantage of LED technology by providing instant white light, reduced running costs and long lifetimes, promoting minimum maintenance. Additional road lighting controls, via some of the latest command and monitoring systems (CMSs), will provide enhanced user benefits such as lamp failure feedback and operational statistics, while optimising energy usage and reducing the carbon footprint.

The new TRT premises, currently being used for the initial design and development phase, will shortly be furnished with an interactive showroom facility and a production capability.



Factory

The 1,000 square metre factory is close to the group's main manufacturing unit and head office.

The relatively new building will enable the factory layout to be effective and efficient.

Tunnel Luminaires

A very successful range, adopted from that of Thorlux Lighting, provides extensive product lifetimes and exceptionally high performance for the most challenging environments.

TRT has introduced LED variations of existing luminaires. Also, a new product, designed with LED technology at the core, will soon be launched.

LED Road Luminaires

A range of road luminaires targeted at specific road classes is in the later stages of development.

Products embrace LED technology and use two head sizes and numerous optical arrays and power ratings. All accommodate the latest CMS-based wireless communication systems.



Portland Lighting

Established in 1994, Portland Lighting is among the leading brands in the external sign lighting industry. Portland has differentiated itself by providing excellent customer service and continuing enthusiastically to embrace ever-changing technology.

Together with fluorescent options, Portland offers a range of fully CE-compliant sign lighting for all budgets and every installation. The advent of LED technology, which has reduced energy consumption and enhanced life expectancy, has given Portland the opportunity to enhance its product range. (For many years, advertising billboards, hoardings and shop fronts have been illuminated using conventional tungsten or fluorescent light sources.) The LED Ecolux trough light, with its specialist lens, now generates 30% of revenue. Portland also offer a range of floodlights for signs, and its Uni Bracket System for trough lighting provides a solution to all fixing situations.

Affiliation to FW Thorpe Plc gives Portland access to the development resources and expertise of the group and affords new and greater opportunities to improve the product portfolio. After a successful first year, Portland looks to develop its LED product range further and improve its export business.

Portland designs and manufactures all products in a purpose-built facility in Walsall, from where products are distributed. Portland's modern manufacturing techniques and in-house powder-coating plant enable a fast turnaround for standard and special colour variations. Raw materials are held in stocks and, following a customer's order, products can be cut to length and powder coated to meet special needs, and then assembled and despatched.

Customers are from a variety of business sectors including retail, brewing, advertising and commercial. Projects often include rebranding an entire estate portfolio. Last year's acquisition of Tote by Betfred gave Portland the opportunity to help rebrand many of Tote's 500 high street outlets.



Factory

Portland's 1,300 square metre factory is located near the motorway network in Walsall, West Midlands.

The purpose-built facility includes an automated powder-coating plant.

Key Products

- LED and fluorescent trough lights for signs and billboards of various dimensions
- Traditional bullet-style lights and menu cases for the hospitality sector
- Decorative lanterns and globe lights, as well as a range of brackets

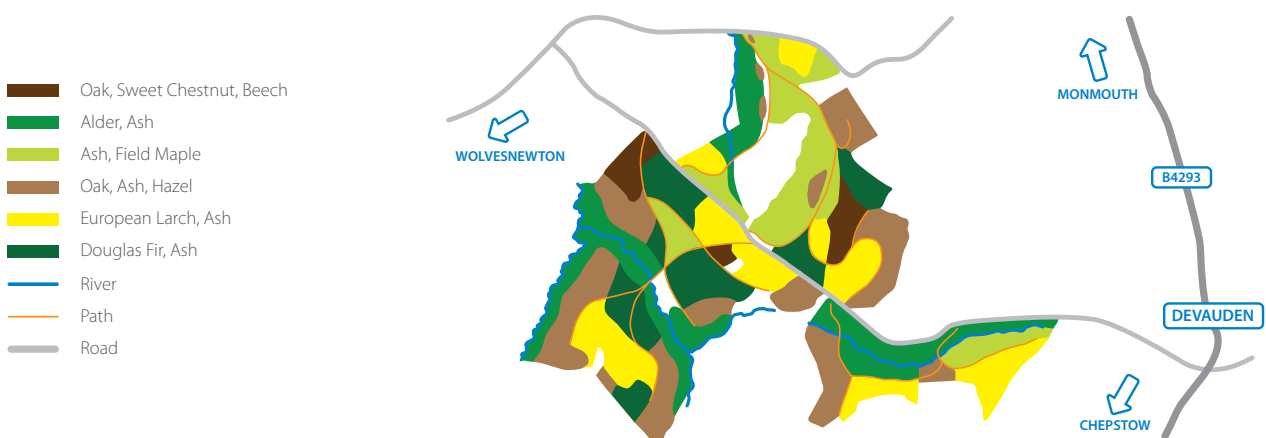
Ecolux

Key features:

- Latest high power chip technology gives 85 lumens per watt output
- Over 1,000 lumens per metre of LED output
- Only 12.5 watts per metre power consumption; energy saving of 75% compared with fluorescent
- IP67 rating; 50,000 hours or more of lamp life

The first site in Wales to be certified against the Woodland Carbon Code

FW Thorpe is committed to minimising the environmental impact of both its manufacturing processes and its products. However, even with the most responsible approach, some carbon dioxide (CO₂) will be released into the atmosphere as an indirect result of factory and selling activities and customers' use of luminaires. In 2009, FW Thorpe designed an ambitious carbon-offsetting scheme to help compensate for these emissions.





FW Thorpe has chosen to plant trees. Why trees? Trees and other plants absorb CO₂ during photosynthesis. One tree grown to maturity in open space can absorb approximately 1 tonne of CO₂ over its lifetime. A forest covering many acres can effectively lock up CO₂, creating a carbon sink.

On 215 acres of land in Cwm Fagor, near Devauden in Monmouthshire, FW Thorpe plans to plant enough trees to offset group emissions each year. Between 2009 and 2012, a total of 35,000 trees have been planted.

Native broadleaf species will maximise the potential of the site and link up adjoining ancient woodlands, improving the local environment. Sustainable forest management will ensure that the trees thrive and are harvested at appropriate times to be used in wood-related products, ensuring that the carbon is held within the wood well past the lifetime of the tree.

The project has been designed and is managed by a silviculturalist (an expert in the development and management of forests). The woodland has the backing of the Forestry Commission Wales and is the first site in Wales to meet the Woodland Carbon Code, a voluntary standard for woodland creation projects in the UK to monitor and assess claims about the CO₂ sequestered.

www.forestry.gov.uk/carboncode



Left: Jon Owen Jones – (Forestry commission's Commissioner for Wales), **Middle:** John Griffiths (Minister for Environment and Sustainable Development), **Right:** Mike Allcock – (Managing Director of Thorlux Lighting).

GOVERNANCE
DIRECTORS**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.

**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.

**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.

**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.

**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.



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.



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.



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.

Advisers

Auditors

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Solicitors

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Nominated Adviser

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Registered No.

F W Thorpe Plc is registered in
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Websites

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www.thorluxdesign.com
www.thorlux.com.au
www.thorlux.de
www.thorlux.ie
www.thorlux.es
www.thorlux.se
www.compact-lighting.co.uk
www.philippayne.co.uk
www.solite-europe.com
www.sugglighting.co.uk
www.portlandlighting.co.uk
www.trtlighting.co.uk

GOVERNANCE

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 2012.

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 offer 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 an 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 2012 or 30 June 2011.

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 remains in surplus although there has been a decline during the year, which is primarily due to changes in actuarial assumptions. This may continue to adversely affect the surplus. A triennial actuarial valuation at 30 June 2012 is currently in progress. Following the previous valuation at 30 June 2009, 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 8 May 2012 the company paid an interim dividend of 4.6p per share (2011: 4.3p) amounting to £563,000 (2011: £504,000). A final dividend of 14.6p (2011: 13.3p) per ordinary share is proposed amounting to £1,712,000 (2011: £1,559,000) and, if approved, will be paid on 22 November 2012. Total dividends paid during the year amounted to £2,122,000 in aggregate (2011: £1,981,000).

Directors

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

The directors retiring by rotation are A B Thorpe, M Allcock and C M Brangwin who, being eligible, offer themselves for re-election. The contracts for A B Thorpe and M Allcock are terminable on 24 months' notice. C M Brangwin does not have a service contract 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 payables is 44 (2011: 42).

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 £1,052,000 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 six months and 23 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 £21,910 (2011: £4,714) for charitable purposes. This is made up of donations to UK charities for children's welfare of £2,640, cancer care of £70, healthcare of £150, emergency aid of £150, armed forces welfare of £17,500 and local causes of £1,400.

Substantial shareholdings

At 12 October 2012 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.

GOVERNANCE

REPORT OF THE DIRECTORS CONTINUED

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 2012). 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 2012.

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 2012).

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.

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 2012 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 2013. 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 and M Allcock 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 control 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. Any 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 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 £14.1m cash and £17.1m 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 2012

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

Company Registration Number: 317886

GOVERNANCE

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

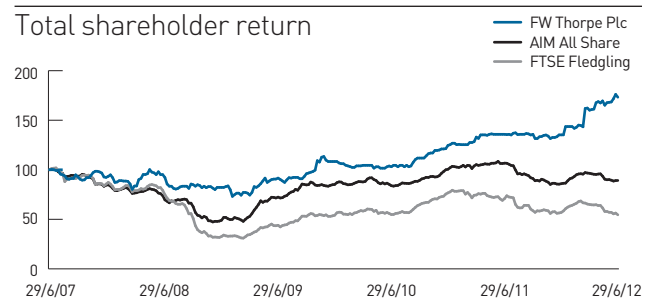
The Board as a whole determines the remuneration of the non-executive directors. The Board takes into account the contribution made and the relative time spent on the company's affairs. The non-executive directors do not receive bonuses. Their benefits in kind consist of the provision of health insurance.

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 and M Allcock have service contracts terminable on two years' notice. These contracts do not comply with the Code because they are in excess of one year. A M Cooper and D Taylor 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 formal 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

	2012 Salary/fees £'000	2012 Bonus £'000	2012 Benefits £'000	2012 Total £'000	2011 Total £'000
Executive directors					
A B Thorpe	178	89	25	292	285
M Allcock	178	89	23	290	272
D Taylor	78	30	14	122	118
A M Cooper	89	62	11	162	157
C Muncaster	89	75	11	175	156
D A Dimeloe – resigned 2 December 2011	46	–	5	51	255
N A Brangwin – resigned 2 December 2011	27	–	4	31	94
Non-executive directors					
C M Brangwin	24	–	10	34	34
I A Thorpe	24	–	12	36	35
P D Mason	24	–	4	28	114
Total emoluments	757	345	119	1,221	1,520

In addition to the above emoluments, payments were made to D A Dimeloe of £48,000 and N A Brangwin of £5,000 in respect of compensation for loss of office. The total directors' emoluments including compensation for loss of office amounted to £1,274,000.

Directors' pension arrangements

M Allcock, A M Cooper 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 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 2012 £pa	Director's contributions during the year £	Change in value of accrued pension since 30 June 2011 £pa
M Allcock	44	65	61,005	8,650	5,364
D Taylor	50	65	40,112	4,848	6,439

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.

	2012 £	2011 £
D A Dimeloe	6,304	14,688
N A Brangwin	1,291	3,008
A M Cooper	4,320	4,000

GOVERNANCE
DIRECTORS' REMUNERATION REPORT CONTINUED

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

	2012 £	2011 £
C Muncaster	7,828	8,480

Directors' shareholdings

The directors listed below were in office during the year. Directors' interests in the share capital of the company at 30 June 2012 and 1 July 2011 were as follows:

	Ordinary shares of 10p Beneficial	
	2012	2011
Executive directors		
A B Thorpe	2,789,984	2,805,841
M Allcock	11,400	11,400
D Taylor	5,022	5,022
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	162,637	165,137

In addition, C M Brangwin has a joint non-beneficial interest in 170,000 shares (2011: 170,000 shares).

The market price of the company's shares at the beginning and end of the financial year was 797.5p and 1035p respectively and the range of market prices during the year was from 749p to 1090p.

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 2012 to 12 October 2012.

Approved by the Board and signed on its behalf by:



C Muncaster
Company Secretary

12 October 2012

GOVERNANCE

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 2012

GOVERNANCE

**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 2012 which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated and company balance sheets, consolidated and company statement of changes in equity, consolidated and company statements of cash flows 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 and Accounts 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 2012 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.

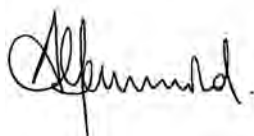
Opinion on other matters prescribed by the Companies Act 2006

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.



**Andrew Hammond (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP**

Chartered Accountants and Statutory Auditors
Birmingham

12 October 2012

ACCOUNTS CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 £'000	2011 £'000
Continuing operations			
Revenue	2	55,559	52,833
Cost of sales		(30,674)	(29,635)
Gross profit			
Distribution costs		(4,128)	(3,994)
Administrative expenses		(8,907)	(7,952)
Operating profit			
Net finance income	3	11,850	11,252
Share of loss of joint venture	6	831	372
	32	(23)	(11)
Profit before income tax			
Income tax expense	7	(2,718)	(3,201)
Profit for the year from continuing operations			
Profit for the year from discontinued operations*			
Profit for the year			
		9,940	8,412
		1,377	999
		11,317	9,411

*Profit for the year from discontinued operations in 2012 includes the exceptional item of profit on sale from disposal of a subsidiary. There is no other income from discontinued operations.

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

Basic and diluted earnings per share		Note	2012 pence	2011 pence
– Basic	Continuing operations	23	84.8	71.8
– Diluted	Continuing operations	23	84.8	71.8
– Basic	Discontinued operations	23	11.7	8.5
– Diluted	Discontinued operations	23	11.7	8.5
– Basic	Total	23	96.5	80.3
– Diluted	Total	23	96.5	80.3

The notes on pages 33 to 64 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 £16,525,000 (2011: £8,376,000) inclusive of exceptional profit on disposal of Mackwell Electronics Limited amounting to £5,578,000.

ACCOUNTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 £'000	2011 £'000
Profit for the year:		11,317	9,411
Other comprehensive income			
Actuarial (loss)/gain on pension scheme	30	(1,410)	1,054
Movement on unrecognised pension scheme surplus	30	468	(483)
Movement on associated deferred tax asset relating to the pension scheme	22	–	(148)
Revaluation of available-for-sale financial assets		29	37
Movement on associated deferred tax	22	(8)	(10)
Impact of deferred tax rate change	22	56	(24)
Exchange rate movement on investment in joint venture		(2)	(9)
Other comprehensive income for the year, net of tax		(867)	417
Total comprehensive income for the year		10,450	9,828
Total comprehensive income attributable to equity shareholders arises from:			
– Continuing operations		9,073	8,829
– Discontinued operations		1,377	999
		10,450	9,828

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

The notes on pages 33 to 64 are an integral part of these consolidated financial statements and parent company financial statements.

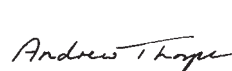
ACCOUNTS CONSOLIDATED AND COMPANY BALANCE SHEETS

AS AT 30 JUNE 2012

	Note	Group		Company	
		2012 £'000	2011 £'000	2012 £'000	2011 £'000
Assets					
Non-current assets					
Property, plant and equipment	10	11,204	11,109	10,491	10,429
Intangible assets	9	5,984	2,533	2,502	2,014
Investment in subsidiaries	31	–	–	4,168	1,008
Investment property	13	2,081	1,037	2,081	1,037
Loans and receivables	29	1,828	–	1,828	–
Investment in joint venture	32	111	136	156	156
Available-for-sale financial assets	14	1,841	1,105	1,841	1,105
Deferred tax assets	22	15	27	–	81
		23,064	15,947	23,067	15,830
Current assets					
Inventories	17	11,144	11,297	9,257	9,149
Trade and other receivables	18	10,942	11,377	11,042	12,116
Other financial assets at fair value through profit or loss	19	387	387	387	387
Short-term financial assets – deposits	15	17,108	11,616	17,108	11,616
Cash and cash equivalents	16	14,120	14,236	14,081	14,260
Total current assets (excluding non-current assets and disposal groups held for sale)		53,701	48,913	51,875	47,528
Non-current assets and disposal groups held for sale	29	–	5,823	–	–
		53,701	54,736	51,875	47,528
Total assets		76,765	70,683	74,942	63,358
Liabilities					
Current liabilities					
Trade and other payables	20	(7,677)	(8,199)	(8,696)	(10,235)
Current tax liabilities		(1,395)	(1,564)	(1,121)	(1,486)
Total current liabilities (excluding liabilities directly associated with non-current assets and disposal groups for sale)		(9,072)	(9,763)	(9,817)	(11,721)
Liabilities directly associated with non-current assets and disposal groups held for resale	29	–	(1,634)	–	–
Total current liabilities		(9,072)	(11,397)	(9,817)	(11,721)
Net current assets		44,629	43,339	42,058	35,807
Non-current liabilities					
Retirement benefit deficit	30	–	–	–	–
Provisions for liabilities and charges	21	(102)	(102)	(102)	(102)
Deferred tax liabilities	22	(778)	(699)	(723)	(769)
Total liabilities		(9,952)	(12,198)	(10,642)	(12,592)
Net assets		66,813	58,485	64,300	50,766
Equity attributable to owners of the company					
Called up share capital	24	1,189	1,189	1,189	1,189
Share premium account	25	656	656	656	656
Capital redemption reserve	25	137	137	137	137
Retained earnings		64,831	56,503	62,318	48,784
Total equity		66,813	58,485	64,300	50,766

The notes on pages 33 to 64 form part of these financial statements.

The financial statements on pages 27 to 64 were approved by the Board on 12 October 2012 and signed on its behalf by



A B Thorpe



C Muncaster

Company Registration Number: 317886

ACCOUNTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2012

	Note	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 July 2010		1,189	656	137	48,656	50,638
Comprehensive income						
Profit for the year to 30 June 2011		–	–	–	9,411	9,411
Actuarial gain on pension scheme	30	–	–	–	1,054	1,054
Movement on unrecognised pension scheme surplus	30	–	–	–	(483)	(483)
Movement on associated deferred tax asset relating to the pension scheme		–	–	–	(148)	(148)
Revaluation of available-for-sale financial assets		–	–	–	37	37
Movement on associated deferred tax	22	–	–	–	(10)	(10)
Impact of deferred tax rate change	22	–	–	–	(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
Comprehensive income						
Profit for the year to 30 June 2012		–	–	–	11,317	11,317
Actuarial loss on pension scheme	30	–	–	–	(1,410)	(1,410)
Movement on unrecognised pension scheme surplus	30	–	–	–	468	468
Revaluation of available-for-sale financial assets		–	–	–	29	29
Movement on associated deferred tax	22	–	–	–	(8)	(8)
Impact of deferred tax rate change	22	–	–	–	56	56
Exchange rate movement on joint venture		–	–	–	(2)	(2)
Total comprehensive income		–	–	–	10,450	10,450
Transactions with owners						
Dividends paid to shareholders		–	–	–	(2,122)	(2,122)
Total transactions with owners		–	–	–	(2,122)	(2,122)
Balance at 30 June 2012		1,189	656	137	64,831	66,813

The notes on pages 33 to 64 form part of these financial statements.

ACCOUNTS

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2012

	Note	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 July 2010		1,189	656	137	41,937	43,919
Comprehensive income						
Profit for the year to 30 June 2011		–	–	–	8,376	8,376
Actuarial gain on pension scheme	30	–	–	–	1,054	1,054
Movement on unrecognised pension scheme surplus	30	–	–	–	(483)	(483)
Movement on associated deferred tax asset relating to the pension scheme		–	–	–	(148)	(148)
Revaluation of available-for-sale financial assets		–	–	–	37	37
Movement on associated deferred tax	22	–	–	–	(10)	(10)
Impact of deferred tax rate change	22	–	–	–	11	11
Exchange rate movement on joint venture		–	–	–	(9)	(9)
Total comprehensive income		–	–	–	8,828	8,828
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	48,784	50,766
Comprehensive income						
Profit for the year to 30 June 2012		–	–	–	16,525	16,525
Actuarial loss on pension scheme	30	–	–	–	(1,410)	(1,410)
Movement on unrecognised pension scheme surplus	30	–	–	–	468	468
Revaluation of available-for-sale financial assets		–	–	–	29	29
Movement on associated deferred tax	22	–	–	–	(8)	(8)
Impact of deferred tax rate change	22	–	–	–	52	52
Total comprehensive income		–	–	–	15,656	15,656
Transactions with owners						
Dividends paid to shareholders		–	–	–	(2,122)	(2,122)
Total transactions with owners		–	–	–	(2,122)	(2,122)
Balance at 30 June 2012		1,189	656	137	62,318	64,300

The notes on pages 33 to 64 form part of these financial statements.

ACCOUNTS

CONSOLIDATED AND COMPANY STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2012

	Note	Group		Company	
		2012 £'000	2011 £'000	2012 £'000	2011 £'000
Cash flows from operating activities					
Cash generated from operations	26	12,691	9,861	10,298	7,800
Tax paid		(3,223)	(2,901)	(2,808)	(2,570)
Net cash generated from operating activities		9,468	6,960	7,490	5,230
Cash flows from investing activities					
Purchases of property, plant and equipment		(2,198)	(2,209)	(1,993)	(1,459)
Proceeds from sale of property, plant and equipment		120	112	85	88
Purchase of intangibles		(1,341)	(1,116)	(1,259)	(908)
Purchase of subsidiary (net of cash acquired)		(2,502)	–	(2,734)	–
Purchase of investment property		(35)	(31)	(35)	(31)
Purchase of available-for-sale financial assets		(706)	(990)	(706)	(990)
Property rental and similar income		195	65	390	359
Dividend income		69	–	1,769	507
Net (purchase)/sale of deposits		(5,492)	4,442	(5,492)	4,442
Interest received		322	230	322	233
Proceeds of disposal of subsidiary net of loan notes issued and direct costs		4,106	–	4,106	–
Net cash (outflow)/inflow from investing activities		(7,462)	503	(5,547)	2,241
Cash flows from financing activities					
Dividends paid to company's shareholders		(2,122)	(1,981)	(2,122)	(1,981)
Net cash outflow from financing activities		(2,122)	(1,981)	(2,122)	(1,981)
Net (decrease)/increase in cash in the year		(116)	5,482	(179)	5,490
Cash and cash equivalents at beginning of year		14,236	8,754	14,260	8,770
Cash and cash equivalents at end of year		14,120	14,236	14,081	14,260
Discontinued operations (note 29)					
				2012	2011
				£'000	£'000
Net cash generated from operating activities				(8)	756
Net cash outflow from investing activities				–	(366)
Net cash outflow from financing activities				–	(282)
Cash and cash equivalents at the end of the year				–	(101)

The notes on pages 33 to 64 are an integral part of these consolidated financial statements and parent company financial statements.

ACCOUNTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

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.

The group has not yet adopted certain new standards, amendments and interpretations to existing standards, which have been published but are only effective for our accounting periods beginning on or after 1 July 2012 or later periods. These new pronouncements are listed below:

- Amendments to IAS 12 "Income Taxes: Deferred Tax – Recovery of Underlying Assets" (effective 1 January 2012)
- Amendments to IAS 1 "Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income" (effective 1 July 2012)
- IFRS 10 "Consolidated Financial Statements" (effective 1 January 2013)
- IFRS 11 "Joint Arrangements" (effective 1 January 2013)
- IFRS 12 "Disclosure of Interests in Other Entities" (effective 1 January 2013)
- IFRS 13 "Fair Value Measurement" (effective 1 January 2013)
- Amendment to IAS 19 "Employee Benefits" (effective 1 January 2013)
- Amendment to IAS 27 "Separate Financial Statements" (effective 1 January 2013)
- Amendment to IAS 28 "Investments in Associates and Joint Ventures" (effective 1 January 2013)
- Amendment to IFRS 7 "Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities" (effective 1 January 2013)
- Annual Improvements 2009-2011 Cycle (effective 1 January 2013)
- Amendments to IAS 32 "Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities" (effective 1 January 2014)
- IFRS 9 "Financial Instruments" (effective 1 January 2015)

The directors are currently evaluating the impact of the adoption of these standards, amendments and interpretations in future periods.

The company has adopted the following new and amended standards as of 1 July 2011.

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
IFRS 1 (amendment)	First time adoption, on hyperinflation and fixed dates – effective from annual periods beginning on or after 1 July 2011.
Annual improvements 2010	Effective from annual periods beginning on or after 1 January 2011.

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

ACCOUNTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

1 Accounting policies continued

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.

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 business is Thorlux. The five 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, Solite Europe and Portland Lighting.

1 Accounting policies continued

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.

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.

ACCOUNTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

1 Accounting policies continued**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 substantively 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.

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.

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.

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%.

Other intangible assets

An intangible asset acquired in a business combination is recognised at fair value to the extent it is probable that the expected future economic benefits attributable to the asset will flow to the group and that its cost can be measured reliably. Intangible assets principally relate to brand names and technology which was valued using an income approach. The cost of intangible assets is amortised through the income statement on a straight line basis over their estimated economic life.

ACCOUNTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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.

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. 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.

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.

Intangible assets

IFRS 3 requires the identification of acquired intangible assets as part of a business combination. The methods used to value such intangible assets require the use of estimates. Future results are impacted by the amortisation periods adopted and changes to the estimated useful lives would result in different effects on the income statement and balance sheet.

Goodwill is not amortised but is tested annually for impairment. Tests for impairment are based on discounted cash flows and assumptions (including discount rates, timing and growth prospects) which are inherently subjective.

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 as well as bank account balances denominated in currencies other than sterling. The group has carried out an exercise to evaluate the effect of a movement of 1% in each currency other than sterling, and the results are not significant.

(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.

(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.

ACCOUNTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

1 Accounting policies continued**(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 dependent 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.

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 business is Thorlux, which manufactures professional lighting systems for industrial, commercial and controls markets. The five remaining operating segments have been aggregated into the “other companies” reportable segment based upon their size, comprising the entities Compact Lighting Limited, Philip Payne Limited, Sugg Lighting Limited, Solite Europe Limited and Portland Lighting Limited.

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.

	Thorlux £'000	Other companies £'000	Inter- segment adjustments £'000	Total continuing operations £'000
Year to 30 June 2012				
Revenue to external customers	44,869	10,690	–	55,559
Revenue to other group companies	80	507	(587)	–
Total revenue	44,949	11,197	(587)	55,559
Operating profit	10,740	828	282	11,850
Net finance income				831
Share of loss of joint venture				(23)
Profit before income tax				12,658
Year to 30 June 2011				
Revenue to external customers	43,909	8,924	–	52,833
Revenue to other group companies	145	619	(764)	–
Total revenue	44,054	9,543	(764)	52,833
Operating profit	10,407	649	196	11,252
Net finance income				372
Share of loss of joint venture				(11)
Profit before income tax				11,613

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.

	2012 £'000	2011 £'000
UK	47,806	47,577
Europe	4,704	3,101
Other countries	3,049	2,155
	55,559	52,833

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

ACCOUNTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

3 Group operating profit

	2012	2011
	£'000	£'000
Group operating profit is stated after charging/(crediting):		
Profit on sale of fixed assets	(71)	(48)
Rental income from investment property	(69)	(5)
Depreciation of tangible fixed assets (note 10):		
– owned assets	1,062	914
Operating lease rentals:		
– plant and machinery	31	43
– other	118	46
Intangible amortisation (note 9)	993	733
Foreign exchange losses/(gains) recognised in income statement	141	(108)

Services provided by the company's auditors

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

	2012	2011
	£'000	£'000
Group		
Fees payable to company's auditors for the audit of parent company and consolidated financial statements	41	38
Fee payable to the company's auditor and its associates for other services:		
– the audit of company's subsidiaries pursuant to legislation	34	26
– tax services	6	–
– Transactional services	–	15
	81	79

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.

4 Other gains – net

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

	2012	2011
	£'000	£'000
Fair value gains	–	1
	–	1

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

5 Employee information

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

	2012 Number	2011 Number
Production	230	216
Sales and distribution	95	91
Administration	142	136
Total average headcount	467	443

Employment costs of all employees (including executive directors).

	2012 £'000	2011 £'000
Aggregate gross wages and salaries	13,423	12,854
Employers' national insurance contributions	1,487	1,425
Employers' pension and related charges	717	610
	15,627	14,889

Employers' pension related charges include life assurance of £51,000 (2011: £58,000), pension administration and professional charges of £91,000 (2011: £62,000), a pension paid to a former director, contributions to Sugg Lighting Ltd group personal pension plan and a private pension scheme amounting to £75,000 (2011: £68,000).

Contributions to the defined contribution section amounted to £333,000 (2011: £311,000).

Directors' emoluments

	2012 £'000	2011 £'000
Aggregate emoluments	1,274	1,520
Contributions to money purchase pension schemes	20	30
	1,294	1,550

Highest paid director

	2012 £'000	2011 £'000
Total of emoluments and amounts receivable	292	285

The highest paid director is a pensioner of the retirement benefits scheme (2012 and 2011: accrued pension of £131,000).

At the 30 June retirement benefits were accruing to M Allcock and D Taylor (2011: M Allcock and D Taylor) under the defined benefit scheme and to A M Cooper (2011: 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.

ACCOUNTS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED**6 Net financial income**

	2012 £'000	2011 £'000
Finance income		
Current assets		
Interest receivable	387	258
Non-current assets		
Dividend income on available-for-sale financial assets	79	16
Net rental income	197	65
Net interest on pension scheme assets and liabilities	168	33
	831	372

7 Income tax expense

Analysis of income tax expense in the year.

	2012 £'000	2011 £'000
Current tax		
Current tax on profits for the year	2,699	2,669
Adjustments in respect of prior years	(57)	6
Total current tax	2,642	2,675
Deferred tax (note 22)		
Origination and reversal of temporary differences	76	526
Total deferred tax	76	526
Income tax expense	2,718	3,201

The tax assessed for the year is lower (2011: higher) than the standard rate of corporation tax in the UK of 25.5% (2011: 27.5%). The differences are explained below:

	2012 £'000	2011 £'000
Profit before tax	12,658	11,613
Profit on ordinary activities multiplied by the standard rate in the UK of 25.5% (2011: 27.5%)	3,228	3,194
Effects of:		
Expenses not deductible for tax purposes	18	44
Accelerated tax allowances and other timing differences	(356)	(116)
Adjustments in respect of prior years	(57)	6
Profits taxed at small companies rate	(3)	(2)
Other	(112)	75
Tax charge	2,718	3,201

The weighted average applicable tax rate was 21.5% (2011: 27.6%).

8 Dividends

The dividends paid in 2012 and 2011 were £2,122,000 (18.1p per share) and £1,981,000 (16.9p per share) respectively.

A final dividend in respect of the year ended 30 June 2012 of 14.6p per share, amounting to a total dividend of £1,712,000, is to be proposed at the Annual General Meeting on 15 November 2012. These financial statements do not reflect this dividend payable.

9 Intangible assets

Group 2012	Goodwill £'000	Development costs £'000	Technology £'000	Brand name £'000	Software £'000	Patents £'000	Fishing rights £'000	Total £'000
Cost								
At 1 July 2011	885	2,961	–	–	587	150	35	4,618
Additions	2,618	1,052	–	–	142	–	147	3,959
Acquisition of subsidiary (note 28)	–	–	311	174	–	–	–	485
Write-offs	–	(575)	–	–	–	–	–	(575)
At 30 June 2012	3,503	3,438	311	174	729	150	182	8,487
Accumulated amortisation								
At 1 July 2011	600	982	–	–	503	–	–	2,085
Charge for the year	–	753	62	58	90	30	–	993
Write-offs	–	(575)	–	–	–	–	–	(575)
At 30 June 2012	600	1,160	62	58	593	30	–	2,503
Net book amount								
At 30 June 2012	2,903	2,278	249	116	136	120	182	5,984

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

Group 2011	Goodwill £'000	Development costs £'000	Technology £'000	Brand name £'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

The group tests intangible assets annually for impairment, or more frequently if there are indications of impairment. A discounted cash flow analysis is computed to compare the discounted estimated future operating cash flows to the net carrying value of the goodwill and other intangible assets for each operating segment or business as appropriate.

The tests are based on the following assumptions:

- Cash flows for the 12 months are based upon the group's annual budget;
- Cash flows beyond the budget period are based on the annual budget cash flows with a growth rate of 2%;
- The estimated cash flows are discounted using a pre-tax discounted rate based upon the group's estimated weighted average cost of capital of 10%.

Any impairments identified as a result of the analysis are expensed to the income statement. The test is dependent on management estimates and judgements, in particular in relation to the forecasting of future cash flows, and the discount rate applied to these cash flows.

The group performed various sensitivity analyses which involved reducing future cash flows by up to 25%, reducing terminal growth rates by up to five percentage points, or increasing pre-tax discount rates by up to 100 bps. The results of these analyses showed that, despite significantly lower post-tax operating cash flows, or increased pre-tax discount rates, the carrying value of goodwill and other intangible assets continued to exceed their value in use.

ACCOUNTS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

9 Intangible assets continued

Company 2012	Goodwill £'000	Development costs £'000	Software £'000	Patents £'000	Fishing rights £'000	Total £'000
Cost						
At 1 July 2011	600	2,618	442	150	35	3,845
Additions	–	979	135	–	147	1,261
Write-offs	–	(480)	–	–	–	(480)
At 30 June 2012	600	3,117	577	150	182	4,626
Accumulated amortisation						
At 1 July 2011	600	846	385	–	–	1,831
Charge for the year	–	670	73	30	–	773
Write-offs	–	(480)	–	–	–	(480)
At 30 June 2012	600	1,036	458	30	–	2,124
Net book amount						
At 30 June 2012	–	2,081	119	120	182	2,502

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

Amortisation of £993,000 (2011: £733,000) 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.

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 2011	9,744	12,766	22,510	9,744	10,094	19,838
Additions	708	1,438	2,146	708	1,230	1,938
Acquisition of subsidiary (note 28)	–	69	69	–	–	–
Transferred to investment property	(1,245)	(33)	(1,278)	(1,245)	(33)	(1,278)
Disposals	–	(340)	(340)	–	(257)	(257)
At 30 June 2012	9,207	13,900	23,107	9,207	11,034	20,241
Accumulated depreciation						
At 1 July 2011	2,018	9,383	11,401	2,018	7,391	9,409
Charge for the year	175	887	1,062	175	651	826
Transferred to investment property	(257)	(12)	(269)	(257)	(12)	(269)
Disposals	–	(291)	(291)	–	(216)	(216)
At 30 June 2012	1,936	9,967	11,903	1,936	7,814	9,750
Net book amount						
At 30 June 2012	7,271	3,933	11,204	7,271	3,220	10,491

Freehold land which was not depreciated at 30 June 2012 amounted to £947,000 (2011: £1,218,000) (group and company).

Following the disposal of a subsidiary company which rented a group property, the company and group has reclassified this property as an investment property.

	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

ACCOUNTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

11 Commitments**(a) Capital commitments**

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

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Property, plant and equipment	56	648	56	635

(b) Operating lease commitments

The group leases premises under non-cancellable operating lease agreements. The lease terms are between five and twenty years (2011: five and twenty 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 2012 £'000	Land and buildings 2011 £'000	Other 2012 £'000	Other 2011 £'000
Within one year	124	46	–	–
Within two to five years	321	80	–	–
Over five years	102	–	–	–
	547	126	–	–

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 £2,228,000 (2011: £1,492,000) 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 2012				
Assets as per balance sheet				
Loans and other receivables	1,828	–	–	1,828
Available-for-sale financial assets	–	1,841	–	1,841
Other financial assets at fair value through profit or loss	–	–	387	387
Trade and other receivables	10,154	–	–	10,154
Short-term financial assets – deposits	17,108	–	–	17,108
Cash and cash equivalents	14,120	–	–	14,120
Total	43,210	1,841	387	45,438

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 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

Company	Loans and receivables £'000	Available- for-sale £'000	Assets at fair value through the profit and loss £'000	Total £'000
30 June 2012				
Assets as per balance sheet				
Loans and other receivables	1,828	–	–	1,828
Available-for-sale financial assets	–	1,841	–	1,841
Other financial assets at fair value through profit or loss	–	–	387	387
Trade and other receivables	10,493	–	–	10,493
Short-term financial assets – deposits	17,108	–	–	17,108
Short-term financial assets – cash and cash equivalents	14,081	–	–	14,081
Total	43,510	1,841	387	45,738

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	11,674	–	–	11,674
Short-term financial assets – deposits	11,616	–	–	11,616
Short-term financial assets – cash and cash equivalents	14,260	–	–	14,260
Total	37,550	1,105	387	39,042

The above analysis excludes prepayments.

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Liabilities as per balance sheet				
Trade and other payables (excluding statutory liabilities)	6,659	7,036	7,948	9,271
	6,659	7,036	7,948	9,271

The group and company did not have derivative financial instruments at 30 June 2012 or 30 June 2011.

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

ACCOUNTS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED**13 Investment property**

Group and company	2012 £'000	2011 £'000
At 1 July	1,037	1,006
Addition	35	31
Transferred from property, plant and equipment	1,009	–
At 30 June	2,081	1,037

The following amounts have been recognised in the income statement:

Group and company	2012 £'000	2011 £'000
Rental income	69	5
Direct operating expenses arising from investment properties that generate rental income	(8)	(12)

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

Investment property of £1,288,000 (2011: £992,000) is freehold land and therefore not depreciated; the property element includes accumulated depreciation of £269,000 (2011: £nil). The associated fishing rights for the property by the river Wye are included in intangible assets.

A fair value exercise was undertaken in September 2011 of the land by the river Wye and the land in Monmouthshire which has resulted in a valuation of £1.2m.

Each investment property generates rental income.

14 Available-for-sale financial assets

Group and company	2012 £'000	2011 £'000
Beginning of year	1,105	78
Additions	707	990
Revaluation	29	37
End of year	1,841	1,105

There were no impairment provisions on available-for-sale financial assets in 2012 or 2011.

Available-for-sale financial assets comprise listed equity in the UK, and denominated in UK pounds.

None of these assets is either past due or impaired.

15 Deposits

Group and company	2012 £'000	2011 £'000
Beginning of year	11,616	16,058
Net additions/(disposals)	5,492	(4,442)
End of year	17,108	11,616

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

The banks where the deposits are held are rated "A" by Fitch, with a specific rating of F1 for short-term funds.

16 Cash and cash equivalents

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Cash at bank and on hand	14,120	14,236	14,081	14,260

The banks where the funds are held are rated "A" by Fitch, with a specific rating of F1 for short-term funds.

17 Inventories

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Raw materials	6,784	6,832	5,175	4,845
Work in progress	1,739	1,561	1,537	1,376
Finished goods	2,621	2,904	2,545	2,928
	11,144	11,297	9,257	9,149

The cost of inventories recognised as an expense and included in cost of sales amounted to £22,733,000 (2011: £21,896,000).

18 Trade and other receivables

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Current				
Trade receivables	9,752	10,687	8,021	8,929
Other debtors	402	61	402	84
Prepayments and accrued income	788	629	549	442
Amounts owed by subsidiaries	–	–	2,070	2,661
	10,942	11,377	11,042	12,116

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

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Trade receivables past due date not provided	299	321	98	72

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 2012 the bad debt provision for the group amounted to £53,000 (2011: £125,000) and for the company £52,000 (2011: £102,000).

During the year the following amounts were written off:

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Bad debts written off	64	78	59	41
Bad debts recovered	(58)	(5)	(58)	(5)
Net bad debt expense	6	73	1	36

At 30 June 2012, trade receivables were due to the group and company in the following currency denominations.

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Due in £ sterling	9,409	10,337	7,690	8,605
Due in € euro	244	198	232	172
Due in Australian dollars	99	152	99	152
Total trade receivables	9,752	10,687	8,021	8,929

The other assets within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The group does not hold any collateral as security.

ACCOUNTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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 2012 this amounted to £387,000 (2011: £387,000).

20 Trade and other payables

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Current				
Trade payables	3,675	4,733	2,945	3,642
Social security and other taxes	1,018	1,163	748	964
Other creditors	2,298	1,745	2,272	1,707
Accruals and deferred income	686	558	421	385
Amounts owed to subsidiaries	–	–	2,310	3,537
	7,677	8,199	8,696	10,235

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

21 Provisions for liabilities and charges

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
WEEE provision	102	102	102	102
Total	102	102	102	102

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Analysis of total provisions:				
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.

22 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	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Deferred tax assets:				
– Deferred tax assets to be recovered after more than 12 months	15	27	–	81
– Deferred tax asset to be recovered within 12 months	–	–	–	–
	15	27	–	81
Deferred tax liabilities:				
– Deferred tax liability to be recovered after more than 12 months	(778)	(699)	(723)	(769)
– Deferred tax liability to be recovered within 12 months	–	–	–	–
	(778)	(699)	(723)	(769)
Net deferred tax liabilities	(763)	(672)	(723)	(688)

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

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Beginning of year	(672)	(62)	(688)	28
Acquisition of subsidiary (note 28)	(6)	–	–	–
Income statement charge	(76)	(451)	(79)	(569)
Tax charged directly to equity	48	(182)	44	(147)
Transferred to non-current assets and disposal groups for sale	(57)	23	–	–
End of year	(763)	(672)	(723)	(688)

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:

	Accelerated tax depreciation £'000	Retirement benefit obligations £'000	Other £'000	Total £'000
Deferred tax assets				
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 1 July 2011	19	–	8	27
(Charged) to the income statement	(4)	–	–	(4)
Credited/(charged) directly to equity	–	–	(8)	(8)
At 30 June 2012	15	–	–	15

	Accelerated tax depreciation £'000	Fair value gains and losses £'000	Other £'000	Total £'000
Deferred tax liabilities				
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 1 July 2011	55	89	555	699
Charged/(credited) to the income statement	106	(2)	(32)	72
Charged/(credited) directly to equity	(11)	(6)	24	7
At 30 June 2012	150	81	547	778

ACCOUNTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

22 Deferred income tax continued

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

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

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Tax on actuarial loss on retirement benefits scheme	–	(148)	–	(148)
Tax on revaluation of available-for-sale assets	(8)	(10)	(8)	(10)
Impact of deferred tax rate change	56	(24)	52	11
	48	(182)	44	(147)

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

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

	Continuing operations		Discontinued operations		Total	
	2012	2011	2012	2011	2012	2011
Weighted average number of ordinary shares in issue	11,723,559		11,723,559		11,723,559	
Profit attributable to equity holders of the company (£'000)	9,940	8,412	1,377	999	11,317	9,411
Basic earnings per share (pence per share)	84.8	71.8	11.7	8.5	96.5	80.3

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		Discontinued operations		Total	
	2012	2011	2012	2011	2012	2011
Weighted average number of ordinary shares in issue for diluted earnings per share	11,723,559		11,723,559		11,723,559	
Profit attributable to equity holders of the company (£'000)	9,940	8,412	1,377	999	11,317	9,411
Diluted earnings per share (pence per share)	84.8	71.8	11.7	8.5	96.5	80.3

24 Share capital

	Group and Company	
	2012 £'000	2011 £'000
Authorised		
15,000,000 ordinary shares of 10p each (2011: 15,000,000 ordinary shares of 10p each)	1,500	1,500
Allotted and fully paid		
11,893,559 ordinary shares of 10p each (2011: 11,893,559 ordinary shares of 10p each)	1,189	1,189

The ordinary shareholders each have one vote per share.

	Group and Company	
	2012 £'000	2011 £'000
Share capital at 1 July and 30 June	1,189	1,189

	Group and Company	
	2012 £'000	2011 £'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 (2011: nil). There are no share options outstanding at the year end (2011: nil).

25 Other reserves

Group and company	Share premium account	Capital redemption reserves
	£'000	£'000
At 30 June 2011 and 30 June 2012	656	137

ACCOUNTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

26 Cash generated from operations

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Cash generated from continuing operations				
Profit before income tax	12,658	11,613	13,469	11,482
Depreciation charge	1,062	913	826	721
Amortisation of intangibles	993	733	773	609
Profit on disposal of property, plant and equipment	(71)	(42)	(44)	(35)
Finance income	(831)	(372)	(2,729)	(1,165)
Retirement benefit contributions in excess of current and past service charge	(774)	(776)	(774)	(776)
Share of loss from joint venture	23	11	–	–
Changes in working capital				
– Inventories	304	(2,843)	(108)	(1,977)
– Trade and other receivables	918	(2,424)	1,127	(2,341)
– Trade and other payables	(1,583)	2,292	(2,242)	1,282
Cash generated from continuing operations	12,699	9,105	10,298	7,800

The cash generation from discontinued operations is as follows:

	2012 £'000	2011 £'000
Cash generated from discontinued operations		
Profit before income tax	388	1,333
Depreciation charge	92	226
Amortisation of intangibles	70	214
Profit on disposal of property, plant and equipment	(1)	(6)
Finance income – net	(1)	(4)
Changes in working capital		
– Inventories	(84)	(182)
– Trade and other receivables	(439)	303
– Trade and other payables	(33)	(1,128)
Cash generated from discontinued operations	(8)	756

	2012 £'000	2011 £'000
Total cash generated from operations		
Continuing operations	12,699	9,105
Discontinued operations	(8)	756
Total cash generated from operations	12,691	9,861

27 Related party transactions

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

	Purchases of goods £'000	Sales of goods £'000	Sales of services £'000	Dividends paid to company £'000
2012				
Compact Lighting Ltd	51	38	4	43
Philip Payne Ltd	339	30	1	143
Sugg Lighting Ltd	7	1	18	–
Solite Europe Ltd	79	12	2	98
Portland Lighting Ltd	–	–	–	–

	Purchases of goods £'000	Sales of goods £'000	Sales of services £'000	Dividends paid to company £'000
2011				
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

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	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Compact Lighting Ltd	(1)	(9)	1,382	2,004
Philip Payne Ltd	(1,513)	(1,559)	1	–
Sugg Lighting Ltd	–	–	4,097	4,053
Solite Europe Ltd	(58)	(177)	–	–
Portland Lighting Ltd	(738)	–	–	–
Total	(2,310)	(1,745)	5,480	6,057

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 £3,410,000 (2011: £3,397,000).

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

Although Mackwell Electronics Ltd was disposed of during the year, it remains a related party because there is a connection between a director of the company C M Brangwin and N A Brangwin who is a director of Mackwell Electronics Ltd. During the year the company sold goods to Mackwell amounting to £15,000 (2011: £33,000), purchased goods amounting to £2,328,000 (2011: £2,823,000), and sold services of £3,000 (2011: £4,000). At the year end there were no trade balances due to or from Mackwell Electronics Ltd (2011: £(1,792,000) and £1,000 respectively). The company is owed £2,000,000 in respect of the loan notes issued to the company as part of the sale agreement (note 29), plus accrued interest of £24,000 at the balance sheet date. Prior to the disposal a dividend of £1,416,000 was paid to the company (2011: £282,000). The company owns the premises occupied by Mackwell Electronics Ltd and rent is charged of £102,000 per annum (2011: £102,000). The rent is comparable to commercial rents for similar buildings in the area.

ACCOUNTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

28 Acquisition of subsidiary

On 1 July 2011 the group acquired 100% of the share capital of Portland Lighting Ltd for an initial amount of £2,500,000. An additional amount of £234,000 has been paid, and a provision has been made for a contingent consideration of £754,000. The provision is based on the profitability of Portland Lighting for both 2011/2012 and the following year.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are set out below.

	£'000
Cash	232
Intangible assets	485
Property, plant and equipment	69
Inventories	150
Trade and other receivables	413
Trade and other payables	(479)
Total identifiable assets	870
Goodwill	2,618
Total purchase consideration	3,488
Total purchase consideration satisfied by:	
Cash	2,734
Contingent consideration	754
Total consideration	3,488
Net cash outflow arising on acquisition	
Cash consideration	2,734
Less cash in subsidiary acquired	(232)
Cash outflow on acquisition	2,502

A fair value exercise has been performed on the assets and liabilities, the results were that property, plant and equipment, inventories, trade and other receivables and trade and other payables were assessed and book value was considered fair value.

Fair value of intangible assets was assessed and determined on the basis of the technology and brand name acquired. The technology element was determined using an industry typical royalty rate over a five year period discounted to the present day. The brand name element was determined by assessing the impact on profitability of a change in name over a three year period.

The goodwill relates to the ongoing levels of profitability business model, established customer base and potential sourcing benefits for other group companies.

The contingent consideration is based on EBIT performance for the financial year. £250,000 is payable if EBIT is greater than £500,000 for the year, a further amount is payable of 50% of EBIT in excess of £500,000. This agreement expires in two financial years from the original acquisition date.

Portland Lighting Ltd contributed £2,458,000 in revenue, and £588,000 to the group's operating profit for the period between the date of acquisition and the balance sheet date.

29 Disposal of subsidiary Discontinued operations

On 14 November 2011, the group entered into a sale agreement to dispose of Mackwell Electronics Ltd. The disposal was completed on 2 December 2011, on which date control of Mackwell Electronics Ltd passed to the acquirer. The results of the discontinued operations, which have been included in the consolidated income statement were as follows:

	Period ended 2 December 2011 £'000	Year ended 30 June 2011 £'000
Revenue	4,342	9,669
Expenses	(3,958)	(8,336)
Profit before tax expense	384	1,333
Attributable tax expense	(99)	(334)
Profit on disposal of discontinued operations	1,092	–
Attributable tax expense	–	–
Profit attributable to discontinued operations – (attributable to owners of the company)	1,377	999

During the year Mackwell Electronics Ltd contributed £(8,000) (2011: £756,000) to the group's net operating cash flows.

A profit of £1,377,000 arose on the disposal of Mackwell Electronics Ltd, being the proceeds of disposal less the associated costs and the carrying amount of the subsidiary's net assets and attributable goodwill.

Disposal of subsidiary

On 2 December 2011 the group disposed of its interest in Mackwell Electronics Ltd, a subsidiary company which had been classed as held for sale in the prior year. The net assets of Mackwell Electronics Ltd were £4,487,000 at the date of disposal.

The gain on disposal of £1,092,000 resulted from total consideration of £6,500,000 less net assets of £4,487,000, costs of £749,000, less fair value adjustment of £172,000 in respect of the loan notes issued.

The total consideration was satisfied by cash of £4,500,000 and loan notes issued of £2,000,000.

The loan notes are repayable on 2 December 2016 and attract two different rates of interest; £1,625,000 at 1% over the Bank of England base rate and £375,000 at 4% over Bank of England base rate.

The loan note tranche of £1,625,000 has been subject to a fair value adjustment in respect to the interest rate. The carrying value has been adjusted to reflect a commercial interest rate of 4.2% over Bank of England base rate, which is considered to be a rate that Mackwell Electronics Ltd would incur in the external market. The fair value of the loans is considered to be £1,453,000.

The impact of Mackwell Electronics Ltd on the group's results in the current and prior periods is disclosed in the section relating to discontinued operations.

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.

ACCOUNTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

30 Pension scheme continued

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 2012 amounted to £1,340,000 (2011: £1,381,000). 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 2012, and is in progress. The previous valuation was carried out on 1 July 2009 and at that date the value of the fund was £17,169,000. 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 2012 by an independent qualified actuary using the following major assumptions.

	2012	2011	2010	2009	2008
Price inflation	2.80%	3.70%	3.50%	3.75%	4.00%
Salary increases	4.55%	5.45%	5.25%	5.66%	5.89%
Discount rate	4.40%	5.50%	5.35%	6.00%	6.40%
Revaluation for deferred pensioners	2.05%	2.95%	3.50%	3.75%	4.00%
Pension increases in payment of 5% pa or RPI if less	2.75%	3.55%	3.30%	3.60%	3.80%
Pension increases in payment of 2.5% pa or RPI if less	2.10%	2.35%	2.20%	2.35%	2.40%
Life expectancy at age 65 – men	22.5 years	22.4 years	22.3 years	22.2 years	22.0 years
Life expectancy at age 65 in 20 years – men	24.4 years	24.4 years	24.3 years		
Life expectancy at age 65 – women	24.9 years	24.8 years	24.7 years	24.6 years	24.9 years
Life expectancy at age 65 in 20 years – women	26.8 years	26.7 years	26.6 years		

The balance sheet figures required under IAS 19 are as follows:

	30 June 2012		30 June 2011		30 June 2010		30 June 2009		30 June 2008	
	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	6.20%	9,744	7.75%	11,166	7.65%	9,045	7.80%	7,265	7.75%	8,573
Bonds	4.40%	12,484	5.00%	10,982	4.84%	9,464	5.30%	8,066	5.60%	7,002
Property	–	–	–	–	7.35%	19	7.80%	12	7.75%	11
Other	0.50%	1,596	0.50%	1,328	0.50%	1,565	0.50%	1,832	5.00%	1,755
Total market value of assets		23,824		23,476		20,093		17,175		17,341
Present value of scheme liabilities		(23,809)		(22,993)		(21,472)		(19,208)		(17,622)
Surplus/(deficit) in the scheme		15		483		(1,379)		(2,033)		(281)

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

30 Pension scheme continued

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

	2012 £'000	2011 £'000
Present value of funded obligations	(23,809)	(22,993)
Fair value of plan assets	23,824	23,476
Surplus in the scheme	15	483
Less restriction of surplus recognised in the balance sheet	(15)	(483)
Liability recognised in the balance sheet	-	-

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

	2012 £'000	2011 £'000
At 1 July	(22,993)	(21,472)
Current service cost	(566)	(548)
Interest cost	(1,220)	(1,151)
Contributions by plan participants	(350)	(349)
Actuarial losses	(1,603)	(281)
Benefits paid	2,923	808
At 30 June	(23,809)	(22,993)

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

	2012 £'000	2011 £'000
At 1 July	23,476	20,093
Expected return in plan assets	1,388	1,184
Actuarial gains/(losses)	193	1,335
Employer contributions	1,340	1,323
Employee contributions	350	349
Benefits paid	(2,923)	(808)
At 30 June	23,824	23,476

The amounts recognised in the income statement are as follows:

	2012 £'000	2011 £'000
Current service cost	566	548
Interest cost	1,220	1,151
Expected return on plan assets	(1,388)	(1,184)
Total included within staff costs and other financial income	398	515

Of the total charge, £566,000 (2011: £548,000) and £168,000 (2011: £33,000) were included in "administrative expenses" and "net finance income" respectively.

ACCOUNTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

30 Pension scheme continued**Analysis of amount recognised in the statement of comprehensive income**

	2012 £'000	2011 £'000
Actual return less expected return on pension scheme assets	193	1,335
Experience gains/(losses) arising on the scheme liabilities	227	(433)
Changes in assumptions underlying the present value on the scheme liabilities	(1,830)	152
Restriction of pension scheme surplus	468	(483)
Actuarial (loss)/gain recognised in the statement of comprehensive income	(942)	571

	2012 £'000	2011 £'000
Cumulative actuarial loss recognised in the statement of comprehensive income at 1 July	(2,864)	(3,918)
Actuarial loss recognised in the statement of comprehensive income for the year	(1,410)	1,054
Cumulative actuarial loss recognised in the statement of comprehensive income at 30 June	(4,274)	(2,864)

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 2012 was £1,551,000 or 6.5%.

The group expect to pay £1,363,000 contributions (2011: £1,229,000) into the pension scheme during the forthcoming year.

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

	2012		2011		2010		2009		2008	
	£'000	%	£'000	%	£'000	%	£'000	%	£'000	%
Difference between the expected and actual return on scheme assets	193		1,335		1,713		(1,969)		(2,038)	
Percentage of scheme assets		1%		6%		9%		11%		12%
Experience loss on scheme liabilities	227		(433)		(388)		(492)		(219)	
Percentage of the present value of scheme liabilities		1%		2%		2%		3%		1%
Changes in assumptions underlying the present value of scheme liabilities	(1,830)		152		(1,371)		344		633	
Percentage of the present value of scheme liabilities		8%		0%		6%		2%		4%
Restriction of pension scheme surplus	–		(483)		–		–		–	
Percentage of the present value of scheme liabilities		0%		2%		–		–		–
Amount which has been recognised in the SoCI	(1,410)		571		(46)		(2,117)		(1,624)	
Percentage of the present value of the scheme liabilities		6%		2%		0%		11%		9%

31 Group companies

The parent company has the following investments as at 30 June 2012 and 30 June 2011:

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% Disposed on 2 December 2011
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%
Portland Lighting Limited	England	Ordinary £1 shares	100% Acquired on 1 July 2011
TRT Lighting Limited	England	Ordinary £1 shares	100% Non trading

The principal activities of these subsidiaries are:

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 Limited	– design and manufacture of cleanroom lighting equipment
Portland Lighting Limited	– design and manufacture of lighting for signs
TRT Lighting Limited	– non-trading

The cost of investment in subsidiaries is as follows:

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Investment in subsidiaries – cost	–	–	5,732	2,572
Less provisions	–	–	(1,564)	(1,564)
	–	–	4,168	1,008

The movement in the investment and provisions is as follows:

	Cost £'000	Provisions £'000
At 1 July 2010 and 1 July 2011	2,572	(1,564)
Acquisition of Portland Lighting Ltd	3,488	–
Disposal of Mackwell Electronics Ltd	(328)	–
At 30 June 2012	5,732	(1,564)

TRT Lighting Ltd was established during the year by FW Thorpe Plc. It has an authorised and issued share capital of £100.

There were no other additions or disposals during the year.

ACCOUNTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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.

	Group		Company	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
At 1 July	136	156	156	156
Share of loss	(23)	(11)	–	–
Exchange rate movement	(2)	(9)	–	–
At 30 June	111	136	156	156

33 Events after the balance sheet date**Taxation**

A reduction in the main rate of corporation tax from 27% to 25% from 1 April 2012 was announced in the Budget on 23 March 2011 and substantively enacted on 5 July 2011. In addition to the change in corporation tax rate disclosed above, a number of further changes to the UK corporation tax system were announced in the March 2012 UK Budget Statement. A resolution passed by Parliament on 26 March 2012 reduced the main rate of corporation tax from 26% to 24% from 1 April 2012. Legislation to reduce the main rate of corporation tax from 24% to 23% from 1 April 2013 is included in the Finance Act 2012 which was substantively enacted on 3 July 2012. A further reduction in the main rate is also proposed to reduce the rate to 22% from 1 April 2014. None of these rate reductions had been substantively enacted at the balance sheet date and therefore they are not included in these financial statements.

The effect of the changes in corporation tax rates enacted by Parliament on 26 March 2012 and the further changes substantively enacted on 3 July 2012 are not material to the financial statements and have not therefore been calculated.

ADDITIONAL INFORMATION

NOTICE OF MEETING

Notice is hereby given that the seventy-sixth Annual General Meeting of FW Thorpe Plc will be held at Merse Road, North Moons Moat, Redditch, Worcestershire B98 9HH on 15 November 2012 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 2012.
2. To declare a dividend.
3. To re-elect Mr A B Thorpe as a director.
4. To re-elect Mr M Allcock as a director.
5. To re-elect Mr C M Brangwin 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 2012 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 the allotment of equity securities;

9.1 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 2012.

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.

ADDITIONAL INFORMATION 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 2013; 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 of 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 13 November 2012 (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 6DA, or you may photocopy the proxy form. Please indicate in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given.

5. A reply paid form of proxy is enclosed with shareholders' copies of this document. To be valid, it should be lodged with the company's registrars, Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, so as to be received not later than 3.15 pm on 13 November 2012 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 2012 (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 2012 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 2012

ADDITIONAL INFORMATION
SHAREHOLDER NOTES

Business review

Governance

Accounts

Additional information

ADDITIONAL INFORMATION
SHAREHOLDER NOTES CONTINUED

Financial calendar

2012

19 October	Posting of the Annual Report and Accounts
15 November	Annual General Meeting
22 November	Payment of final dividend

2013

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

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