



FW THORPE PLC

Overview

Introduction

In this report

Overview

- 01 How we have performed
- 02 Our strategy and business model
- 03 Chairman's statement
- 06 Our offer

Performance

- 10 The year in focus for FW Thorpe Plc subsidiaries
- 12 LED developments within FW Thorpe Plc
- 16 New finished goods warehouse
- 18 The genesis of TRT Lighting

Governance

- 20 Directors
- 22 Directors' Report
- 27 Statement of Directors' Responsibilities
- 28 Independent Auditors' Report to the members of FW Thorpe Plc

Accounts

- 29 Consolidated Income Statement
- 30 Consolidated Statement of Comprehensive Income
- 31 Consolidated and Company Balance Sheets
- 32 Consolidated Statement of Changes in Equity
- 33 Company Statement of Changes in Equity
- 34 Consolidated and Company Statements of Cash Flows
- 35 Notes to the Consolidated Financial Statements
- 65 Directors' Remuneration Report

Additional information

- 68 Notice of Meeting
- 70 Shareholder Notes
- IBC Financial calendar

We specialise in designing and manufacturing professional lighting equipment. We currently employ nearly 500 people and although each company works autonomously, our skills and markets are complementary.



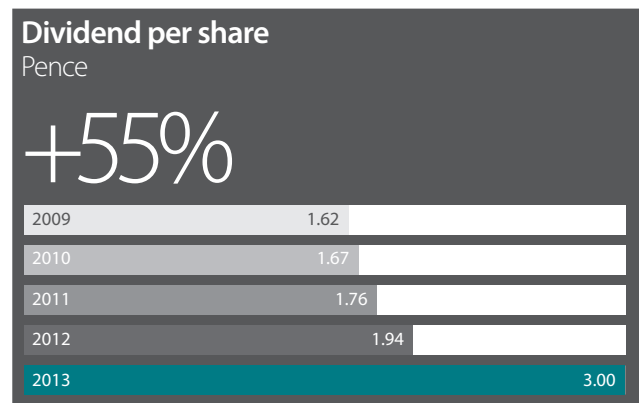
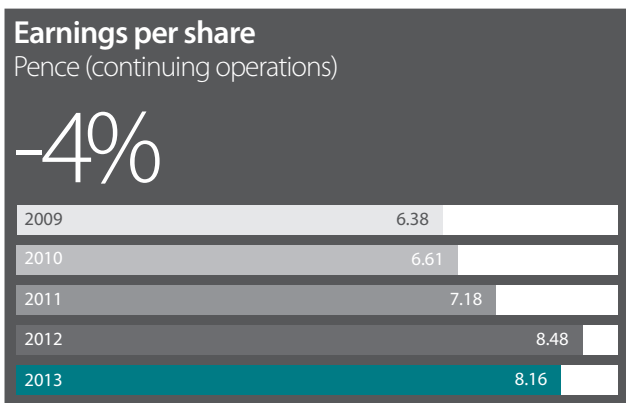
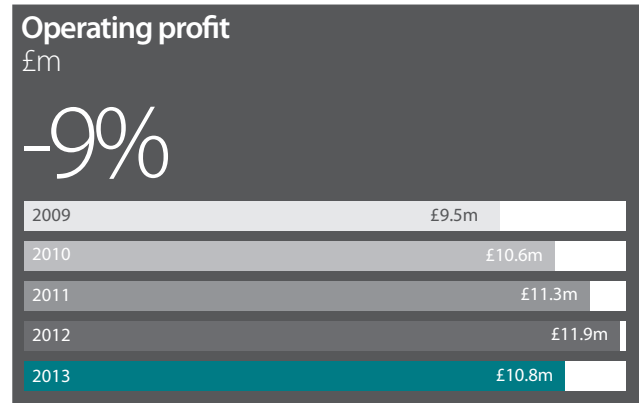
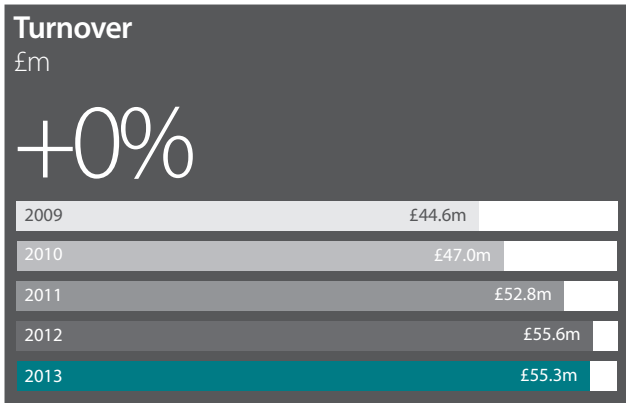
Using your smartphone, scan this code to access further content.

Or visit:

www.fwthorpe.co.uk

Overview

How we have performed



Operational highlights

- LED product sales now represent 25% of total revenue

➔ See page 12 for more detail

- Successful expansion of Thorlux facilities for future growth

➔ See page 16 for more detail

- Investment in TRT Lighting continues – first small scale orders received

➔ See page 18 for more detail

Overview

Our strategy and business model

Our focus for long-term growth and stability, achieved by delivering market-leading products, backed by excellent customer service.

Outstanding products

2013 progress
LED product range enhanced significantly

New products launched for road and tunnel market

The future

Continued LED product development

Manufacturing excellence

2013 progress
New warehouse facility operational

The future

Extended PCB manufacturing
Upgraded end of line testing

Quality people

2013 progress
Sales teams strengthened
Apprenticeship scheme continues

The future

Continual investment

Continuous research and development 

Overview

Chairman's statement



"Your company strives to offer first class products and service. On-going development has achieved a wide offering of advanced LED light fittings and systems."

FW Thorpe Plc revenue for the year to 30 June 2013 was £55.3m, a decrease of 0.4%. Operating profit also declined by 9.3% to £10.8m from £11.9m for the corresponding period. Investment income increased however, giving a resultant profit before tax of £11.6m, a drop of 8.6% from last financial year's £12.7m.

The financial year just passed has, in those well-trodden words been "a year of two halves". I mentioned, in the half year statement, that a lull in order intake, especially at our main company Thorlux Lighting, was experienced in the spring of 2012. This lull did not allow a final flourish to the year ended June 2012 and also created a lower than normal order backlog with which to "kick-off" the new financial year. Sales outputs in those early months were therefore adversely affected at Thorlux, by far the largest firm in the group, and this was reflected in the half yearly report. Orders from the start of the 2013 financial year, however, resumed a healthy upward trend resulting in a reversal of the problem and the requirement of a fast upshift in production.

That said, the best efforts of Thorlux and some other group subsidiaries were insufficient to make up for the shortfall during the first half of the year, the on-going costs of setting up the new LED road and tunnel lighting division, TRT Lighting, and losses at two group subsidiaries. These two subsidiaries I will name for clarity's sake as Sugg Lighting Limited and Compact Lighting

Limited and I will expand further on their performances later, in the individual company sections. Other subsidiaries have either out-performed last year or held pace.

Group exports represented 14% of turnover and were broadly the same as last financial year. Export generation is by UK specification or agents abroad for all group firms who export, with the exception of Thorlux, which uses these routes to market but, in addition, has established its own sales offices in Dublin, Munich, Melbourne and Brisbane.

Exporting is a hard fought business which is why it is so disappointing to see so many foreign made products used freely on many of our own publicly funded projects.

Investment in group resources continues with, amongst many other small investment projects, our new TRT Lighting now with production capability and fighting for orders and Thorlux having completed its new on-site 2,400 square metre finished goods warehouse and distribution unit.

I am often asked how we fared through the recession and I am pleased to be able to respond that your company has not really seen a recession apart from the "blip" in the spring of 2012. I proffer that the economic climate has, however, restricted growth.

Overview

Performance

Governance

Accounts

Additional information

Overview

Chairman's statement continued

Your company strives to offer first class products and service. On-going product development has achieved a wide offering of advanced LED light fittings and systems maintaining at some 25% of group sales. Your company, further, is managing to offer legacy (traditional lighting technology) products at the same time as the new LED offerings. It must be remembered that many new start-up LED companies do not have the complication of having a historical product portfolio and can concentrate purely on LED matters. It is proving that some of these start-up LED companies do not have the knowledge and expertise embodied within FW Thorpe.

Your company's performance allows the Board to recommend a final dividend of 2.0p (2012: 1.46p rebased) which when added to the interim paid in May 2013 totals a dividend of 3.0p per share (2012: 1.94p rebased). All share related figures have been rebased as on 19 August 2013 the company sub-divided the shares on a ten for one basis, which increased the number of ordinary shares by a factor of ten. The increased dividend is purely to re-instate a yield more in line with the historical level.

Thorlux Lighting

Thorlux, manufacturer of commercial and industrial lighting systems, having entered the period with the previously mentioned reduced order book found improving fortunes as the year progressed with each month inputting higher order volumes than the previous year's comparative.

Regrettably despite gallant efforts by "manufacturing" Thorlux missed last year's profit figures by a narrow margin.

Notwithstanding the concentration on new LED luminaires and systems design, the main investment during the year has been the completion of the new 2,400 square metre finished goods warehouse and distribution unit.

This unit is not only highly operationally efficient in its own right but it has allowed clearance of a large area of floor space in the existing Thorlux factory. This floor space will be turned over to more assembly facilities and a new manufacturing area to produce populated printed circuit boards complete with LEDs.

Current facilities for LED circuit board manufacture are limited in both capacity and board size and are operating 24/7.

This new area will serve the whole group in the manufacture of circuit boards and give a freedom in design not open to those only capable of using proprietary boards offered by others.

Thorlux overseas sales have been slightly down during the year in question due to the completion of some large overseas one-off projects, but overseas sales offices continue to make progress in Germany, Republic of Ireland and Australia. The Munich office, now with five people, is targeting £1m sales in 2013/2014 (£0.7m 2012/2013) and Dublin plans to resume growth after a difficult time for the Republic of Ireland. Thorlux Lighting Australasia Pty Limited has made progress with the addition of a new sales engineer in Brisbane, but like Germany, a positive step change in sales input is sought.

Compact Lighting Limited

Compact, being the group maker of retail and display lighting, suffered a poor year and after a reasonable start the company traded at a loss for most of the rest of the period, with sales being very curtailed and not helped by hard pressed existing retail customers delaying refurbishment programmes.

I mentioned in last year's annual statement that a high level Sales Director had just been engaged and his work to date has been to re-establish a credible sales force, successfully re-engage with a particular sizeable customer where business was being lost and improve existing selling price levels.

We are confident that these efforts, together with Compact's now high grade and well tooled display lighting products, will show a great improvement in the current financial year.

I can report that Compact Lighting has traded at a respectable profit for the new year to date and trial installations for at least two sizeable potential new customers have been installed and are under appraisal.

Philip Payne Limited

Philip Payne, being a manufacturer of specification exit signage, experienced a stronger year with sales up some 11% and profits up some 25% compared to 2012.

The improved sales have prompted Payne to assume "ownership" of a small area of work space in an adjacent building previously rented out by the group. This extra space will allow the addition of a small powder coating plant facility within their existing confines which, in itself, will save a deal of disruptive transport needs to their local powder coater, which may close at any moment due to retirement.

Some notable projects completed by Philip Payne this year, some which you may have seen and some not, include exit products for the National Gallery, the National History Museum, Broadmoor Prison and the London Edition Hotel.

Sugg Lighting Limited

In one report I stated that Sugg Lighting, our maker and refurbisher of heritage lighting, had used all of its nine lives but I have to report now that it is on its tenth!

Trading throughout the 2013 financial year deteriorated to a degree that it had to be accepted that previous managerial adjustments had not brought the benefits required.

Much heart searching at group level resulted in a decision that such an old British lighting institution such as Sugg, which once lit the streets of London with gas lanterns, should not be allowed to die without a further fight, so may I thank our shareholders for letting us use a little more of their money in this regard.

The top level of management at Sugg has now been changed and a new contract Managing Director has been in place since May 2013. A past and successful sales manager for the London area has also been re-engaged.

In a similar manner to Compact, I am pleased to be able to report that for the new year to date Sugg is trading profitably once again with a clearer view forward.

Solite Europe Limited

Maker of cleanroom lighting equipment, Solite, has traded at a higher level than last year, but it has been carrying the costs of its new Sales Director engaged at the beginning of the financial year.

The moderate increase in sales has, therefore, not shone through to swell a similar profit to last financial year.

Professional engineers in well-known high calibre end-user companies often need some persuading and the "new" Solite Sales Director has organised trials of Solite LED lighting products at a number of such users.

These trials bode well for the future.

Portland Lighting

Portland, our sign lighting manufacturer, I am pleased to say has once again put Thorlux number two in the group profit to sales ratio stakes and it has actually increased the margin.

Portland has, therefore, enjoyed another successful year. Their sign lighting products are ideally suited to the LED light source offering not only energy savings but a far longer maintenance cycle than that for fluorescent or other traditional light sources. The company has been fleet of foot in introducing this new technology to its customers and some 48% of Portland sales are now LED.

New users of Portland sign lighting include national "names" in the pub trade, a building society and convenience stores.

TRT Lighting

TRT, set up to manufacture tunnel, street and area lighting products and systems, has now two street light designs tooled and ready to go, although the firm is still in the throes of dotting i's and crossing t's in regard to the many and varied product, premises and systems certifications needed to allow sales into the local authority street lighting arena.

These products are also available to other group companies and small scale sales are already being achieved through these channels. TRT itself is in a programme of visiting all potential local authority users and others and has numerous fittings either on trial with local authorities or awaiting the go ahead for trial installation.

Feedback from the field on these innovative products is very positive and the designs have recently been awarded a very credible four star assessment by LUX magazine, an influential lighting publication.

Support from the group will, no doubt, continue to be required for some while yet but this should start reducing imminently.

Carbon Offsetting Project

Our "Woodland Carbon Code" accredited carbon offsetting project at Devauden, Monmouthshire had 35,000 trees at the time of the last statement. It now has 43,000 trees. Our company requires some 8,000 or so plantings per annum, so it can be seen that most of the tree plantings are offsetting the CO₂ produced by our own company operations.

I have mentioned before that customers have very sticky fingers when it comes to paying extra for carbon offsetting, although many still applaud us for our efforts!

We currently have a problem with ash dieback disease but it is expected that the Government will compensate for any loss in this regard.

People

The pace of work has certainly not reduced over the years despite the once exclaimed promise that automation and the advent of computers would leave us all little to do except go boating.

The people in FW Thorpe Plc have had plenty to occupy themselves with everyday business and the changes in lighting technology. They seem to be a resilient lot, however, as we have presented four gold watches during the year with another eleven to come in this financial year.

May I thank all of them young, medium or old timers!


The future

Our figures, which I may remind shareholders are still very good, have not advanced over the last year, which is a little disappointing to us, as our efforts have remained undiminished.

Factors involved are no doubt the poor performance of the aforementioned two subsidiaries, a full £500,000 support for our fledgling road and tunnel lighting company TRT Lighting, a market that by all accounts has not been growing and some nibbling at the peripheries by new start-up LED luminaire manufacturers.

In the future we believe that the drastic action taken in regard to the two subsidiaries will render them in profit for the current year. TRT is now capable of generating business and should start requiring less financial support as the new year progresses and the other smaller subsidiaries are showing forward movement at this time. Thorlux continues to introduce top grade products, all of which are now LED.

The work is being done on products and manufacturing so we must get smarter selling!

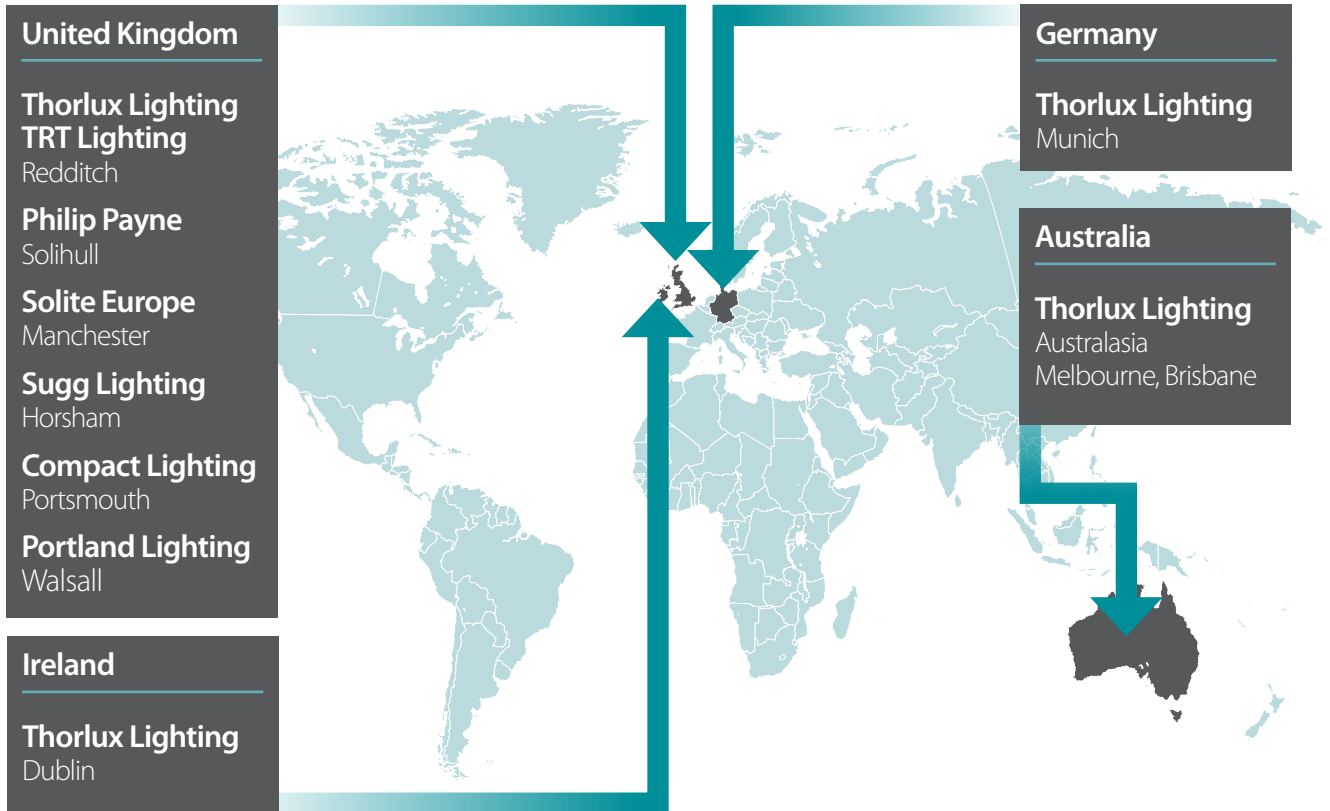


A B Thorpe
Chairman

14 October 2013

Overview

Our offer



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.



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 16,882 square metre self-contained factory in Redditch, Worcestershire, central England.

Thorlux is well known throughout the world and provides a comprehensive range of professional lighting and control systems for a wide variety of applications.



Key products

- Recessed, surface and suspended luminaires
- Emergency lighting systems
- Hazardous area lighting
- High and low bay luminaires
- Lighting controls
- Exterior lighting

Market sectors

- Commercial
- Industrial
- Education
- Healthcare
- Manufacturing



Using your smartphone, scan this code to access further content.

Overview

Our offer continued

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.



Key products

- Recessed and surface luminaires
- Track systems

Market sectors

- Retail
- Display
- Hospitality



Using your smartphone, scan this code to access further content.

Philip Payne

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.



Key products

- Emergency exit signage

Market sectors

- Commercial
- Hospitality
- Healthcare



Using your smartphone, scan this code to access further content.

SUGG

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.



Key products

- Street lighting – Heritage
- Amenity lighting

Market sectors

- Infrastructure



Using your smartphone, scan this code to access further content.



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.



Key products

- Cleanroom luminaires

Market sectors

- Pharmaceutical
- Healthcare
- Education/Research



Using your smartphone, scan this code to access further content.



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.



Key products

- Lighting for signs

Market sectors

- Retail
- Hospitality



Using your smartphone, scan this code to access further content.



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 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.



Key products

- Road and Tunnel lighting
- Amenity lighting

Market sectors

- Infrastructure
- Facilities – car parking



Using your smartphone, scan this code to access further content.

The year in focus for FW Thorpe Plc subsidiaries

Each of the companies within FW Thorpe Plc has its own market focus. Therefore, over the past year, market trends and economic impacts have affected the individual companies differently. Overall, the group has made progress in many areas, with the companies united in developing market-leading lighting equipment backed by excellent customer service. Here is an overview of recent events from each company's perspective.



Compact Lighting Ltd

Compact Lighting operates largely in the retail and display market. This market can be extremely demanding, because pricing is competitive and customers have complex and ever-changing delivery requirements. For example, during the roll-out of a refurbishment programme, supply requirements may alter many times as shop-opening deadlines change and on-site fit-out work is scheduled and rescheduled.

New LED products differentiate Compact Lighting in a market where flexibility is key. The company has an excellent reputation in its sector for innovative products and efficient service.

As a result of its high standing in the market, Compact Lighting secured a contract for a large international roll-out of a project for a major clothing outlet. Fit-out work was completed first in Hong Kong and Dublin, followed by Berlin, Munich and Paris during 2013.

Philip Payne

Business for Philip Payne emanates largely from architect-led lighting specifications on blue-chip projects. The name Philip Payne aligns alongside those of the premier European lighting brands.

Philip Payne has recently reviewed, re-engineered and re-launched a number of its LED offerings.

LED lighting was first used in emergency applications. Much emergency lighting equipment supplied into the UK market is imported and falls short of architects' expectations in terms of both quality and appearance.

Philip Payne, however, offers a unique service in which architectural detail is paramount. The company ensures that equipment for which there is a statutory requirement is integrated into the building design and is aesthetically pleasing.

Continuing its enviable project history, this year Philip Payne completed projects at Shakespeare's Globe and the National Theatres, the Shard and the Great Northern Hotel.

Sugg Lighting

Much of Sugg Lighting's business is centred on London. Although, after the epic events of last summer's London 2012 Olympics, London boroughs and councils reflected on their budgetary priorities, heritage products from Sugg Lighting continue to adorn the capital. The Royal Warrant provides work from the Royal Household, and the London boroughs continue to place orders.

Work on LED replacement kits for existing heritage products and LED options for new heritage products has progressed well.

In addition, Sugg Lighting has secured a major export order for a Canadian city authority this year, with scheduled call-off supplies to match the local installation programme stretching well into 2014.



Solite

Following an increase of sales resources, this year has seen the start of a strategic change in Solite's market focus. Many existing Solite customers provide a total cleanroom contracted solution, of which lighting is just a part, such as for pharmaceutical facilities. Solite is now targeting the wider specification market including large end-users and hoping to stimulate orders which may eventually end up being installed by their existing customer base.

As a product of group collaboration, the existing range has been re-engineered to provide state-of-the-art LED solutions that Solite can take to a new audience of specifiers who recognise the long-term benefits of modern lighting. This strategy has worked well, with two global pharmaceutical players taking a significant number of LED cleanroom products on fit-out projects in the UK.

Portland Lighting

Portland Lighting is quite different from FW Thorpe's other companies: it supplies products to the sign lighting industry only, and therefore does not benefit from the ability to predict demand that comes with involvement in projects, and in building design and retail refurbishment programmes. Consequently, Portland Lighting must be responsive to customer demand, with rapid product development, rapid production and rapid order turnaround.

Ecolux 2 is an excellent example of Portland Lighting's impressive ability to develop products quickly. Within a year, Portland Lighting has conceived, prototyped, tested and launched Ecolux 2. The product has contributed substantially to the company's success in the LED lighting market.

Portland Lighting deals largely with installers, therefore the company's market share depends greatly on the quality of its customer service. Since acquiring Portland Lighting two years ago, FW Thorpe has carefully managed the company's integration into the group to guarantee that its high standard of customer service is maintained.

Thorlux Lighting

Since November 2012, Thorlux Lighting has received significantly more orders, after a dip earlier in the year. In fact, as Thorlux Lighting enters this new financial year, its order book is at a record high.

Thorlux Lighting has now completed its new warehouse and distribution centre, which has released valuable working space to enhance the capacity of the factory. (See page 16 of this annual report for details of this project.) With this increased operational capacity, Thorlux Lighting can meet the growing demand for its products.

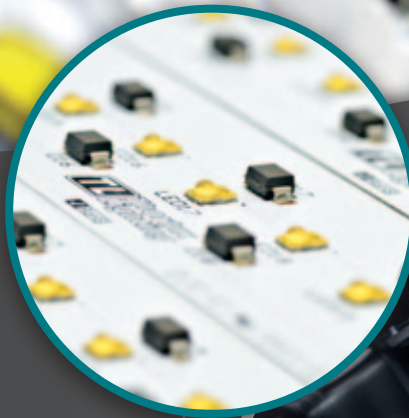
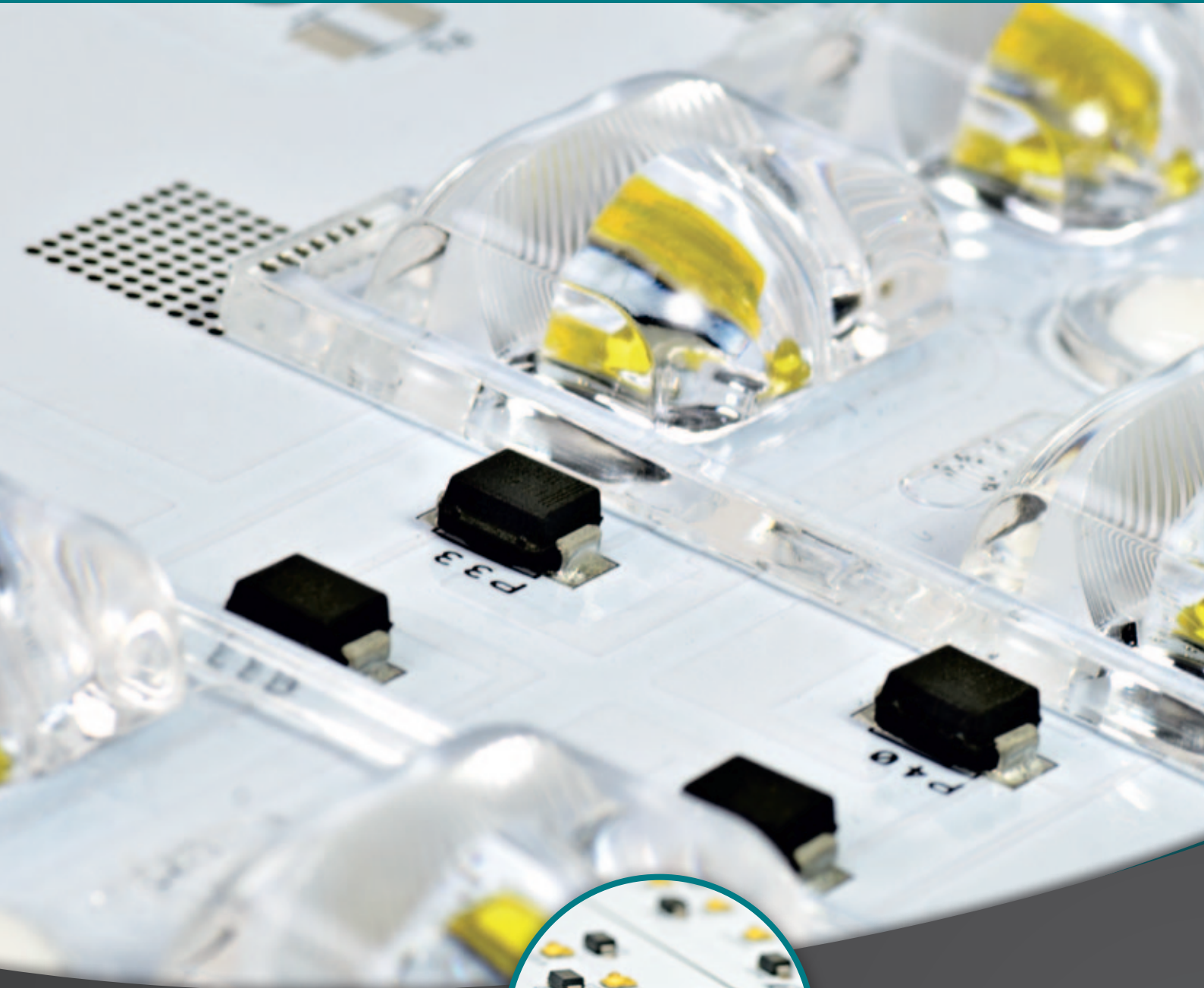
Order levels have been boosted by Thorlux Lighting introducing new LED products, but also by the company's greater emphasis on business development by targeting more vigorously specific sectors of its customer base. New products and LED versions of existing products have also increased the demands on Thorlux Lighting's factory team.

Thorlux Lighting looks forward to an exciting future, with the capacity available to exploit the opportunities of the LED revolution.

TRT Lighting

This year, TRT Lighting has developed from an idea to a business ready to take orders for high performance road and tunnel luminaires. (You can find more information about the launch of TRT Lighting on page 18 of this annual report.) TRT Lighting's expertly designed luminaires will pass the test of time in either arduous road tunnel environments or on pole tops in different locations around the world.

FW Thorpe looks forward to TRT Lighting making a significant contribution to the group in coming years.



LED developments within FW Thorpe Plc



Recent advances in LED technology, combined with customer demand for energy-efficient solutions, offer a tremendous growth opportunity – in fact, one of the most remarkable since FW Thorpe Plc was established (as Thorlux) in 1936.

In FW Thorpe, we are embracing the LED revolution whilst always helping our customers assess all the options for new projects. The payback periods for certain LED systems remain long, and some customers decide to invest in our modern control systems – either as an alternative to using LED luminaires, or as well as. For example, the Thorlux Smart system can save 70% or more of energy costs and extends maintenance periods. FW Thorpe's largest project this year, exceeding £2m in value, was mainly fluorescent based, but used the Smart system providing power saving benefits through the use of presence detection, and dimming when sufficient daylight is present.

The group's strong technical expertise, and its ability to invest, position it to maximise the opportunities that LED technology offers.

Backed by the group's modern facilities, FW Thorpe's designers and developers have worked over the last two years to create LED luminaires that meet customers' operational and aesthetic requirements. FW Thorpe has made a huge investment in LED technology, including in-house circuit-board design, software development, thermal modelling and optical lens design.

To increase the range and performance of its LED luminaires, the group has taken two different approaches:

- Design a dedicated LED luminaire from scratch, aiming to optimise optical and thermal performance.
- Adapt existing conventional products to offer an LED option, ensuring good performance. These products are fast to market and require less investment.

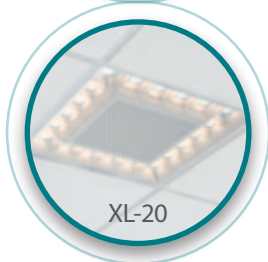
Thorlux designs and manufactures a huge range of professional lighting systems, and supplies them to customers around the world. Within the group, Thorlux leads LED innovation. The various companies in the FW Thorpe group have, however, embraced LED technology in different ways. Here is a brief summary of developments in the use of LED luminaires with each company.



G4



VIVA



XL-20



The sales of Thorlux LED luminaires is rapidly increasing: by 400% in the last 12 months.



Thorlux

A Thorlux LED product is now offered for just about every typical application.

Thorlux has introduced three dedicated LED luminaires for office lighting: two for suspended 600 x 600 grid ceilings – Viva and XL-20 – and a general-purpose LED office luminaire, in the G4, available with low glare, area or corridor optics.

Each of Thorlux's LED office lighting products utilises a different LED technology:

- high power
- medium power
- remote phosphor

Thorlux has applied for patents for the innovative features of two of these LED products.

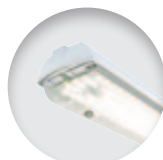
A dedicated LED low bay luminaire, Solow LED, has been extremely well received by customers, and the factory is working hard to meet demand. Thorlux engineered this luminaire for longevity – it has a remarkable target life of 100,000 hours – making it ideal for large production spaces or warehouses that operate 24 hours a day.

All Thorlux LED products benefit from bespoke LED printed circuit boards (PCBs) designed by Thorlux's electronics team. These PCBs ensure that Thorlux luminaires deliver maximum performance in all operating conditions.

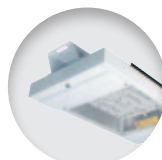
The sales of Thorlux LED luminaires is rapidly increasing: by 400% in the last 12 months.

This autumn will see a raft of further new LED products launched by Thorlux.

LED versions are available of the following classic Thorlux luminaires:



A-Line



Canolux



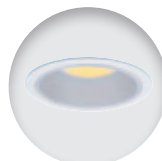
Dot



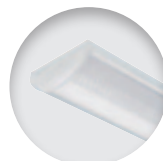
Flute



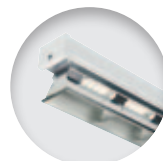
G2



G3



Jubilee



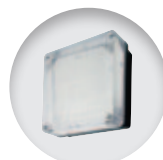
Kanby LED Mirror



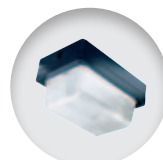
Mini-8



Passlight



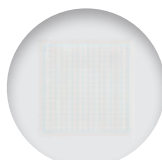
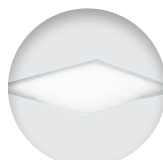
Prismalette



Prismalux



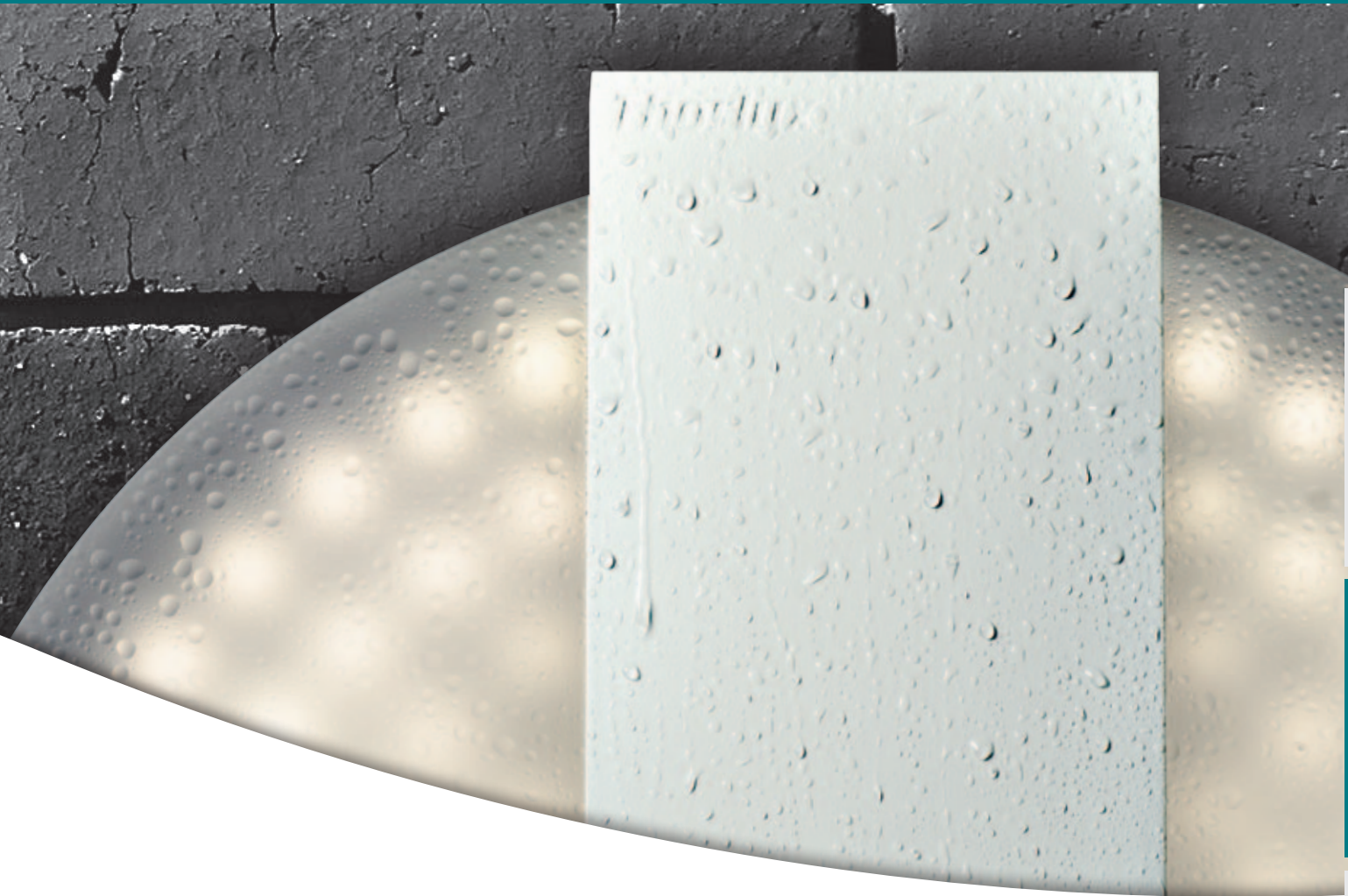
Plateau

XL-Five Daylite
Prismatic

Sky-Dome



Vandalux



Compact Lighting

Compact Lighting has invested heavily in high quality tooled product ranges in recent years, and offers solutions to be proud of.

To meet the needs of its predominantly retail clients, Compact Lighting Ltd has followed a slightly different route to other group members: its luminaires use industry – standard LED modules manufactured by large lamp companies. The benefit for the company’s clients is the ability to standardise spare parts across all of their sometimes large estates, and also to source spare parts from different luminaire suppliers.

Some of Compact Lighting’s luminaires are dedicated LED luminaires, while others are evolutions of existing products.

Philip Payne

Philip Payne has been using LED technology in exit signs for some years and continues to use the technology in its newer products.

Sugg Lighting

Sugg Lighting is starting to offer LED versions of some of its popular ranges. One of Sugg Lighting’s major projects, for Canada, uses “LED bar” technology developed at Thorlux for its successful Realta product range.

Solite

Solite Europe has introduced LED versions of each of its standard luminaires, using the bespoke PCBs developed at Thorlux.

Portland Lighting

Portland Lighting has launched a new version of the successful Ecolux product.

A large proportion of Portland Lighting’s sales in the last few years have been of LED products.

TRT

Thorlux Road and Tunnel Lighting was established with LED technology in mind.

All of their products are, and will be, LED.

New finished goods warehouse

When Thorlux Lighting moved to the present 14,400m² Redditch site in 1989, sales revenue was very much lower than it is today.



New finished goods warehouse

When Thorlux Lighting moved to the present 14,400m² Redditch site in 1989, sales revenue was very much lower than it is today. As revenue has increased, there has been continuous investment in new plant and machinery including, in recent years, major pieces of sheet metal processing equipment and LED surface mount technology. All these additional processes, and an increased demand from customers for readily available stock, have placed increased pressure on manufacturing and warehousing floor space. Consequently, at the end of 2011 it was felt that an extension to the existing building was warranted.

Project conception

Following several months of evaluation it was determined that, with careful design, a 2,400m², 12 metre high warehouse could be integrated with the existing building and virtually double the pallet storage capacity. These changes would in turn free up more space for manufacturing processes and also give the opportunity to implement more modern warehouse equipment.

The project moved rapidly forward when planning permission was granted in the middle of August 2012, and a local building company started groundworks at the end of September. Although the poor weather conditions put significant pressure on the overall project timing plan, the main building works were completed in February 2013. Transfer of the warehouse stock to the new location took place during the Easter weekend, and shipments resumed immediately afterwards without any disruption to customer deliveries.

The completed finished goods warehouse now allows the storage of up to 6,000 pallets.

Environmental considerations

In line with the company's environmental policy, the building has been designed with clear roof lights to utilise the natural light, and insulated cladding to improve thermal efficiency. Lighting is achieved with the latest Smart-controlled Solow LED fittings. Passive infrared (PIR) detection, maintained illuminance and daylight harvesting ensure that maximum energy savings are obtained.

Order-picking facilities

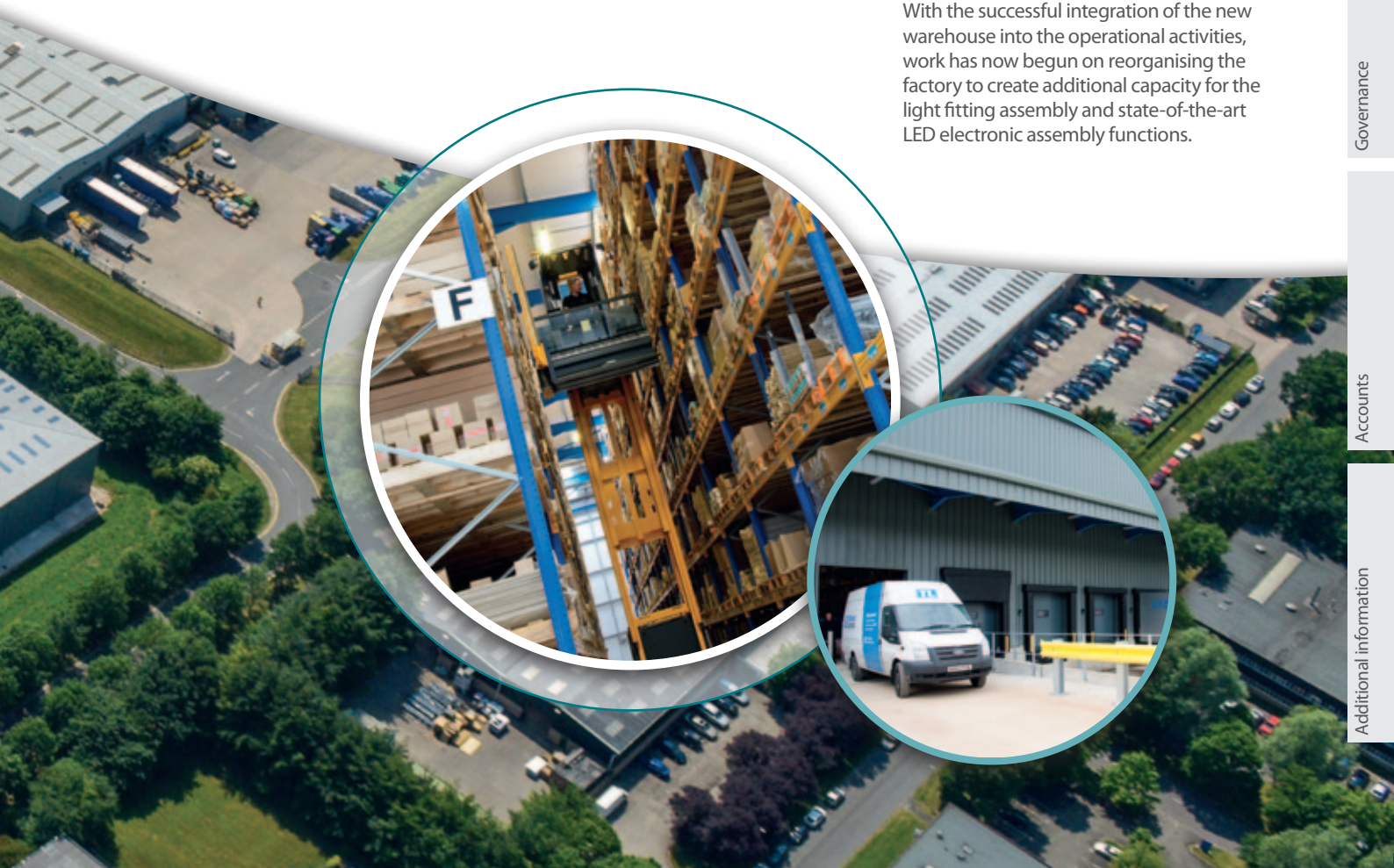
To allow efficient picking of finished goods, there are two 1.5 tonne capacity, "man-up" VNA (very narrow aisle) fork lift trucks. These can raise the warehouse order-pickers to the highest pallet locations to pick individual fittings, without the need to bring full pallets down to floor level. The trucks are guided in the aisle by an inductive wire cable in the concrete floor and can travel at speeds of up to 10km/h. A steel-fibre-reinforced super-flat warehouse floor ensures that fork lift trucks, can operate at full speed in total safety.

Each truck is also equipped with an RFID reader/writer that communicates with transponders in the floor. These recognise where the truck is operating and reduce the travelling speed at the end of the aisle, and automatically control the maximum height to which the cab is raised. For safety, a personal protection system (PPS) is installed which automatically stops the fork lift truck, should a person or object be detected in close proximity.

The vehicles utilise the latest technology for low energy consumption, and can operate continually for up to two shifts before the battery requires charging.

Looking forwards

With the successful integration of the new warehouse into the operational activities, work has now begun on reorganising the factory to create additional capacity for the light fitting assembly and state-of-the-art LED electronic assembly functions.





A new direction for FW Thorpe Plc

At the Traffex exhibition in April 2013 (at the NEC, UK), FW Thorpe Plc's first road-lighting and next generation Road Tunnel products gained an enthusiastic reception from potential buyers. Aspect and Verso – two efficient, performance-based LED luminaires – are the product of many years' expertise, distilled into a new FW Thorpe company, TRT Lighting.

The genesis of TRT Lighting

Over the past 20 years, Thorlux Lighting has sold in excess of 30,000 luminaires for some of the most high profile, high traffic volume road tunnel projects around the world. In January 2012, FW Thorpe Plc announced that it would draw on this valuable experience within Thorlux and create a new company to expand from tunnel lighting to roadway luminaires. TRT Lighting was formed.

Road lighting is a potentially huge market. You only have to look at aerial photos of the UK at night to see the volume of roadway lighting used.

Most current roadway lighting uses older, energy-inefficient technology. There is clearly a market, for energy-efficient, non-light-polluting road and amenity lighting. New lighting standards also emphasise crime prevention and safety for road users and the general public.

Three senior members of staff from Thorlux, with over 60 years' design and lighting applications experience between them, were therefore chosen to establish TRT in the road lighting market.

To house the new company, a modern shell was transformed into a design and technology centre with integral customer conference centre and in-house manufacturing capability. Building work has seen the creation of a dedicated development and test laboratory, a showroom and two production lines.

TRT has gone on to design, test and bring to manufacture new high technology LED luminaires that provide crisp white light. White light increases visual acuity even at today's reduced light level standards.

The first new products for sale are the:

- **Aspect:** a column-mounted luminaire suitable for both roadway or car park applications, and offering an extended product life
- **Verso:** an LED tunnel luminaire whose LED distributions deliver the same benefits as fluorescent lighting, but without compromising performance or increasing capital expenditure

Initial feedback

TRT Lighting sold the first production batches of its new road-lighting LED luminaires in August 2013.

The response from the market has been excellent. Many customers in the UK seem to welcome the option to spend Government money on products made in this country. A number of local authorities across the UK have embarked on trial installations and physical product appraisals in situ, and TRT Lighting has started to supply the products for installation.

Our sales people are now working hard sharing product details and benefits with prospective customers, to further penetrate the market.



Aspect – designed for longevity

The Aspect is available in a variety of options covering a range of LED lamp powers from 11 to 125W, with a range of optics to suit any type of road, and open spaces too.

A detailed product specification ensured that the finished luminaire was designed to maximise its workable life: 100,000 hours' life to 80% lumen output. Additional features prevent water from collecting and aid cooling.

As extended product lifetimes are introduced with the new technology, they provide end-users with substantial whole-life cost-savings through negating routine maintenance and relamping.

Significant investment has realised two body sizes, glass and polycarbonate cover options, a range of adaptable mounting arrangements and a host of lenses. These features provide a full range of luminaires to light all road types in Europe, in accordance with strict lighting standards.

Verso – excellent visual properties with a range of cost-saving benefits

TRT Lighting designed the Verso to provide the light performance of a fluorescent tunnel scheme at a comparable cost. Precisely controlled white light LED distributions reintroduce the benefits of fluorescent lighting without compromising performance or increasing capital expenditure. Hence, with the Verso, customers can realise highly uniform lighting installations with excellent visual properties at a fraction of the cost associated with traditional installations.

Other benefits of low maintenance, low energy consumption, low running costs and installation advantages are also brought to the fore in the Verso. A low-profile design minimises the space required to install the Verso. In addition, the low weight of the product introduces installation cost-savings through reduced requirements for structural support. Drivers for the LEDs are mounted remotely within dedicated IP66 enclosures and at low level on plug and socket connections for easy maintenance.



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.



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.



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.



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.



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.



Peter Mason

Non-executive director

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

Advisers

Auditors

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

Bankers

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

Solicitors

SGH Martineau
No 1 Colmore Square,
Birmingham B4 6AA

Nominated Adviser

N+1 Singer
12 Smithfield Street,
London EC1A 9BD

Registrars

Equiniti
Aspect House, Spencer Road,
Lancing BN99 6DA

Company information

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

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

Websites
www.fwthorpe.co.uk
www.thorlux.com
www.thorluxdesign.com
www.thorlux.com.au
www.thorlux.de
www.thorlux.ie
www.thorlux.es
www.thorlux.se
www.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

Directors' Report

Business review

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 2013.

Principal activity

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.

A review of the business and future developments is included in the Chairman's statement on pages 3 to 5.

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 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 and in the financial risk section within the accounting policies (note 1).

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.

Financial review

Results and dividends

The results for the year are set out in detail on page 29.

Revenue marginally decreased by 0.4% to £55.3m. Operating profit was impacted by losses at Compact and Sugg totalling £0.7m, as well as operating costs for TRT Lighting reducing the Thorlux result by £0.3m.

Net finance income improved during the year to £0.9m (2012: £0.8m). Included in this amount is £0.0m (2012: £0.2m) in respect of the net interest income arising on the pension scheme surplus.

The taxation charge reflects an effective tax rate of 17.4% (2012: 21.5%) This is lower due to the reduction in the headline rate, increased R&D expenditure and the resultant tax relief available, as well as the contributions to the pension scheme which are in excess of the charge through the income statement.

On 7 May 2013, the company paid an interim dividend of 1.0p per share (2012: 0.48p) amounting to £1,172,000 (2012: £563,000). A final dividend of 2.0p (2012: 1.46p) per ordinary share is proposed amounting to £2,340,000 (2012: £1,712,000) and, if approved, will be paid on 21 November 2013. Total dividends paid during the year amounted to £2,884,000 in aggregate (2012: £2,122,000). The dividends per share have been restated following the share division in August 2013.

The final dividend for 2012 was paid on 22 November 2012.

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 2013 or 30 June 2012.

Pension scheme position and funding

The pension scheme position as shown in the balance sheet remains in surplus which has increased this year primarily due to improved asset performance. A triennial actuarial valuation at 30 June 2012, has been completed and 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.

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 £1,653,000 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 18 months and over 20 years ago, management consider that undertaking formal valuation exercises would be costly for limited value and consequently no formal exercise has been undertaken.

Governance

Directors' Report continued**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 42 (2012: 44).

Corporate responsibility

The group has the responsibility for managing the challenges that affect the business on a daily basis; this also includes our impact on the environment, our workforce, and the community at large.

Environment

The group 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. The scheme is now accredited under the Woodland Carbon Code and now has 43,000 trees planted. The group requires some 8,000 or so plantings per annum to offset the CO₂ produced by our operations.

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.

Charitable gifts

During the year the group gave £6,400 (2012: £21,910) for charitable purposes. This is made up of donations to UK charities for children's welfare of £2,960, cancer care of £170, healthcare of £130, emergency aid of £25, armed forces welfare of £600 and local causes of £2,515.

Directors

The directors of the company during the year and at the date of this report are set out on page 20 and 21.

The directors retiring by rotation are A M Cooper, C Muncaster and I A Thorpe who, being eligible, offer themselves for re-election. The contracts for A M Cooper and C Muncaster are terminable on twelve and six months' notice respectively. I A Thorpe 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 65 to 67.

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.

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 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 65 to 67.

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.

Substantial shareholdings

At 14 October 2013, the company had received notification of the following interests in 3% or more of the issued share capital, excluding holdings of directors:

FMR LLC	6,360,000 shares (5.3%)
E G Thorpe	6,556,980 shares (5.5%)

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.

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 14 October 2013). 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 14 October 2013.

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 14 October 2013).

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 11,893,559 ordinary shares representing 10% of the company's issued ordinary share capital at 14 October 2013 and a nominal value of £118,936.

The minimum price per ordinary share payable by the company (exclusive of expenses) will be 1p. 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 2014. 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 considers the Quoted Companies Alliance's "Corporate Governance Guidelines for Smaller Quoted Companies" (the QCA Guidelines) relevant due to the size and complexity of the company. The QCA Guidelines apply key elements from the Code and other relevant guidance to the needs of small and mid-size quoted companies for which the Code may not be entirely or directly relevant.

Governance

Directors' Report continued

The directors consider that the company applies the principles of best practice with the exception of the matters listed below.

- There are no independent Board members.
- The Board does not have an independent audit committee.

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.

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 company'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. 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.

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.

Going concern

The directors confirm that they are satisfied that the group and company have adequate resources, with £13.2m cash and £20.1m 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.

Post balance sheet events

During a General Meeting on 16 August 2013, the shareholders of the company agreed to sub-divide the shares on a ten for one basis, which increased the number of ordinary shares by a factor of ten and became effective on 19 August 2013.

At the same meeting the company adopted new Articles of Association which are more in line with current best practice.

By order of the Board



C Muncaster
Director

14 October 2013

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

Company Registration Number: 317886

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 these financial statements, 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 statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and the group 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 UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board



C Muncaster
Director

14 October 2013

Governance

Independent Auditor's 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 2013 which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated and company balance sheets, consolidated and company statements 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 27, 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 2013 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

14 October 2013

Accounts

Consolidated Income Statement

For the year ended 30 June 2013

	Notes	2013 £'000	2012 £'000
Continuing operations			
Revenue	2	55,332	55,559
Cost of sales		(31,036)	(30,674)
Gross profit			
Distribution costs		(4,527)	(4,128)
Administrative expenses		(9,019)	(8,907)
Operating profit			
Finance income	6	903	831
Share of loss of joint venture	32	(80)	(23)
Profit before income tax			
Income tax expense	7	(2,008)	(2,718)
Profit for the year from continuing operations			
Profit for the year from discontinued operations*			
Profit for the year			

* 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	Notes	2013 pence	2012 pence
– Basic and diluted Continuing operations	23	8.16	8.48
– Basic and diluted Discontinued operations	23	–	1.17
– Basic and diluted Total	23	8.16	9.65

All share calculations have been rebased and restated following the sub-division of shares (10 for 1) which became effective on 19 August 2013.

The notes on pages 35 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 £9,860,000 (2012: £16,525,000). In 2012 this included 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 2013

	Notes	2013 £'000	2012 £'000
Profit for the year:		9,565	11,317
Other comprehensive income/(expenses)			
Items that may be reclassified to profit or loss			
Revaluation of available-for-sale financial assets			
– Arising in year	14	201	29
– Reclassified in year		–	–
Exchange rate movement on investment in joint venture			
– Arising in year		(9)	(2)
– Reclassified in year		–	–
Taxation	22	(18)	48
		174	75
Items that will not be reclassified to profit or loss			
Actuarial gain/(loss) on pension scheme	30	814	(1,410)
Movement on unrecognised pension scheme surplus	30	(1,667)	468
		(853)	(942)
Other comprehensive expense for the year, net of tax		(679)	(867)
Total comprehensive income attributable to equity shareholders arises from:		8,886	10,450
– Continuing operations		8,886	9,073
– Discontinued operations		–	1,377
		8,886	10,450

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

The notes on pages 35 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 2013

	Notes	Group		Company	
		2013 £'000	2012 £'000	2013 £'000	2012 £'000
Assets					
Non-current assets					
Property, plant and equipment	10	12,380	11,204	11,784	10,491
Intangible assets	9	6,686	5,984	3,176	2,502
Investment in subsidiaries	31	–	–	4,140	4,168
Investment property	13	2,102	2,081	2,102	2,081
Loans and receivables	29	1,728	1,828	1,728	1,828
Investment in joint venture	32	22	111	154	156
Available-for-sale financial assets	14	2,458	1,841	2,458	1,841
Deferred tax assets	22	32	15	–	–
		25,408	23,064	25,542	23,067
Current assets					
Inventories	17	11,942	11,144	10,097	9,257
Trade and other receivables	18	12,099	10,942	11,593	11,042
Other financial assets at fair value through profit or loss	19	388	387	388	387
Short-term financial assets – deposits	15	20,148	17,108	20,148	17,108
Cash and cash equivalents	16	13,240	14,120	13,238	14,081
Total current assets		57,817	53,701	55,464	51,875
Total assets		83,225	76,765	81,006	74,942
Liabilities					
Current liabilities					
Trade and other payables	20	(9,099)	(7,677)	(9,076)	(8,696)
Current income tax liabilities		(540)	(1,395)	(637)	(1,121)
Total current liabilities		(9,639)	(9,072)	(9,713)	(9,817)
Net current assets		48,178	44,629	45,751	42,058
Non-current liabilities					
Retirement benefit deficit	30	–	–	–	–
Provisions for liabilities and charges	21	(102)	(102)	(102)	(102)
Deferred income tax liabilities	22	(944)	(778)	(862)	(723)
Total liabilities		(10,685)	(9,952)	(10,677)	(10,642)
Net assets		72,540	66,813	70,329	64,300
Equity attributable to owners of the company					
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		70,558	64,831	68,347	62,318
Total equity		72,540	66,813	70,329	64,300

The notes on pages 35 to 64 form part of these financial statements.

The financial statements on pages 29 to 64 were approved by the Board on 14 October 2013 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 2013

	Notes	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 July 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	14	–	–	–	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
Comprehensive income						
Profit for the year to 30 June 2013		–	–	–	9,565	9,565
Actuarial gain on pension scheme	30	–	–	–	814	814
Movement on unrecognised pension scheme surplus	30	–	–	–	(1,667)	(1,667)
Revaluation of available-for-sale financial assets	14	–	–	–	201	201
Movement on associated deferred tax	22	–	–	–	(48)	(48)
Impact of deferred tax rate change	22	–	–	–	30	30
Exchange rate movement on joint venture		–	–	–	(9)	(9)
Total comprehensive income		–	–	–	8,886	8,886
Transactions with owners						
Dividends paid to shareholders		–	–	–	(2,884)	(2,884)
Purchase of shares		–	–	–	(275)	(275)
Total transactions with owners		–	–	–	(3,159)	(3,159)
Balance at 30 June 2013		1,189	656	137	70,558	72,540

The notes on pages 35 to 64 form part of these financial statements.

Accounts

Company Statement of Changes in Equity

For the year ended 30 June 2013

	Notes	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 July 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
Comprehensive income						
Profit for the year to 30 June 2013		-	-	-	9,860	9,860
Actuarial gain on pension scheme	30	-	-	-	814	814
Movement on unrecognised pension scheme surplus	30	-	-	-	(1,667)	(1,667)
Revaluation of available-for-sale financial assets	14	-	-	-	201	201
Movement on associated deferred tax	22	-	-	-	(48)	(48)
Impact of deferred tax rate change	22	-	-	-	30	30
Exchange rate movement on joint venture	32	-	-	-	(2)	(2)
Total comprehensive income		-	-	-	9,188	9,188
Transactions with owners						
Dividends paid to shareholders		-	-	-	(2,884)	(2,884)
Purchase of shares		-	-	-	(275)	(275)
Total transactions with owners		-	-	-	(3,159)	(3,159)
Balance at 30 June 2013		1,189	656	137	68,347	70,329

The notes on pages 35 to 64 form part of these financial statements.

Accounts

Consolidated and Company Statements of Cash Flows

For the year ended 30 June 2013

	Notes	Group		Company	
		2013 £'000	2012 £'000	2013 £'000	2012 £'000
Cash flows from operating activities					
Cash generated from operations	26	11,846	12,691	10,004	10,298
Tax paid		(2,737)	(3,223)	(2,409)	(2,808)
Net cash generated from operating activities		9,109	9,468	7,595	7,490
Cash flows from investing activities					
Purchases of property, plant and equipment		(2,281)	(2,198)	(2,144)	(1,993)
Proceeds from sale of property, plant and equipment		93	120	68	85
Purchase of intangibles		(1,771)	(1,341)	(1,531)	(1,259)
Purchase of subsidiary (net of cash acquired)		(383)	(2,502)	(383)	(2,734)
Purchase of investment property		(21)	(35)	(21)	(35)
Purchase of available-for-sale financial assets		(416)	(706)	(416)	(706)
Property rental and similar income		188	195	369	390
Dividend income		130	69	1,144	1,769
Net purchase of deposits		(3,040)	(5,492)	(3,040)	(5,492)
Interest received		571	322	575	322
Proceeds of disposal of subsidiary net of loan notes issued and direct costs		–	4,106	–	4,106
Repayment of loan notes		100	–	100	–
Net cash used in investing activities		(6,830)	(7,462)	(5,279)	(5,547)
Cash flows from financing activities					
Dividends paid to company's shareholders		(2,884)	(2,122)	(2,884)	(2,122)
Purchase of own shares		(275)	–	(275)	–
Net cash used in financing activities		(3,159)	(2,122)	(3,159)	(2,122)
Net decrease in cash in the year		(880)	(116)	(843)	(179)
Cash and cash equivalents at beginning of year	16	14,120	14,236	14,081	14,260
Cash and cash equivalents at end of year	16	13,240	14,120	13,238	14,081

The notes on pages 35 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 2013

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. 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 2013 or later periods. These new pronouncements are listed below:

Amendments to IAS 12 "Income Taxes" on Deferred Tax – Recovery of Underlying Assets" (EU endorsed 1 January 2013)

Amendment to IAS 19 "Employee Benefits" (effective 1 January 2013)

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)

Amendments to IFRS 10, 11 and 12 on transition guidance (effective 1 January 2013)

IFRS 13 "Fair Value Measurement" (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 2011 (effective 1 January 2013)

Amendments to IAS 32 "Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities" (effective 1 January 2014)

Amendments to IFRS 10 "Consolidated financial statements" IFRS 12 and IAS 27 for investment entities (effective date 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. Based on the work performed to date in relation to Amendment to IAS 19 "Employee Benefits", the impact will be immaterial.

The company has adopted the following new and amended standards as of 1 July 2012.

Amendments to IAS 1 "Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income" (effective 1 July 2012)

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.

The group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration agreement. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed on a business combination are measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Joint ventures

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 result of the joint venture on the face of the income statement. The group also discloses its share of the net assets on the face of the balance sheet.

Unrealised gains on transactions between the group and its joint venture are eliminated to the extent of the group's interest in the joint venture and that unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

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. Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services. 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, 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 or surplus 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.

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 substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

Dividend distribution

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

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

Property, plant and equipment

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

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

Freehold land	Nil
Buildings	2%–4%
Plant 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 reviewed for impairment at least annually or more frequently if events or changes in circumstances indicate a potential 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 the 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 were valued discounting estimated future net cash flow from the asset. 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 "distribution costs". When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against "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.

1 Accounting policies continued

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.

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 Capita Employee Benefits 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.

Development costs

The group undertakes development activities and the commercial viability of these activities are assessed on a continual basis. The group makes assumptions about the future value of the work based on past experience of similar development projects and the feedback from the marketplace about future expectations for technological development. The group seeks to minimise the risk of product development failure by engaging with others to overcome technological difficulties and by regularly assessing the expectation of the market.

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.

Accounts

Notes to the Consolidated Financial Statements continued

1 Accounting policies continued

(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, trade and other receivables as well as trade and other payables 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. The risk is managed by maintaining relatively low currency balances and selling or buying currency when required.

(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. The nature of the list of investments held means the investments can go up and down in value.

(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.

(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.

1 Accounting policies continued

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.

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.

Accounts

Notes to the Consolidated Financial Statements continued

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 2013				
Revenue to external customers	45,197	10,135	–	55,332
Revenue to other group companies	101	562	(663)	–
Total revenue	45,298	10,697	(663)	55,332
Operating profit	10,239	317	194	10,750
Net finance income				903
Share of loss of joint venture				(80)
Profit before income tax				11,573
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

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.

	2013 £'000	2012 £'000
UK	47,686	47,806
Europe	4,393	4,704
Other countries	3,253	3,049
	55,332	55,559

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

3 Group operating profit

	2013 £'000	2012 £'000
Group operating profit is stated after charging/(crediting):		
Profit on sale of property, plant and equipment	(62)	(71)
Rental income from investment property	(116)	(69)
Depreciation of property, plant and equipment (note 10):		
– owned assets	1,182	1,062
Operating lease rentals:		
– plant and machinery	39	31
– other	139	118
Intangible amortisation (note 9)	1,082	993
Foreign exchange losses recognised in income statement	33	141

Services provided by the company's auditors

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

Group	2013 £'000	2012 £'000
Fees payable to company's auditors for the audit of parent company and consolidated financial statements	43	41
Fee payable to the company's auditor and its associates for other services:		
– the audit of company's subsidiaries pursuant to legislation	36	34
– taxation advisory services	–	6
	79	81

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).

	2013 £'000	2012 £'000
Fair value gains	1	–

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

Accounts

Notes to the Consolidated Financial Statements continued**5 Employee information**

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

	2013 Number	2012 Number
Production	224	230
Sales and distribution	104	95
Administration	144	142
Total average headcount	472	467

Employment costs of all employees (including executive directors).

	2013 £'000	2012 £'000
Wages and salaries	14,108	13,423
Social security costs	1,542	1,487
Other pension costs	661	717
	16,311	15,627

Other pension costs include contributions to the pension scheme and other employers' pension related charges comprising life assurance of £66,000 (2012: £51,000), pension administration and professional charges of £129,000 (2012: £91,000), a pension paid to a former director, contributions to Sugg Lighting Limited group personal pension plan and private pension schemes amounting to £87,000 (2012: £75,000).

Contributions to the defined contribution section amounted to £248,000 (2012: £333,000).

Directors' emoluments

	2013 £'000	2012 £'000
Aggregate emoluments	1,181	1,221
Contributions to money purchase pension schemes	25	20
	1,206	1,241

Highest paid director

	2013 £'000	2012 £'000
Total of emoluments and amounts receivable	311	292

The highest paid director is a pensioner of the retirement benefits scheme (2013 and 2012: accrued pension of £131,000).

At the 30 June retirement benefits were accruing to M Allcock and D Taylor (2012: M Allcock and D Taylor) under the defined benefit scheme and to A M Cooper (2012: A M Cooper) under the defined contribution scheme.

Further details are provided in the Directors' remuneration report on pages 65 to 67.

6 Finance income

	2013 £'000	2012 £'000
Finance income		
Current assets		
Interest receivable	595	387
Non-current assets		
Dividend income on available-for-sale financial assets	121	79
Net rental income	140	197
Net interest on pension scheme assets and liabilities	47	168
	903	831

7 Income tax expense

Analysis of income tax expense in the year.

	2013 £'000	2012 £'000
Current tax		
Current tax on profits for the year	2,086	2,699
Adjustments in respect of prior years	(209)	(57)
Total current tax	1,877	2,642
Deferred tax (note 22)		
Origination and reversal of temporary differences	131	76
Total deferred tax	131	76
Income tax expense	2,008	2,718

The tax assessed for the year is lower (2012: lower) than the standard rate of corporation tax in the UK of 23.75% (2012: 25.5%). The differences are explained below:

	2013 £'000	2012 £'000
Profit before income tax	11,573	12,658
Profit on ordinary activities multiplied by the standard rate in the UK of 23.75% (2012: 25.5%)	2,749	3,228
Effects of:		
Expenses not deductible for tax purposes	16	18
Accelerated tax allowances and other timing differences	(311)	(356)
Adjustments in respect of prior years	(209)	(57)
Profits taxed at small companies rate	–	(3)
Other	(237)	(112)
Tax charge	2,008	2,718

The weighted average applicable tax rate was 17.4% (2012: 21.5%).

8 Dividends

The dividends paid in 2013 and 2012 were £2,884,000 (2.46p per share) and £2,122,000 (1.81p per share) respectively. The dividend per share is based on the rebased number of shares issues following the share split of 10 for 1 in August 2013.

A final dividend in respect of the year ended 30 June 2013 of 2.0p per share, amounting to £2,340,000, is to be proposed at the Annual General Meeting on 14 November 2013. These financial statements do not reflect this dividend payable.

Accounts

Notes to the Consolidated Financial Statements continued

9 Intangible assets

Group 2013	Goodwill £'000	Development costs £'000	Technology £'000	Brand name £'000	Software £'000	Patents £'000	Fishing rights £'000	Total £'000
Cost								
At 1 July 2012	3,503	3,438	311	174	729	150	182	8,487
Additions	–	1,653	–	–	131	–	–	1,784
Write-offs	–	(727)	–	–	–	–	–	(727)
At 30 June 2013	3,503	4,364	311	174	860	150	182	9,544
Accumulated amortisation								
At 1 July 2012	600	1,160	62	58	593	30	–	2,503
Charge for the year	–	849	62	58	83	30	–	1,082
Write-offs	–	(727)	–	–	–	–	–	(727)
At 30 June 2013	600	1,282	124	116	676	60	–	2,858
Net book amount								
At 30 June 2013	2,903	3,082	187	58	184	90	182	6,686

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

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	–	–	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

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, typically up to five years, 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 impairment 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.

9 Intangible assets continued

Company 2013	Goodwill £'000	Development costs £'000	Software £'000	Patents £'000	Fishing £'000	Total £'000
Cost						
At 1 July 2012	600	3,117	577	150	182	4,626
Additions	–	1,415	129	–	–	1,544
Write-offs	–	(641)	–	–	–	(641)
At 30 June 2013	600	3,891	706	150	182	5,529
Accumulated amortisation						
At 1 July 2012	600	1,036	458	30	–	2,124
Charge for the year	–	769	71	30	–	870
Write-offs	–	(641)	–	–	–	(641)
At 30 June 2013	600	1,164	529	60	–	2,353
Net book amount						
At 30 June 2013	–	2,727	177	90	182	3,176

Company 2012	Goodwill £'000	Development costs £'000	Software £'000	Patents £'000	Fishing £'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

Amortisation of £1,082,000 (2012: £993,000) is included in the administrative expenses.

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.

Accounts

Notes to the Consolidated Financial Statements continued

10 Property, plant and equipment

	Group			Company		
	Freehold land and buildings £'000	Plant and equipment £'000	Total £'000	Freehold land and buildings £'000	Plant and equipment £'000	Total £'000
Cost						
At 1 July 2012	9,207	13,900	23,107	9,207	11,034	20,241
Additions	1,284	1,104	2,388	1,284	970	2,254
Disposals	–	(293)	(293)	–	(243)	(243)
At 30 June 2013	10,491	14,711	25,202	10,491	11,761	22,252
Accumulated depreciation						
At 1 July 2012	1,936	9,967	11,903	1,936	7,814	9,750
Charge for the year	177	1,005	1,182	177	763	940
Disposals	–	(263)	(263)	–	(222)	(222)
At 30 June 2013	2,113	10,709	12,822	2,113	8,355	10,468
Net book amount						
At 30 June 2013	8,378	4,002	12,380	8,378	3,406	11,784

Freehold land which was not depreciated at 30 June 2013 amounted to £947,000 (2012: £947,000) (group and company).

	Group			Company		
	Freehold land and buildings £'000	Plant and equipment £'000	Total £'000	Freehold land and buildings £'000	Plant and equipment £'000	Total £'000
Cost						
At 1 July 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	–	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

11 Commitments

(a) Capital commitments

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

	Group		Company	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Property, plant and equipment	462	56	437	56

(b) Operating lease commitments

The group leases premises under non-cancellable operating lease agreements. The lease terms are between five and 20 years (2012: five and 20 years), and the lease agreements are renewable at the end of the lease period at market rate.

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

	Group			
	Land and buildings 2013 £'000	Land and buildings 2012 £'000	Other 2013 £'000	Other 2012 £'000
Within one year	113	124	–	–
Within two to five years	263	321	–	–
Over five years	–	102	–	–
	376	547	–	–

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 £2,846,000 (2012: £2,228,000) 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 2013				
Assets as per balance sheet				
Loans and other receivables	1,728	–	–	1,728
Available-for-sale financial assets	–	2,458	–	2,458
Other financial assets at fair value through profit or loss	–	–	388	388
Trade and other receivables – note 18	11,396	–	–	11,396
Short-term financial assets – deposits	20,148	–	–	20,148
Cash and cash equivalents	13,240	–	–	13,240
Total	46,512	2,458	388	49,358

Accounts

Notes to the Consolidated Financial Statements continued

12 Financial instruments by category continued

Group	Loans and receivables £'000	Available- for-sale £'000	Assets at fair value through the profit and loss £'000	Total £'000
30 June 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

Company	Loans and receivables £'000	Available- for-sale £'000	Assets at fair value through the profit and loss £'000	Total £'000
30 June 2013				
Assets as per balance sheet				
Loans and other receivables	1,728	–	–	1,728
Available-for-sale financial assets	–	2,458	–	2,458
Other financial assets at fair value through profit or loss	–	–	388	388
Trade and other receivables	11,062	–	–	11,062
Short-term financial assets – deposits	20,148	–	–	20,148
Short-term financial assets – cash and cash equivalents	13,238	–	–	13,238
Total	46,176	2,458	388	49,022

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

The above analysis excludes prepayments.

	Group		Company	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Liabilities as per balance sheet				
Trade and other payables (excluding statutory liabilities)	7,999	6,659	8,187	7,948
	7,999	6,659	8,187	7,948

Financial liabilities are measured at amortised cost.

The group and company did not have derivative financial instruments at 30 June 2013 or 30 June 2012.

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

13 Investment property

Group and company	2013 £'000	2012 £'000
At 1 July	2081	1,037
Addition	21	35
Transferred from property, plant and equipment	–	1,009
At 30 June	2,102	2,081

The following amounts have been recognised in the income statement:

Group and company	2013 £'000	2012 £'000
Rental income	116	69
Direct operating expenses arising from investment properties that generate rental income	(15)	(8)

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 (2012: £1,288,000) is freehold land and therefore not depreciated; the property element includes accumulated depreciation of £269,000 (2012: £269,000) which relates to the property occupied by Mackwell Electronics Ltd up to the date of disposal. No further depreciation has been charged. 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, which is greater than the carrying value of those specific investment properties.

Each investment property generates rental income.

14 Available-for-sale financial assets

Group and company	2013 £'000	2012 £'000
Beginning of year	1,841	1,105
Additions	416	707
Revaluation	201	29
End of year	2,458	1,841

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value.

There were no impairment provisions on available-for-sale financial assets in 2013 or 2012.

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

None of these assets is either past due or impaired.

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the separate consolidated income statement. Impairment losses recognised in the separate consolidated income statement on equity instruments are not reversed through the separate consolidated income statement.

Accounts

Notes to the Consolidated Financial Statements continued

15 Deposits

Group and company	2013 £'000	2012 £'000
Beginning of year	17,108	11,616
Net additions	3,040	5,492
End of year	20,148	17,108

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	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Cash at bank and on hand	13,240	14,120	13,238	14,081

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	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Raw materials	6,694	6,784	5,218	5,175
Work in progress	2,404	1,739	2,143	1,537
Finished goods	2,844	2,621	2,736	2,545
	11,942	11,144	10,097	9,257

The cost of inventories recognised as an expense and included in cost of sales amounted to £21,678,000 (2012: £22,146,000).

18 Trade and other receivables

	Group		Company	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Current				
Trade receivables	11,004	9,752	9,017	8,021
Other receivables	392	402	357	402
Prepayments and accrued income	703	788	531	549
Amounts owed by subsidiaries	–	–	1,688	2,070
	12,099	10,942	11,593	11,042

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

	Group		Company	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Trade receivables past due date not provided	527	299	322	98

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 2013 the bad debt provision for the group amounted to £21,000 (2012: £53,000) and for the company £2,000 (2012: £52,000).

18 Trade and other receivables continued

During the year the following amounts were written off:

	Group		Company	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Bad debts written off	75	64	56	59
Bad debts recovered	(1)	(58)	(1)	(58)
Net bad debt expense	74	6	55	1

At 30 June 2013, trade receivables were due to the group and company in the following currency denominations.

	Group		Company	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Due in £ sterling	10,127	9,409	8,244	7,690
Due in € euro	510	244	406	232
Due in Australian dollars	367	99	367	99
Total trade receivables	11,004	9,752	9,017	8,021

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.

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 2013 this amounted to £388,000 (2012: £387,000).

20 Trade and other payables

	Group		Company	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Current				
Trade payables	5,342	3,675	3,645	2,945
Social security and other taxes	1,100	1,018	889	748
Other payables	1,925	2,298	1,882	2,272
Accruals and deferred income	732	686	484	421
Amounts owed to subsidiaries	–	–	2,176	2,310
	9,099	7,677	9,076	8,696

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

21 Provisions for liabilities and charges

	Group		Company	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
WEEE provision	102	102	102	102
Total	102	102	102	102

	Group		Company	
	2013 £'000	2012 £'000	2013 £'000	2012 £'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.

Accounts

Notes to the Consolidated Financial Statements continued

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	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Deferred tax assets:				
– Deferred tax assets to be recovered after more than 12 months	32	15	–	–
– Deferred tax asset to be recovered within 12 months	–	–	–	–
	32	15	–	–
Deferred tax liabilities:				
– Deferred tax liability to be recovered after more than 12 months	(944)	(778)	(862)	(723)
– Deferred tax liability to be recovered within 12 months	–	–	–	–
	(944)	(778)	(862)	(723)
Net deferred tax liabilities	(912)	(763)	(862)	(723)

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

	Group		Company	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Beginning of year	(763)	(672)	(723)	(688)
Acquisition of subsidiary	–	(6)	–	–
Income statement charge	(131)	(76)	(121)	(79)
Tax (charged)/credited directly to equity	(18)	48	(18)	44
Transferred to non-current assets and disposal groups for sale	–	(57)	–	–
End of year	(912)	(763)	(862)	(723)

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 2011	19	–	8	27
Charged to the income statement	(4)	–	–	(4)
Charged directly to equity	–	–	(8)	(8)
At 1 July 2012	15	–	–	15
Credited to the income statement	17	–	–	17
Credited/(charged) directly to equity	–	–	–	–
At 30 June 2013	32	–	–	32

	Accelerated tax depreciation £'000	Fair value gains and losses £'000	Research & development £'000	Total £'000
Deferred tax liabilities				
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 1 July 2012	150	81	547	778
Charged/(credited) to the income statement	(83)	48	183	148
Charged/(credited) directly to equity	45	(6)	(21)	18
At 30 June 2013	112	123	709	944

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)/credited to equity during the year is as follows:

	Group		Company	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Tax on actuarial loss on retirement benefits scheme	–	–	–	–
Tax on revaluation of available-for-sale assets	(48)	(8)	(48)	(8)
Impact of deferred tax rate change	30	56	30	52
	(18)	48	(18)	44

23 Earnings per share

Basic and diluted 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 year, excluding ordinary shares purchased by the company and held as treasury shares. The company does not have any dilutive potential ordinary shares; hence there is no difference between basic and diluted earnings per share.

All share calculations have been rebased and restated following the sub-division of shares (10 for 1) which became effective on 19 August 2013.

	Continuing operations		Discontinued operations		Total	
	2013	2012	2013	2012	2013	2012
Weighted average number of ordinary shares in issue	117,192,140		117,192,140		117,192,140	
Profit attributable to equity holders of the company (£'000)	9,565	9,940	–	1,377	9,565	11,317
Basic earnings per share (pence per share)	8.16	8.48	–	1.17	8.16	9.65

24 Share capital

	Group and company	
	2013 £'000	2012 £'000
Allotted and fully paid		
118,935,590 ordinary shares of 1p each (2012: 118,935,590 ordinary shares of 1p each)	1,189	1,189

The share capital has been rebased following the sub-division of the shares.

The ordinary shareholders each have one vote per share.

	Group and company	
	2013 £'000	2012 £'000
Movements in treasury shares included in share capital		
Shares held in treasury at 1 July	17	17
Purchases	3	–
Share capital at 30 June	20	17
Number of shares held in treasury at 30 June	1,960,000	1,700,000

There were no shares issued during the year (2012: nil). There are no share options outstanding at the year end (2012: nil).

Accounts

Notes to the Consolidated Financial Statements continued

25 Other reserves

	Share premium account £'000	Capital redemption reserves £'000
Group and company		
At 30 June 2012 and 30 June 2013	656	137

26 Cash generated from operations

	Group		Company	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Cash generated from continuing operations				
Profit before income tax	11,573	12,658	11,916	13,469
Depreciation charge	1,182	1,062	940	826
Amortisation of intangibles	1,082	993	870	773
Profit on disposal of property, plant and equipment	(63)	(71)	(47)	(44)
Finance income	(903)	(831)	(2,102)	(2,729)
Retirement benefit contributions in excess of current and past service charge	(863)	(774)	(863)	(774)
Share of loss from joint venture	80	23	–	–
Changes in working capital				
– Inventories	(798)	304	(840)	(108)
– Trade and other receivables	(1,189)	918	(575)	1,127
– Trade and other payables	1,745	(1,583)	705	(2,242)
Cash generated from continuing operations	11,846	12,699	10,004	10,298
Cash generated from discontinued operations	–	(8)	–	–
Total cash generated from operations	11,846	12,691	10,004	10,298

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
2013				
Compact Lighting Limited	75	30	4	–
Philip Payne Limited	370	29	1	500
Sugg Lighting Limited	–	14	18	–
Solite Europe Limited	112	28	2	14
Portland Lighting Limited	–	–	–	500

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

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	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Compact Lighting Limited	(17)	(1)	1,369	1,382
Philip Payne Limited	(1,351)	(1,513)	1	1
Sugg Lighting Limited	–	–	4,149	4,097
Solite Europe Limited	(13)	(58)	1	–
Portland Lighting Limited	(795)	(738)	–	–
Total	(2,176)	(2,310)	5,520	5,480

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

27 Related party transactions continued

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 made a provision of £3,832,000 (2012: £3,410,000) against the Sugg Lighting Limited inter-company balance.

The key management personnel are the group Board directors; their interests are disclosed in the directors' remuneration report on pages 65 to 67.

Mackwell Electronics Limited is 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 Limited. During the year the company sold goods to Mackwell amounting to £4,000 (2012: £15,000), purchased goods amounting to £2,617,000 (2012: £2,328,000), and sold services of £nil (2012: £3,000). At the year end there were trade balances due to Mackwell Electronics Limited of £323,000 (2012: £nil) and none due from Mackwell Electronics Limited (2012: £nil). The company is owed £1,900,000 (2012: £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 £39,000 (2012: £24,000) at the balance sheet date. The company owns the premises occupied by Mackwell Electronics Limited and rent is charged of £102,000 per annum (2012: £102,000). The rent is comparable to commercial rents for similar buildings in the area.

N A Brangwin is a related party because there is a connection between a director of the company C M Brangwin and N A Brangwin. The company is owed £300,000 in respect of a loan made to N A Brangwin at the same time as the sale of Mackwell Electronics. The loan is secured with shares in F W Thorpe with a current value in excess of the loan amount. At 30 June 2013 there was accrued interest due to the company of £3,000.

28 Portland Lighting Limited

Following the acquisition of Portland Lighting Limited on 1 July 2011 the group made a payment during the year of £383,000. A further payment which is estimated to be £371,000 is due in the next financial year, and disclosed within other payables. These payments are in accordance with the contingent consideration agreement which expired on 1 July 2013.

29 Loan notes

Following the disposal of Mackwell Electronics Limited on 2 December 2011 the group acquired Loan notes of £2,000,000 as part of the consideration.

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 the 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 the Bank of England base rate, which is considered to be a rate that Mackwell Electronics Limited would incur in the external market. The fair value of that tranche of loan notes is considered to be £1,453,000.

A repayment of £100,000 was received during the year, which has reduced the balance due at the higher interest rate of 4% above the Bank of England base rate to £275,000.

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 2013 amounted to £1,258,000 (2012: £1,340,000). 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 at that date the value of the fund was £23,791,000. This was sufficient to cover 93% 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	2.90%
Salary increases	4.65%
Discount rate	3.80%
Revaluation for deferred pensioners	2.40%

The figures at 1 July 2012 have been updated as at the balance sheet dates in order to assess the additional disclosures required under IAS 19 as at 30 June 2013 by an independent qualified actuary using the following major assumptions.

	2013	2012	2011	2010	2009
Price inflation	3.40%	2.80%	3.70%	3.50%	3.75%
Salary increases	3.50%	4.55%	5.45%	5.25%	5.66%
Discount rate	4.60%	4.40%	5.50%	5.35%	6.00%
Revaluation for deferred pensioners	2.50%	2.05%	2.95%	3.50%	3.75%
Pension increases in payment of 5% pa or RPI if less	3.30%	2.75%	3.55%	3.30%	3.60%
Pension increases in payment of 2.5% pa or RPI if less	2.25%	2.10%	2.35%	2.20%	2.35%
Life expectancy at age 65 – men	24.2 years	22.5 years	22.4 years	22.3 years	22.2 years
Life expectancy at age 65 in 20 years – men	26.2 years	24.4 years	24.4 years	24.3 years	
Life expectancy at age 65 – women	26.6 years	24.9 years	24.8 years	24.7 years	24.6 years
Life expectancy at age 65 in 20 years – women	28.5 years	26.8 years	26.7 years	26.6 years	

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

	30 June 2013		30 June 2012		30 June 2011		30 June 2010		30 June 2009	
	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	n/a	11,829	6.20%	9,744	7.75%	11,166	7.65%	9,045	7.80%	7,265
Bonds	4.60%	13,267	4.40%	12,484	5.00%	10,982	4.84%	9,464	5.30%	8,066
Property	–	–	–	–	–	–	7.35%	19	7.80%	12
Other	0.50%	1,545	0.50%	1,596	0.50%	1,328	0.50%	1,565	0.50%	1,832
Total market value of assets		26,641		23,824		23,476		20,093		17,175
Present value of scheme liabilities		(24,959)		(23,809)		(22,993)		(21,472)		(19,208)
Surplus/(deficit) in the scheme		1,682		15		483		(1,379)		(2,033)

The property assets were 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:

	2013 £'000	2012 £'000
Present value of funded obligations	(24,959)	(23,809)
Fair value of plan assets	26,641	23,824
Surplus in the scheme	1,682	15
Less restriction of surplus recognised in the balance sheet	(1,682)	(15)
Liability recognised in the balance sheet	–	–

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

	2013 £'000	2012 £'000
At 1 July	(23,809)	(22,993)
Current service cost	(452)	(566)
Interest cost	(1,045)	(1,220)
Contributions by plan participants	(295)	(350)
Actuarial losses	(247)	(1,603)
Benefits paid	889	2,923
At 30 June	(24,959)	(23,809)

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

	2013 £'000	2012 £'000
At 1 July	23,824	23,476
Expected return in plan assets	1,092	1,388
Actuarial gains	1,061	193
Employer contributions	1,258	1,340
Employee contributions	295	350
Benefits paid	(889)	(2,923)
At 30 June	26,641	23,824

The amounts recognised in the income statement are as follows:

	2013 £'000	2012 £'000
Current service cost	452	566
Interest cost	1,045	1,220
Expected return on plan assets	(1,092)	(1,388)
Total included within staff costs and finance income	405	398

Of the total charge, £452,000 (2012: £566,000) and £47,000 (2012: £168,000) were included in “administrative expenses” and “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

	2013 £'000	2012 £'000
Actual return less expected return on pension scheme assets	1,061	193
Experience (losses)/gains arising on the scheme liabilities	(438)	227
Changes in assumptions underlying the present value on the scheme liabilities	191	(1,830)
Restriction of pension scheme surplus	(1,667)	468
Actuarial loss recognised in the statement of comprehensive income	(853)	(942)

	2013 £'000	2012 £'000
Cumulative actuarial loss recognised in the statement of comprehensive income at 1 July	(4,274)	(2,864)
Actuarial gain/(loss) recognised in the statement of comprehensive income for the year	814	(1,410)
Cumulative actuarial loss recognised in the statement of comprehensive income at 30 June	(3,460)	(4,274)

The restriction in the scheme surplus is excluded from the cumulative actuarial gain 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 year ending 30 June 2013 was £2,153,000 (2012: £1,551,000) or 8.1% (2012: 6.5%)

The group expect to pay £1,259,000 contributions (2012: £1,363,000) into the pension scheme during the forthcoming year.

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

	2013		2012		2011		2010		2009	
	£'000	%	£'000	%	£'000	%	£'000	%	£'000	%
Difference between the expected and actual return on scheme assets	1,061		193		1,335		1,713		(1,969)	
Percentage of scheme assets		4%		1%		6%		9%		11%
Experience loss on scheme liabilities	(438)		227		(433)		(388)		(492)	
Percentage of the present value of scheme liabilities		2%		1%		2%		2%		3%
Changes in assumptions underlying the present value of scheme liabilities	191		(1,830)		152		(1,371)		344	
Percentage of the present value of scheme liabilities		1%		8%		0%		6%		2%
Restriction of pension scheme surplus	-		-		(483)		-		-	
Percentage of the present value of scheme liabilities		0%		0%		2%		-		-
Amount which has been recognised in the SoCI	814		(1,410)		571		(46)		(2,117)	
Percentage of the present value of the scheme liabilities		3%		6%		2%		-		11%

31 Group companies

The parent company has the following investments as at 30 June 2013 and 30 June 2012:

Name of undertaking	Country of incorporation	Description of shares held	Proportion of nominal value of issued shares held by group and company	
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%	
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	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Investment in subsidiaries – cost	–	–	5,732	5,732
Less provisions	–	–	(1,592)	(1,564)
	–	–	4,140	4,168

The movement in the investment and provisions is as follows:

	Cost £'000	Provisions £'000
At 1 July 2012	5,732	(1,564)
Increase in provision	–	(28)
At 30 June 2013	5,732	(1,592)

The increase in provision was to write down the carrying value of the investment to its net asset position.

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	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
At 1 July	111	136	156	156
Share of loss	(80)	(23)	–	–
Exchange rate movement	(9)	(2)	(2)	–
At 30 June	22	111	154	156

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

A reduction in the main rate of corporation tax from 24% to 23% from 1 April 2013 was announced in the Budget on 23 March 2012 and substantively enacted on 3 July 2012. 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 2013 UK Budget Statement. A resolution passed by Parliament on 20 March 2013 reduced the main rate of corporation tax from 23% to 21% from 1 April 2014. Legislation to reduce the main rate of corporation tax from 23% to 21% from 1 April 2014 is included in the Finance Act 2013 which was substantively enacted on 2 July 2013. A further reduction in the main rate is also proposed to reduce the rate to 20% from 1 April 2015. 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 20 March 2013 and the further changes substantively enacted on 2 July 2013 are not material to the financial statements and have not therefore been calculated.

Sub-division of shares

During a General Meeting on 16 August 2013, the shareholders of the company agreed to sub-divide the shares on a ten for one basis, which increased the number of ordinary shares by a factor of ten and became effective on 19 August 2013. Although this meeting took place after the balance sheet date, all the notes relating to shares have been amended to reflect the change in share structure.

Articles of Association

At the General Meeting on 16 August 2013 the shareholders agreed to adopt new Articles of Association, which are more in line with current best practice.

Accounts

Directors' Remuneration Report

The Board has prepared this report to the shareholders, taking into account sections 420 to 422 of the Companies Act 2006 and AIM Rule 19. 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

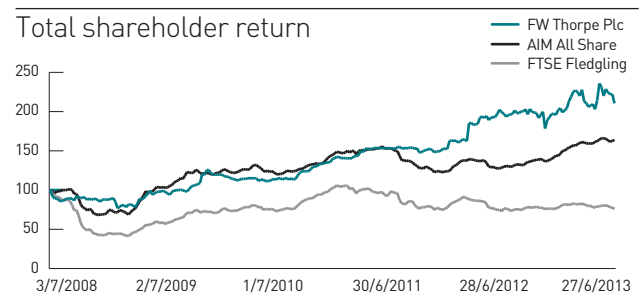
The Board as a whole determines the remuneration of the non-executive directors. The Board takes into account the contribution made and the relative time spent on the company's affairs. The non-executive directors do not receive bonuses. Their benefits in kind consist of the provision of health insurance.

Directors' service contracts

A B Thorpe and M Allcock have service contracts terminable on two years' notice. 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.



Accounts

Directors' Remuneration Report continued

Directors' emoluments (audited)

	2013 Salary/fees £'000	2013 Bonus £'000	2013 Benefits £'000	2013 Total £'000	2012 Total £'000
Executive directors					
A B Thorpe	182	104	25	311	292
M Allcock	182	104	20	306	290
D Taylor	85	40	14	139	122
A M Cooper	91	60	11	162	162
C Muncaster	91	60	12	163	175
D A Dimeloe – resigned 2 December 2011	–	–	–	–	51
N A Brangwin – resigned 2 December 2011	–	–	–	–	31
Non-executive directors					
C M Brangwin	25	–	10	35	34
I A Thorpe	25	–	12	37	36
P D Mason	25	–	3	28	28
Total emoluments	706	368	107	1,181	1,221

The directors' emoluments exclude contributions to the pension scheme.

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 2013 £pa	Director's contributions during the year £	Change in value of accrued pension since 30 June 2012 £pa
M Allcock	45	65	67,771	10,450	6,766
D Taylor	51	65	44,848	5,508	4,736

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.

	2013 £'000	2012 £'000
D A Dimeloe	–	6,304
N A Brangwin	–	1,291
A M Cooper	24,930	4,320

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

	2013 £	2012 £
C Muncaster	8,495	7,828

Directors' shareholdings

The directors listed below were in office during the year. Directors' interests in the share capital of the company at 30 June 2013 and 1 July 2012 were as follows:

	Ordinary shares of 1p Beneficial	
	2013	2012
Executive directors		
A B Thorpe	27,899,840	27,899,840
M Allcock	114,000	114,000
D Taylor	50,220	50,220
A M Cooper	84,000	84,000
C Muncaster	–	–
Non-executive directors		
C M Brangwin	7,731,550	7,731,550
I A Thorpe	25,047,120	25,047,120
P D Mason	1,626,370	1,626,370

In addition, C M Brangwin has a joint non-beneficial interest in 1,700,000 shares (2012: 1,700,000 shares).

The market price of the company's shares at the beginning and end of the financial year was 103.5p and 109p respectively and the range of market prices during the year was from 95.75p to 128.75p.

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 2013 to 14 October 2013.

Approved by the Board and signed on its behalf by:



C Muncaster
Director

14 October 2013

Additional information

Notice of Meeting

Notice is hereby given that the seventy-seventh Annual General Meeting of FW Thorpe Plc will be held at Merse Road, North Moons Moat, Redditch, Worcestershire B98 9HH on 14 November 2013 at 3.15 pm to transact the following business:

Ordinary business

1. To receive and adopt the Annual Report and Accounts for the year ended 30 June 2013.
2. To declare a dividend.
3. To re-elect Mr A M Cooper as a director.
4. To re-elect Mr C Muncaster as a director.
5. To re-elect Mr I A Thorpe 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 65 to 67 of the Annual Report and Accounts) for the year ended 30 June 2013 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 14 October 2013.

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.

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 1p each of the company provided that:
- (a) the maximum number of ordinary shares hereby authorised to be acquired is 11,893,559;
 - (b) the minimum price which may be paid for any such share is 1p;
 - (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 2014; and
 - (e) the company may make a contract to purchase its ordinary shares under the authority hereby conferred prior to the expiry of such authority, which contract will or may be executed wholly or partly after the expiry of such authority, and may purchase its ordinary shares in pursuance of any such contract.

Notes

1. Copies of the directors' service contracts will be available for inspection during usual business hours, at the registered office of the company on any weekday (Saturdays and public holidays excepted) from the date of this notice until the date of the meeting and also at the meeting for at least 15 minutes prior to, and until the conclusion of, the meeting.
2. To be entitled to attend and vote at the meeting (and for the purposes of the determination by the company of the votes they may cast), members must be registered in the Register of Members of the company at 6.00 pm on 12 November 2013 (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 12 November 2013 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. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the Annual General Meeting and any adjournment(s) thereof by utilising the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, (www.euroclear.com) and those CREST members who have appointed (a) voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent ID RA19, by 3.15 pm on 12 November 2013 (or, in the case of an adjournment of the Annual General Meeting, not later than 48 hours before the time fixed for the holding of the adjourned meeting). For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed (a) voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities 2001 (as amended).

7. As at 14 October 2013 (being the last practicable day prior to the publication of this notice), the company's issued share capital consists of ordinary shares of 1p each, carrying one vote each. Excluding 1,960,000 shares held in treasury, the total voting rights in the company as at 14 October 2013 are 116,975,590.

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

By order of the Board



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

14 October 2013

Additional information

Shareholder Notes

Additional information

Shareholder Notes continued

Additional information

Financial calendar

2013

21 October	Posting of the Annual Report and Accounts
14 November	Annual General Meeting
21 November	Payment of final dividend

2014

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

Designed and produced by **Radley Yeldar** www.ry.com using the paperless proofing system **Wizardry**.

This material used in the publication of this document is carbon balanced.

Printed on FSC certified paper.

This document is printed on material manufactured at a mill which is ISO14001 accredited.



FSC logo

FW Thorpe Plc

Merse Road
North Moons Moat
Redditch
Worcestershire
B98 9HH
England
Tel: + 44 (0)1527 583200
Fax: + 44 (0)1527 584177

Incorporating:
Thorlux Lighting
Compact Lighting
Philip Payne
Sugg Lighting
Solite Europe
Portland Lighting
TRT Lighting

