FW Thorpe Plc

Annual Report and Accounts 2014

Overview

INTRODUCTION

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

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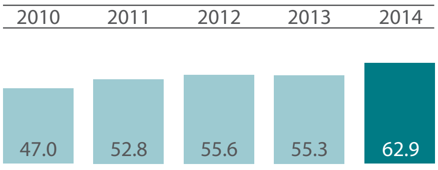
Overview

HOW WE HAVE PERFORMED

Financial highlights

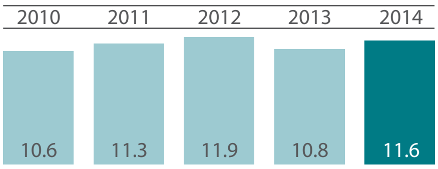
Revenue
£m

+14%



Operating profit
£m

+8%

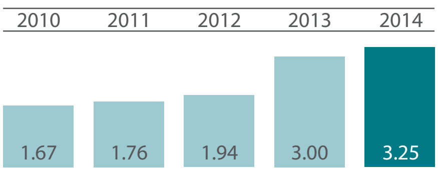


Basic and diluted earnings per share – continuing
Pence (continuing operations)

+7%

Dividend per share
(excluding special dividend)
Pence

+8%



Operational highlights

- LED product sales currently represent in excess of 50% of total revenue
  → See page 18 for more detail
- Improved operating performance at Compact, Sugg and TRT
  → See page 10 for more detail
- Joint venture established in the United Arab Emirates
- Special dividend 1.50p

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

2014 PROGRESS

- LED product range further enhanced

THE FUTURE

- Continued LED product development
- Enhanced controls and emergency product ranges

MANUFACTURING EXCELLENCE

2014 PROGRESS

- New PCB facility operational
- End of line testing upgraded

THE FUTURE

- Expand PCB capacity

QUALITY PEOPLE

2014 PROGRESS

- Business development investment
- Apprenticeship scheme continues

THE FUTURE

- Establish further offices overseas
- Continual investment

CONTINUOUS RESEARCH AND DEVELOPMENT

CHAIRMAN'S STATEMENT

"Investment continues at a rapid pace in regard to product development, virtually all of which is now LED orientated."

Andrew Thorpe, Chairman

Group revenue for the financial year ended 30 June 2014 reached a record £62.9m, being an increase of 13.8% compared to the previous year. Operating profit similarly rose to £11.6m, being an increase of 8.2%. Investment income, however, declined in concert with general interest rates providing a resultant profit before tax of £12.4m, giving a pleasing growth resumption of 7.8% above last year's figure.

All companies within the group gave a much improved performance compared to the year ended 30 June 2013 and I will give more detailed individual company information later in this report.

Our results have been assisted by an improved national economic climate but this should not overshadow the work done within to offer our existing customers greater choices in market leading lighting products and systems and the instigation of new and improved marketing techniques to root-out more new customers both within our normal market areas and beyond who have not previously been fortunate enough to use FW Thorpe Plc products.

Group LED sales continue to rise being currently in excess of 50% of output and still rising. Restraints on a faster LED sales growth pattern should not be presumed to be a fault of the company. Its LED range is wide and sophisticated, however, many customers still request "traditional" fluorescent or high intensity discharge lighting solutions. Reasons may include budget restraints as LED is more expensive initially, limited forward lifespan of buildings to be lit or simply "mature" engineers sticking to what they know. LED solutions continue to become more competitive and so the technology will prevail further.

Export sales represented 13% of group turnover, an increase in value of 3% over last year, with more of the smaller group companies "dipping their toes in" for the first time. Reflecting on Thorlux again as the largest exporter, new marketing techniques have been instigated during the year to enhance export performance. Agents abroad are still very important but to a greater extent the company's own presence in a market is proving to provide higher and more dependable dividends.

Thorlux offices in the Republic of Ireland, Australia and Germany have all performed well and at the time of writing I can advise of the very recent opening of an FW Thorpe Plc group sales office in Abu Dhabi. Entitled Thorlux Lighting LLC from its inception, this office is to market all group products. The name "Thorlux" has been used due to it already being a well-known lighting brand in the area. Thorlux Lighting LLC has a UAE Local Manager, a similarly located Sales Engineer and an eminent UAE National as a local business partner.

Investment continues at a rapid pace in regard to product development, virtually all of which is now LED orientated. TRT, the group's road and tunnel lighting start-up company has only required half the financial support of the previous year and is now moving into profit. The Solite factory lease in Denton, Manchester is shortly to expire and a new brown field site in that area was purchased during the year and a new factory build commissioned. The cost is approximately £1.4m and the new factory should be finished in November 2014. The new printed circuit board (PCB) manufacturing centre at the Thorlux factory,

Overview

CHAIRMAN'S STATEMENT CONTINUED

mentioned in the interim report, has now been "proved", and is supplying PCBs complete with LEDs group-wide. This facility has been designed so that a further minimum 100% capacity is inherent within its layout.

The performance of your company for the 2013/14 year moves the Board to recommend a final dividend of 2.20p per share (2013: 2.00p) which when added to the interim paid in May 2014 gives a resultant dividend for the 2013/14 year of 3.25p (2013: 3.00p), an increase of 8.3%. Given the level of cash retained in the business, the Board also recommends a special dividend of 1.50p per share (2013: nil) to be paid with the final dividend in November.

Thorlux Lighting

The group's maker of industrial and commercial lighting systems improved monthly order input throughout the year apart from the odd "blip" month. Output also showed regular monthly improvements by and large. Profit, however, struggled to outperform the improved revenue in the same way that has normally been evident in pre-LED days. This suggests that Thorlux, whilst pleasingly increasing sales revenue from LED products, needs to improve LED profitability. Work is in hand in this area.

Whilst the new finished goods warehouse completed during the previous year created a deal of floor space earmarked for increasing production capacity, the company has, to date, not been able to take full advantage due to continued pressure on the current manufacturing facilities. It is a "chicken and egg" situation which is to be addressed in the coming year.

The new LED printed circuit board cleanroom facility surmounted initial teething problems and is now supplying excellent PCBs complete with LEDs throughout the group in quantities for which it was designed. This cleanroom area has space to well over double its current capacity as time progresses.

Overseas agents are still a very important element in the company's export effort but the pursuit of greater export sales volumes in the future is most likely to be served by Thorlux employed staff in overseas territories. Current overseas offices in Dublin, Brisbane and Dusseldorf made significant progress overall. Dublin, now with three staff, managed to restrain revenue decline brought on by the Republic's economic problems and matched last year's sales value. The German office recently relocated from Munich to Dusseldorf and currently with five staff, made the step change requested in last year's final Chairman's statement increasing invoiced revenue by 92% on a sound profit basis. The Australian joint venture, with two staff soon moving to three, similarly had a successful year increasing invoiced sales some 100%+, again profitably.

At this time and as mentioned previously in this report, the group UAE joint venture based in Abu Dhabi is just commencing trading and Thorlux will, of course, have a major influence on events there.

Compact Lighting

Business at retail and display lighting company, Compact, is still a little frustrating.

Whilst having transformed itself from a "metal basher" with products made very much from sheet metal to a company with an excellent range of highly tooled track, spot and display lighting products, they have struggled to achieve the breakthrough desired.

I mentioned last year in regard to trial installations being installed at two "household" names even now only one or two small store refurbishments have emanated from these trials and not the hoped for roll-outs showing, perhaps, a continued reluctance to invest by the middle to smaller size store groups, Compact's target market.

Overall, Compact gave a much improved performance compared to last year, breaking even on revenue up 12%.

Philip Payne

Maker of high quality specification exit signage, Philip Payne maintained their stoic performance with a year seeing revenue of over £2m for the first time with a correspondingly increased profit.

An uneventful year in regards to investment has seen Paynes assimilate, to their advantage, the extra space taken on last year.

One of the newcomers to exporting, they have followed Middle Eastern export opportunities to find that recent rule changes in countries such as Qatar mean that exit signage and general emergency light fittings are now required to have a major third party certification such as the BSI kitemark or similar and be marketed through a local certified emergency lighting outlet. The Philip Payne pursuit of these requirements will, no doubt, pay off in the future as this regime will tend to exclude low cost poor quality competition.

To continue the regular format I would name a few "new homes" for Philip Payne exit signage as including The Globe Theatre, Hugo Boss in Sloane Square, Eton College, and topically the Scottish Parliament Building at Holyrood.

Sugg Lighting

My previous statement on Sugg Lighting, the group's heritage lantern maker and refurbisher, advised that top management was changed at the tail end of the 2012/2013 financial year, and that the company had entered the new year profitably. Such a turn-round was probably too good to hope for but overall during the financial year just past Sugg reduced its operating loss by 71%.

Over the last year, involvement of directors from Head Office has increased, other changes to its business have been made and a much clearer picture of operations at Sugg has emerged.

Sugg Lighting projects completed during the year include new Grosvenor LED lanterns for St Katherine's Dock and green and gold "KP" lanterns to refurbish Portobello Market.

I sincerely hope that this old and valued British heritage company will pay its way this year.

Solite Europe

Solite, manufacturer of cleanroom lighting systems has been widening its customer base since the appointment of a new Sales Director some 18 months ago. Progress has also been made during the year in introducing LED technology throughout their product portfolio.

I mentioned earlier that a new factory is being built for Solite, however, notwithstanding this; the company has entertained a year of quiet consolidation, improving products, pursuing possible new customers and preparing for a company move. The new factory location is within easy reach of most current employees and there should be little disruption in regard to staff, therefore.

Results for the year have shown an increase in revenue of some 43% and a significantly increased profit.

Portland Lighting

Portland Lighting, maker of sign lights, continues to excel and has again won the group highest profit to sales ratio cup by a good length.

Revenue improved by 28% with an LED light source content of around 60%, the highest in the group. Notable projects this year include new sign lighting roll-outs for Nationwide Building Society and Bargain Booze.

At this time I would like to take this opportunity to thank Mr Andy Truelove, who retired from the post of Managing Director in June 2013, for his work in building Portland Lighting, he being a founding director. I wish him well on his boat in Menorca.

I would, therefore, like to welcome to the Managing Director role Mr David Harrison who has previously been steering the company's sales for numerous years as Sales Director, and whom I would wish every success for the future.

TRT Lighting

The group street and road tunnel lighting systems provider, as previously reported, required a full £0.5m of group funding in the 2012/13 financial year and I reported last time that we expected funding requirements to drop imminently. I am pleased to say that in the 2013/14 year only half that amount was required, lessening by the month, and with funding requirements quite small at the time of writing.

Road tunnel lighting has been the lead product range and a number of good projects have been won in the UK, with numerous others in the quotation stage.

TRT has now gained all the necessary certifications etc. to be able to supply their street lighting lanterns countrywide and whilst there have been some successes and numerous trial installations put in place, it is noticeable that, for some reason, some authorities are very reluctant to specify an alternative to their incumbent suppliers, often from far away shores.

Meanwhile, with the success to date TRT is confident enough to be increasing its sales capability and we are backing the profitability horse this year.

Carbon Offsetting Project

The Devauden, Monmouthshire "Woodland Carbon Code" accredited carbon offsetting project continues to grow, needless to say in more ways than one!

At the time of the last statement 43,000 trees had been planted. This has now risen to 53,898 trees, and with each year that passes our woodland locks up more tonnes of carbon.

The continuing reluctance of our customers to participate is not surprising considering continuing pressure on budgets and this fact does lend credence to the hypothesis that governments alone can force carbon reduction policies.

FW Thorpe Plc for one, however, maintains its carbon neutral stance voluntarily.

People

I must thank all our people once again for their sterling performance throughout the year, both permanent employees and the many "temps" that join us for our most busy summer period.

May I once again thank all at FWT for their diligence.

The Future

Our aim as a company is to always try and do substantially better than the last year. We have achieved this aim this year although not as successfully as some, including ourselves, would have liked.

The pace is gruelling at present as the status quo continues in requiring your company to make around twice the product variations as in times past with both LED and "traditional" products still in volume demand. How long this will continue must be a matter of conjecture but it does make life hard, and tends to soak up energies that could be more fruitfully spent looking forwards.

Bright points remain, however, with all subsidiaries moving forward and even last year's two laggards making good progress.

Two new "financial" year resolutions must be to improve returns from LED products and put more FWT sales people abroad.

We will press on with our carbon neutral work in hand.

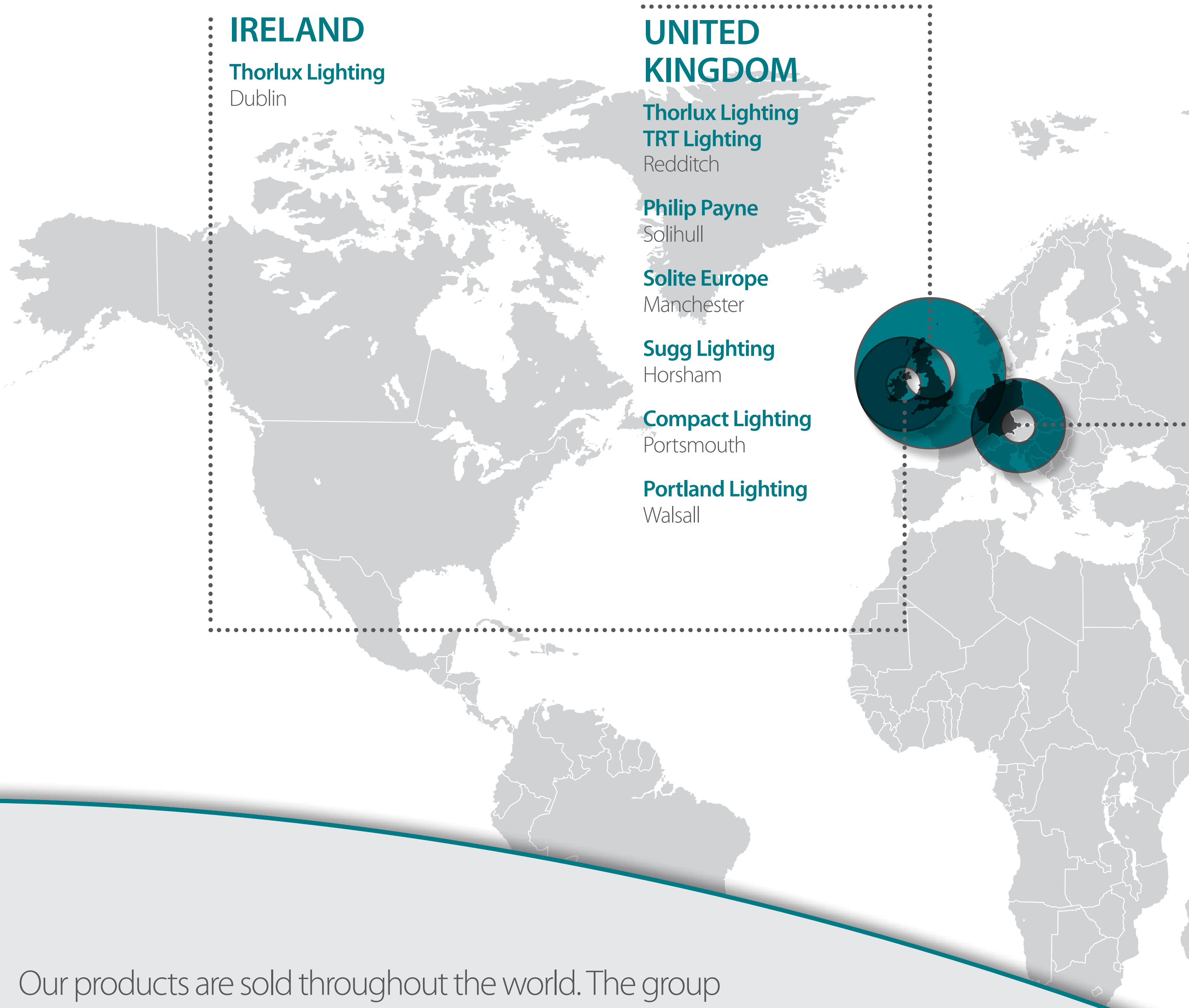
Andrew Thorpe

A B Thorpe
Chairman

9 October 2014

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.


GERMANY
Thorlux Lighting
Düsseldorf
UNITED ARAB EMIRATES
Thorlux Lighting
Abu Dhabi
AUSTRALIA
Thorlux Lighting
Australasia
Melbourne, Brisbane

Overview

OUR OFFER
CONTINUED

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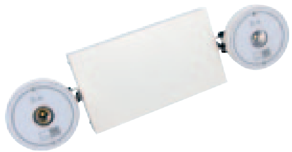
Thorlux Lighting

compact

Philip Payne



SUGG

SOLITE

PORTLAND LIGHTING

TRT LIGHTING
ROAD & TUNNEL SYSTEMS

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

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 16,882m^2 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 and surface luminaires
- Track systems

Market sectors
- Retail
- Display
- Hospitality

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
- Emergency exit signage

Market sectors
- Commercial
- Hospitality
- Healthcare

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
- Street lighting – Heritage
- Amenity lighting

Market sectors
- Infrastructure

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
- Cleanroom luminaires

Market sectors
- Pharmaceutical
- Healthcare
- Education/Research

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
- Lighting for signs

Market sectors
- Retail
- Hospitality

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

The company operates from a modern 1,300m^2 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
- Road and Tunnel lighting
- Amenity lighting

Market sectors
- Infrastructure
- Facilities – car parking

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.

AROUND THE GROUP IN 2014

FW Thorpe Plc consists of seven individual companies that concentrate on particular market sectors. They have each faced different challenges within their markets – particularly in the last few years – but share product and technical expertise, with the rapid development and adoption of LED technology.

The group has continued to move forward in many areas, such as new product launches and securing new business, while maintaining a focus on delivering outstanding customer service.

The following are the highlights from 2014 for each company.

Thorlux Lighting - G4 Amada, Kidderminster

Thorlux Lighting

Business at Thorlux is derived from a variety of different sectors. Thorlux is the powerhouse driving product development for the rest of the group. The company supplies by far the widest product range of the FW Thorpe Plc companies, covering multiple market sectors from commercial, industrial and retail through to the public and private sectors.

Thorlux has achieved new levels of both order income and output during 2013/14. Investment in sales and sales-support staff is starting to yield benefits: the company has secured new business with the likes of British Gas, as well as prestigious projects with existing customers such as Jaguar Land Rover (see page 20 for further details). These are only a couple of examples of the success stories during the year.

A new LED printed circuit board facility has been implemented that supplies all of the group with LED light engines and improves capacity by 600%. (See page 18 of this annual report for further details.) Not only does this give Thorlux increased capacity to meet demand, it also ensures that the group has a high quality supply of a critical component.

Thorlux continues to introduce new LED products at a rapid pace. Revenues from LED products peaked at in excess of 50% of total revenue during certain months of 2013/14.

Development of emergency and controls technology is also a key focus. The company expects to launch new products in 2014/15.

Thorlux will concentrate on securing business in new sectors and territories, exploiting the increased manufacturing capacity, as well as on continuing to develop products that are both technologically innovative and market leading.

Compact Lighting

Compact operates in the retail, display and hospitality markets. These markets can be demanding, because pricing is competitive and customers have ever-changing delivery requirements.

A reshaped sales team has concentrated on securing new customers. Compact continues to promote its enhanced products that are less labour intensive; this has contributed to Compact's improved financial performance for 2013/14. The improving retail climate has been another factor in Compact's positive performance.

The retail lighting sector remains extremely competitive; however, Compact's reputation as an LED innovator coupled with investment in product tooling continues to differentiate the company from the competition.

During the year, Compact has retained existing clients, but it has achieved its main success with new business secured with three high street multiples as well as a significant project at the National Indoor Arena.

The coming year will see increased efforts to promote the Compact brand to a wider discerning audience.

Philip Payne

The Philip Payne brand aligns alongside those of the premier European lighting brands, with business emanating from high profile blue-chip projects. Philip Payne has enjoyed improved performance in its traditional high end architect-led market. Despite reductions in the supply of general signage to the hospital sector, the overall result has been positive with revenue increasing to a new record level.

Additions to the Philip Payne range include new emergency floodlighting products that have been designed to provide a combination of LED technology and superior aesthetics. The products have proved popular with the design fraternity, which had become accustomed to a fairly bland product offering from other suppliers.

Philip Payne has reinforced its brand reputation throughout the year, providing functional products that appeal to architects and designers on projects as diverse as Stonehenge and the 'walkie-talkie' building. In retail, boutique business remains the target, with clients such as Dolce & Gabbana, Victoria's Secret and Apple. Hotels also continue to be a popular destination for Philip Payne products, and this year included the Chancery Court and Dorchester Hotels in London.

Philip Payne's target is to replicate the successes of this year and move into the emergency controls market with the launch of an automatic testing and monitoring system.

Compact Lighting - Scope Track Spot
Sky Media Reception, London

Philip Payne - Arca
Birmingham Institute of
Art and Design, Birmingham

Portland Lighting - Ecolux II
Screwfix, Walsall Wood

AROUND THE GROUP IN 2014 CONTINUED

Sugg Lighting

Sugg is the group's heritage specialist, and has been in business since 1836. The Royal Warrant and the reputation of Sugg as one of the country's finest lighting refurbishment companies has ensured that work from the Royal Household has continued alongside continuing general demand for high quality heritage lighting.

Every year, the company produces a large number of copper lanterns powered by gas and conventional lamp technology, but new LED developments that offer the benefits of long life and low maintenance are becoming ever more popular. Utilising technology developed within the group, Sugg has delivered a major export order to supply LED lanterns to a large municipal project for a Canadian city.

In addition, this year has seen a number of civic projects for bespoke designs incorporating LED technology coupled with sophisticated lighting controls. These designs are often bespoke solutions that require both the established traditional Sugg skill set and new technical capabilities to meet the demands of lighting designers, who often use the colour-changing abilities of LEDs as a decorative tool to enrich urban spaces.

2014/15 will see further LED upgrade projects and a focus on securing a number of projects with the London boroughs that Sugg continues to service.

Solite Europe

A vast majority of Solite customers provide a total cleanroom contracted solution of which lighting forms a part. Pharmaceutical facilities are a major focus, with the company targeting the wider specification market and blue-chip end user customer base. This year has included a major cleanroom construction project with a well-known pharmaceutical company in Ireland.

Solite's previous reviews of resource and market focus have proved successful, with the company enjoying a significant increase in revenue. An ongoing exercise to re-engineer products to incorporate new technology has demonstrated the products' wider appeal and permitted sales to a more diverse customer base.

During this next year, production will transfer from its existing facility to a state-of-the-art new-build only a few miles away. By keeping the production facilities in the same local area, a high percentage of the skilled labour will migrate; this will ensure continuity and minimise disruption to day-to-day activities. The facility will offer new opportunities and improvements in production, as well as providing the ability to demonstrate the latest products and systems to potential customers in a purpose-built showroom and demonstration area.

Portland Lighting

Portland Lighting supplies products directly to the sign lighting industry. The company must be responsive to customer demand, with rapid product development, efficient production and fast order turnaround.

Any business dependent on activity in the retail and hospitality sector is subject to unpredictability; however, Portland has built on the successes it has previously enjoyed in the late-night and convenience store sector by adding more household names to its client list. Portland has achieved further growth with a review of sales strategy and the resultant capture of more of the UK market share, as well as by embarking on a new strategy in Western Europe.

Following the conception, rapid development and launch of Ecolux II towards the end of 2013, the range has quickly become a UK best-seller, with LED sales now responsible for 60% of company sales.

In-house investments in the powder-coating facility have further improved flexibility, a pre-requisite to meet increasing demand for the variety of colours that numerous high street brands require.

In this next year, Portland will focus on establishing distribution of its products in Europe as well as building on the success in the UK.

Solite - Epsilon
Salford Royal, Salford

TRT Lighting

TRT was conceived and created from within Thorlux over the last few years to focus on the street and tunnel lighting sectors by offering solely LED-based lighting solutions.

While the initial years of TRT were dedicated to product development and establishing production facilities, 2013/14 has been about winning orders. TRT has secured business in both the street lighting and tunnel lighting sectors, with a reasonable level of orders to start 2014/15.

TRT took advantage of the printed circuit board facilities at Thorlux to design and build its own bespoke LED lighting solutions for all its product ranges. This has resulted in a new tunnel product being launched; orders have been secured and delivered for some prestigious London locations, one of which was originally lit by Thorlux 30 years ago.

Street lighting projects have been hard fought, but success has been achieved in the company's local area with installations in Warwickshire and Worcestershire. Amenity projects have also been secured in conjunction with Thorlux, lighting car parks for customers including food manufacturers and railway stations.

TRT expects to build on the successes of 2013/14 with a number of street and tunnel lighting projects to bid for and secure. Work will also continue on expanding and diversifying the street lighting product portfolio into the amenity sector.

Sugg Lighting - Grosvenor
St Katherine's Dock, London

TRT Lighting - Aspect
Milton Keynes

WHY BUY FROM THORLUX?

Thorlux, from its technically sophisticated facilities in the UK, designs and manufactures a comprehensive range of professional lighting and control systems, including energy-efficient solutions. When choosing Thorlux for architectural, commercial, floodlighting, industrial, hazardous area or tunnel applications, you can be confident of receiving:

- **Professional, competent advice from a long-established UK company**
- **A choice of lighting and control systems subject to stringent quality control (BS EN ISO 9001:2008)**
- **Excellent customer service and a 5-year warranty***

Thorlux, for nearly 80 years, has manufactured increasingly sophisticated luminaires in the Birmingham area. Over the last 20 years, the company has focused on high technology products, including the development of its first electronic energy-saving lighting control system in the mid-1990s. Huge investment in design and testing facilities in Worcestershire has now put Thorlux at the forefront of its market sector.

Thorlux luminaires are subject to stringent quality control, as demonstrated by the company's **BS EN ISO 9001:2008** ***(Quality management systems)*** accreditation. Additionally, accreditation of Thorlux to **BS EN ISO 14001:2004** ***(Environmental management systems)*** gives the customer assurance that the company manufactures its products in the most environmentally friendly manner.

* For all goods delivered from 1 January 2013 onwards.

Made in Britain

Thorlux Lighting, the largest company in the FW Thorpe Plc group, is proud that around 97% of its products are manufactured in the UK.

The FW Thorpe Plc group employs over 500 people. In 2013/14, the group paid over £13 million in tax to the UK government – an amount which supports UK local authorities and jobs within them.

By manufacturing in the UK, Thorlux can meet urgent customer demands without the need to transport products by air to the UK, which would involve additional financial and environmental costs.

5-Year Warranty

Thorlux designs and manufactures its luminaires to the highest standards, ensuring optimal performance and reliability. All Thorlux LED and conventional luminaires delivered after the 1 January 2013 are covered by a 5-year warranty (excluding lamps and batteries). Customers can therefore purchase Thorlux luminaires with even more confidence.

A long and stable history reassures Thorlux customers that its warranty is meaningful. Many companies offer a pre-sale warranty, but post-sale claims require that the company is still trading.

See terms and conditions for full details.

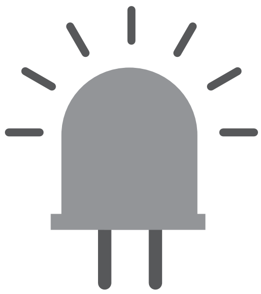
Carbon Offsetting

Thorlux 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 (CO_2) will be released into the atmosphere as an indirect result of factory and selling activities and customers' use of luminaires.

In 2009, Thorlux established an ambitious carbon-offsetting scheme to help compensate for these emissions. The company has chosen to plant trees. Why trees? Trees and other plants absorb CO_2 during photosynthesis. One tree grown to maturity in open space can absorb approximately 1 tonne of CO_2 over its lifetime. A forest covering many acres can effectively lock up CO_2, creating a "carbon sink".

The scheme is now accredited under the Woodland Carbon Code. On its own land in Monmouthshire, Wales, Thorlux has to date planted 53,898 trees *(Spring 2014).*

WHY BUY FROM THORLUX? CONTINUED



Latest LED Technology

Thorlux is able to exploit recent advances in LED technology to help meet customer demand for energy-efficient solutions. The company's considerable technical expertise and its ability to invest position it to maximise the opportunities offered by LED technology.

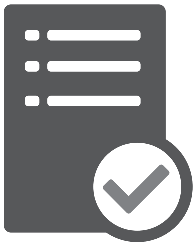
Backed by the group's modern facilities, Thorlux designers and developers have worked over recent years to create LED luminaires to meet customers' operational and aesthetic requirements. Thorlux has made a huge investment in LED technology, including in circuit-board design, software development, thermal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

To increase the range and performance of its LED luminaires, Thorlux both designs dedicated LED luminaires from scratch, to optimise optical and thermal performance, and adapts existing conventional products to offer an LED option.

Unlike a traditional light source, a bare LED is a very intense point-source of light which has high glare and emits light in one direction only; therefore optical design is very important. Thorlux takes different approaches to optical design, according to the desired outcome:

- LEDs, as with lamps, can sit behind a controller or diffuser which will help to spread the light over a wider area, providing a uniform light (Viva)
- Having multiple LEDs on a luminaire provides the option of having individual optics for each LED (Folio)
- Blue light LEDs in combination with a remote phosphor disc and a mixing chamber made from highly reflective material can maximise efficiency, with the added benefit of diffusing the light over a wider area, thus reducing glare from the LED itself (XL20)

Almost all Thorlux LED products benefit from bespoke LED printed circuit boards (PCBs) designed by the Thorlux electronics team. These PCBs ensure that Thorlux luminaires deliver maximum performance.



Thorlux Product Testing

Rigorous product testing is essential in maintaining a reputation for reliability and quality.

The Thorlux third-party accredited photometric laboratory enables the company to obtain the best optical performance from its luminaires. In addition, customers can be sure that photometric data provided by Thorlux is accurate.

In the photometric test laboratory, a sophisticated goniophotometer gives fast and reliable measurements of the light distribution from luminaires. An integrating sphere equipped with spectral analyser accurately measures light quality, efficiency and colour temperature.

Other in-house testing covers environmental and electrical parameters including extreme ambient temperatures, dust/water ingress, electromagnetic compatibility and current harmonics, in accordance with relevant European standards.

All test equipment is subject to regular in-house maintenance and calibration, with external third party calibration at regular intervals to ensure accuracy of data.

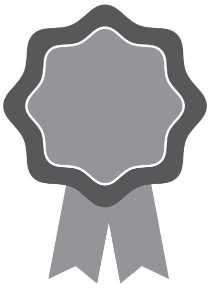
Investing for the Future

Thorlux has recently opened a new 2,400m^2 warehouse and distribution centre at its headquarters in Redditch, UK.

In line with the company's environmental policy, the building has clear roof lights to benefit from natural light, and insulated cladding to improve thermal efficiency. A steel-fibre-reinforced super-flat floor ensures that fork lift trucks can operate at full speed in total safety. Lighting is achieved with the latest Smart controlled Solow LED fittings. A passive infrared sensor detection system, maintained illuminance and daylight harvesting ensure that a minimum of energy is consumed.

To allow efficient picking of finished goods, two 1.5-tonne capacity "man-up" very narrow aisle fork lift trucks will 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. For safety, a personal protection system automatically stops the fork lift truck if a person or object is detected nearby.

The new Thorlux warehouse enables core product ranges to be stocked and made available for speedy delivery using Thorlux vehicles in the majority of cases.



bsi. ISO 9001 Quality Management FM 10913

bsi. ISO 14001 Environmental Management EMS 532104

Thorlux Company Accreditations

Thorlux products are manufactured to the most stringent quality control standards in the most environmentally friendly manner.

Certificates of Conformity are available stating that Thorlux luminaires have been tested to and comply with the relevant international standards for the manufacture and testing of luminaires and related products. The standards used are:

EN 55015
Limits and measurement of radio disturbance

EN 61547
Electromagnetic compatibility immunity requirements

EN 61000-3-2
Limits for harmonic current emissions

EN 60598-1
Luminaires: general requirements and tests

EN 60598-2-1
Fixed general purpose luminaires

EN 60598-2-22
Luminaires for emergency lighting

Each certificate also confirms that products are manufactured to an approved ISO 9001 quality system, and that products are fully tested before despatch. Tests include those for safety earth circuit continuity, high voltage electrical strength, full circuit functionality including dimming, and current drawn. Specialist in-house protection circuitry is employed to prevent damage to equipment under test conditions.

The accreditations to ISO 9001 and ISO 14001, coupled with the in-house testing to BS standards, are clear statements that Thorlux cares about the quality of its products and about the environment.

Thorlux ISO 9001:2008 Certification

ISO 9001:2008 specifies the criteria for a company-wide quality management system. Using ISO 9001:2008 helps Thorlux ensure that its customers get consistently good quality products and services.

Thorlux has implemented procedures for designing and developing products using process control, to ensure consistency of manufacturing. All manufactured products are subject to full testing procedures covering both functional and, very importantly, electrical safety. Records of all production tests as well as all design and development tests are kept for future reference.

Internal auditing ensures that quality management procedures are appropriate and maintained. Any issues can be dealt with through continual improvement. Corrective action is also followed with preventative action to improve the process and eliminate any chance of a reoccurrence.

Compliance with ISO 9001 is externally audited by a third party.

Thorlux ISO 14001:2004 Certification

ISO 14001:2004 sets out the criteria for an effective environmental management system. Being accredited to ISO 14001:2004 assures customers that Thorlux measures and reduces its environmental impacts and complies with environmental legislation.

Compliance with ISO 14001 has put a focus on product design. Thorlux uses the most efficient materials and components, reducing the environmental impact through the life of each luminaire.

The manufacturing process is constantly monitored to improve resource efficiency and reduce waste. Any waste generated, including end-of-life components, is subject to ethical disposal or recycling.

Thorlux's UK operation is carbon offset via an independently endorsed, government approved, company controlled scheme.

SURFACE MOUNT TECHNOLOGY INVESTMENT

The rapid rise in demand for LED products over the last few years has naturally caused an increased requirement for printed circuit board production and assembly. Consequently, FW Thorpe Plc made a significant investment in 2014 to increase the overall capacity of the electronic assembly function.

In the past, machine constraints have resulted in multiple boards with interconnection features being required for the standard range of products. This not only added components, and hence cost, but also increased cycle times and raised potential reliability issues. Equipment selection was therefore driven by the need for flexibility, due to the wide variety of products required in relatively small batch sizes, and the ability to process the largest sizes of board possible.

Following a detailed evaluation of equipment, a decision was made to purchase a line from multiple vendors, consisting of a solder paste printer with automated optical inspection, flexible placement machine and ten-stage oven, all linked together via an edge-belt conveyor system.

The driving force behind this line is a six-headed placement machine that rapidly picks components as small as 0.4mm x 0.2mm from multiple part feeders. A multi-scan camera then precisely orientates the component to allow placement on the circuit board to an accuracy of 0.025mm, at rates as high as 23,000 components per hour.

The 18-metre-long line allows bare printed circuit boards to be loaded at one end of the process and removed as fully populated boards at the other end. All boards are then fully tested in the adjacent in-house designed and manufactured test station.

The entire process is housed in a custom-built 300m^2 cleanroom. This air-conditioned facility provides full electro-static discharge protection and ensures that placement failures are reduced to a minimum and boards of the highest quality are produced.

With the ever changing performance improvements in LED technology and the increasing demand from customers for LED products, this new equipment is undoubtedly a key investment for the future development of the company.

"A multi-scan camera then precisely orientates the component to allow placement on the circuit board to an accuracy of 0.025mm, at rates as high as 23,000 components per hour."

JLR CASE STUDY

Jaguar Land Rover Engine Manufacturing Centre at i54

Solow XL

Thorlux Lighting is proud to be a top tier supplier providing the majority of the lighting and lighting control systems for the new Jaguar Land Rover Engine Manufacturing Centre at i54, in South Staffordshire. Thorlux is also pleased to be supplying lighting for the first extension to the new site, due for completion in October 2014.

The new Engine Manufacturing Centre is the most advanced facility of its kind in the UK, building the latest generation of high-performance, lightweight, four-cylinder petrol and diesel engines. Jaguar Land Rover employs 30,000 people globally, and invested £2.75bn in product development and assets in 2013 alone. The new facility, costing £500m, encompasses 72,500m^2 of floor space, which is enough to house 14 full-size football pitches, and will provide 1,400 jobs when fully operational.

Key to the new building is sustainability; from the outset Jaguar Land Rover was keen to employ the very latest technology to reduce energy use. In fact, the design stage of the project has received a BREEAM (the world's leading design and assessment method for sustainable buildings) 'Excellent' award.

The complex includes features such as insulated cladding to minimise heat loss, automatic louvres to provide natural ventilation, and a gigantic north-light roof design that maximises daylight ingress into the building and also supports the UK's largest rooftop solar panel array, which generates more than 30% of the energy needed to power the Engine Manufacturing Centre.

Jaguar Land Rover has a policy of procuring locally whenever practical; in the 2013/14 financial year alone, the company bought approximately 5,700 luminaires from Thorlux at its manufacturing site in Redditch, just 40 miles away by road.

At full power, these very efficient market-leading Thorlux luminaires can still consume almost 1m watts of power, hence Jaguar Land Rover was keen to reduce this load using energy-saving lighting controls. The majority of luminaires are therefore fitted with the Thorlux Smart system, exploiting the latest digital technology to provide a simple, effective method of lighting control that minimises energy consumption while still providing high levels of user comfort. A discreet sensor integral to the luminaire monitors ambient light and the presence of people in the area, controlling output (and power consumed by the luminaire) to the correct level and ensuring that the area is illuminated only when occupied. The north-light roof design allows the Smart system to capitalise on significant natural light penetration; the Smart system dims or switches lamps off during daylight hours.

All aspects of the efficient luminaire and control system design will be utilised to the full. Energy savings are expected to be in excess of 70% compared with energy use in conventionally designed lighting schemes.

The whole site benefits too from the installation of Thorlux Scanlight AT LED luminaires and a control system for full automatic testing of emergency lighting and reporting. Scanlight AT is an innovative system that addresses all the issues that arise in providing an efficient, legislation-compliant emergency lighting installation. Scanlight AT testing and reporting is thorough, regular and reliable. The system constantly monitors the condition of not only every connected luminaire or exit sign, but also its own communications. If a luminaire develops a fault or if communication is lost, then an error is indicated locally at the luminaire and centrally at the controlling device. Jaguar Land Rover selected Scanlight at its most sophisticated level, Platform 3, which automatically delivers all test information to the cloud for review.

The Scanlight AT website and email facility keeps the user informed of system status.

The engineers at Jaguar Land Rover demonstrate their passion both for sustainability and for doing things properly from an engineering perspective, which also shows through in Jaguar Land Rover's excellent cars, renowned worldwide for their quality and performance. Sustainability, design and manufacturing quality are priorities integral to Thorlux also.

For further information about Thorlux lighting products and systems, please visit www.thorlux.com

Scanlight AT web page and Scanlight LED Downlighter

Governance

BOARD OF DIRECTORS

Andrew Thorpe

Chairman and Joint Group Chief Executive

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

Mike Allcock

Joint Group Chief Executive and Managing Director, Thorlux Lighting

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

Craig Muncaster

Financial Director and Company Secretary

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

Tony Cooper

Manufacturing Director, Thorlux Lighting

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

David Taylor

Managing Director, Philip Payne

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

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.

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.

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

Websites
www.fwthorpe.co.uk
www.thorlux.com
www.thorlux.com.au
www.thorlux.de
www.thorlux.ie
www.thorlux.ae
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

STRATEGIC REPORT

Business review

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

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.

Key performance indicators

The directors consider the main financial key performance indicators (KPIs) to be those disclosed on page 1 (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 any non-compliance 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.

By order of the Board

C Muncaster
Director

9 October 2014

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

Company Registration Number: 317886

Governance

DIRECTORS' REPORT

Financial 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 2014.

Results and dividends

The results for the year are set out in detail on page 32.

Revenue increased by 13.8% to £62.9m. Operating profit also showed an improvement of 8.2% to £11.6m, benefitting from reduced losses at Sugg and Compact.

Net finance income declined during the year to £0.8m (2013: £0.9m), with interest rates continuing at historic lows.

The taxation charge reflects a weighted average tax rate of 18.0% (2013: 17.4%). This is higher than the rate in the previous year due to a reduction in R&D expenditure and pension contributions, and the resultant tax relief available.

On 30 May 2014, the company paid an interim dividend of 1.05p per share (2013: 1.0p) amounting to £1,228,000 (2013: £1,172,000). A final dividend of 2.20p (2013: 2.0p) per ordinary share is proposed amounting to £2,545,000 (2013: £2,340,000) plus a special dividend of 1.50p (2013: nil) amounting to £1,735,000 (2013: £nil), and, if approved, will be paid together on 20 November 2014. Total dividends paid during the year amounted to £3,568,000 in aggregate (2013: £2,884,000). The final dividend for 2013 was paid on 21 November 2013.

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, Australian 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 2014 or 30 June 2013.

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 £1,428,000 (2013: £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 two and over twenty years ago, management consider that undertaking formal valuation exercises would be costly for limited value and consequently no formal exercise has been undertaken.

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 45 (2013: 42).

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 (CO_2) 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 53,898 trees planted. The group requires some 8,000 or so plantings per annum to offset the CO_2 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 £7,283 (2013: £6,400) for charitable purposes. This is made up of donations to UK charities for children's welfare of £300, cancer care of £180, healthcare of £210, educational schemes of £2,550, armed forces welfare of £250 and local causes of £3,793.

Directors

The directors of the company during the year and at the date of this report are set out on page 22 and 23.

The directors retiring by rotation are M Allcock, D Taylor and P D Mason who, being eligible, offer themselves for re-election. The contracts for M Allcock and D Taylor are terminable on twenty four and twelve months' notice respectively. P D Mason 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 69 to 71.

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 69 to 71.

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 9 October 2014, the company had received notification of the following interests in 3% or more of the issued share capital, excluding holdings of directors:

FMR LLC	6,278,700 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 as at 9 October 2014). 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 as at 9 October 2014).

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 as at 9 October 2014).

Governance

DIRECTORS' REPORT CONTINUED

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 9 October 2014 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 2015. 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.

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 reappointment 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 £17.9m cash and £15.6m short-term deposits, to continue in business for the foreseeable future, and for this reason, they continue to adopt the going concern basis in preparing the accounts.

By order of the Board

C Muncaster
Director

9 October 2014

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 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; and
- 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

9 October 2014

Governance

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FW THORPE PLC

Report on the financial statements

Our opinion

In our opinion:

- the financial statements, defined below, give a true and fair view of the state of the group's and of the company's affairs as at 30 June 2014 and of the group's profit and the group's and the company's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the company financial statements have been properly prepared in accordance with International Financial Reporting Standards (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.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The group financial statements and company financial statements (the "financial statements"), which are prepared by FW Thorpe Plc, comprise:

- the Consolidated and Company Balance Sheets as at 30 June 2014;
- the Consolidated Income Statement and Consolidated Statement of Comprehensive Income for the year then ended;
- the Consolidated and Company Statements of Cash Flows for the year then ended;
- the Consolidated Statement of Changes in Equity and Company Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and, as regards the company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). 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 the 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 29, 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 ISAs (UK & 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.

Andrew Hammond (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham

9 October 2014

Accounts

CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2014

	Notes	2014 £'000	Restated 2013 £'000
Continuing operations			
Revenue	2	**62,947**	55,332
Cost of sales		**(35,566)**	(31,036)
Gross profit		**27,381**	24,296
Distribution costs		**(5,232)**	(4,527)
Administrative expenses		**(10,516)**	(9,019)
Operating profit	3	**11,633**	10,750
Finance income	6	**753**	856
Share of profit/(loss) of joint ventures	32	**37**	(80)
Profit before income tax		**12,423**	11,526
Income tax expense	7	**(2,234)**	(2,008)
Profit for the year		**10,189**	9,518

Restated 2013 – Finance income reduced by £47,000 due to the adoption of the amendments to IAS 19 "Employee Benefits" (see note 1)

All income derives from continuing operations.

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

Basic and diluted earnings per share	Notes	2014 pence	Restated 2013 pence
– Basic and diluted	23	**8.72**	8.12

All share calculations have been rebased and/or restated following the sub-division of shares (10 for 1), which became effective on 19 August 2013, and for the impact of adopting IAS 19 revised (see note 1).

The notes on pages 38 to 68 form part of these financial statements.

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

The profit for the company for the year was £9,995,000 (2013 restated: £9,813,000).

Accounts

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2014

	Notes	2014 £'000	Restated 2013 £'000
Profit for the year:		**10,189**	9,518
Other comprehensive income/(expenses)			
Items that may be reclassified to profit or loss			
Revaluation of available-for-sale financial assets			
– Arising in year	14	**276**	201
– Reclassified in year		**–**	–
Exchange rate movement on investment in joint venture			
– Arising in year	32	**(2)**	(9)
– Reclassified in year		**–**	–
Taxation	22	**72**	(18)
		346	174
Items that will not be reclassified to profit or loss			
Actuarial gain on pension scheme	30	**624**	861
Movement on unrecognised pension scheme surplus	30	**(1,216)**	(1,667)
		(592)	(806)
Other comprehensive expense for the year, net of tax		**(246)**	(632)
Total comprehensive income attributable to equity shareholders		**9,943**	8,886

All comprehensive income is attributable to the owners of the company, and derives from continuing operations.

The notes on pages 38 to 68 form part of these financial statements.

Accounts

CONSOLIDATED AND COMPANY BALANCE SHEETS

As at 30 June 2014

	Notes	Group 2014 £'000	Group 2013 £'000	Company 2014 £'000	Company 2013 £'000
Assets					
Non-current assets					
Property, plant and equipment	10	**13,088**	12,380	**12,301**	11,784
Intangible assets	9	**6,722**	6,686	**3,418**	3,176
Investment in subsidiaries	31	**–**	–	**4,140**	4,140
Investment property	13	**2,135**	2,102	**2,135**	2,102
Loans and receivables	29	**1,340**	1,728	**1,340**	1,728
Investment in joint ventures	32	**57**	22	**141**	154
Available-for-sale financial assets	14	**3,441**	2,458	**3,441**	2,458
Deferred tax assets	22	**36**	32	**–**	–
		26,819	25,408	**26,916**	25,542
Current assets					
Inventories	17	**14,404**	11,942	**11,684**	10,097
Trade and other receivables	18	**14,882**	12,099	**15,103**	11,593
Other financial assets at fair value through profit or loss	19	**388**	388	**388**	388
Short-term financial assets	15	**15,638**	20,148	**15,638**	20,148
Cash and cash equivalents	16	**17,911**	13,240	**17,896**	13,238
Total current assets		**63,223**	57,817	**60,709**	55,464
Total assets		**90,042**	83,225	**87,625**	81,006
Liabilities					
Current liabilities					
Trade and other payables	20	**(11,012)**	(9,099)	**(11,179)**	(9,076)
Current income tax liabilities		**(718)**	(540)	**(638)**	(637)
Total current liabilities		**(11,730)**	(9,639)	**(11,817)**	(9,713)
Net current assets		**51,493**	48,178	**48,892**	45,751
Non-current liabilities					
Retirement benefit deficit	30	**–**	–	**–**	–
Provisions for liabilities and charges	21	**(102)**	(102)	**(102)**	(102)
Deferred income tax liabilities	22	**(923)**	(944)	**(842)**	(862)
Total liabilities		**(12,755)**	(10,685)	**(12,761)**	(10,677)
Net assets		**77,287**	72,540	**74,864**	70,329
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		**75,305**	70,558	**72,882**	68,347
Total equity		**77,287**	72,540	**74,864**	70,329

The notes on pages 38 to 68 form part of these financial statements.

The financial statements on pages 32 to 68 were approved by the Board on 9 October 2014 and signed on its behalf by

Andrew Thorpe

A B Thorpe **C Muncaster** **Company Registration Number: 317886**

Accounts

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2014

	Notes	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 July 2012		1,189	656	137	64,831	66,813
Comprehensive income						
Profit for the year to 30 June 2013 (restated)		–	–	–	9,518	9,518
Actuarial gain on pension scheme (restated)	30	–	–	–	861	861
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	–	–	–	(9)	(9)
Total comprehensive income		–	–	–	8,886	8,886
Transactions with owners						
Dividends paid to shareholders	8	–	–	–	(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**
Comprehensive income						
Profit for the year to 30 June 2014		–	–	–	10,189	10,189
Actuarial gain on pension scheme	30	–	–	–	624	624
Movement on unrecognised pension scheme surplus	30	–	–	–	(1,216)	(1,216)
Revaluation of available-for-sale financial assets	14	–	–	–	276	276
Movement on associated deferred tax	22	–	–	–	(47)	(47)
Impact of deferred tax rate change	22	–	–	–	119	119
Exchange rate movement on joint venture	32	–	–	–	(2)	(2)
Total comprehensive income		–	–	–	9,943	9,943
Transactions with owners						
Dividends paid to shareholders	8	–	–	–	(3,568)	(3,568)
Purchase of shares		–	–	–	(1,628)	(1,628)
Total transactions with owners		–	–	–	(5,196)	(5,196)
Balance at 30 June 2014		**1,189**	**656**	**137**	**75,305**	**77,287**

The notes on pages 38 to 68 form part of these financial statements.

Accounts

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2014

	Notes	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 July 2012		1,189	656	137	62,318	64,300
Comprehensive income						
Profit for the year to 30 June 2013 (restated)		–	–	–	9,813	9,813
Actuarial gain on pension scheme (restated)	30	–	–	–	861	861
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	8	–	–	–	(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**
Comprehensive income						
Profit for the year to 30 June 2014		–	–	–	9,995	9,995
Actuarial gain on pension scheme	30	–	–	–	624	624
Movement on unrecognised pension scheme surplus	30	–	–	–	(1,216)	(1,216)
Revaluation of available-for-sale financial assets	14	–	–	–	276	276
Movement on associated deferred tax	22	–	–	–	(47)	(47)
Impact of deferred tax rate change	22	–	–	–	112	112
Exchange rate movement on joint venture	32	–	–	–	(13)	(13)
Total comprehensive income					9,731	9,731
Transactions with owners						
Dividends paid to shareholders	8	–	–	–	(3,568)	(3,568)
Purchase of shares		–	–	–	(1,628)	(1,628)
Total transactions with owners		–	–	–	(5,196)	(5,196)
Balance at 30 June 2014		**1,189**	**656**	**137**	**72,882**	**74,864**

The notes on pages 38 to 68 form part of these financial statements.

Accounts

CONSOLIDATED AND COMPANY STATEMENTS OF CASH FLOWS

For the year ended 30 June 2014

	Notes	Group 2014 £'000	Group 2013 £'000	Company 2014 £'000	Company 2013 £'000
Cash flows from operating activities					
Cash generated from operations	26	**10,762**	11,846	**9,031**	10,004
Tax paid		**(2,009)**	(2,737)	**(2,099)**	(2,409)
Net cash generated from operating activities		**8,753**	9,109	**6,932**	7,595
Cash flows from investing activities					
Purchases of property, plant and equipment		**(2,087)**	(2,281)	**(1,632)**	(2,144)
Proceeds from sale of property, plant and equipment		**153**	93	**114**	68
Purchase of intangibles		**(1,473)**	(1,771)	**(1,324)**	(1,531)
Purchase of subsidiary (net of cash acquired)		**(390)**	(383)	**(390)**	(383)
Purchase of investment property		**(33)**	(21)	**(33)**	(21)
Purchase of available-for-sale financial assets		**(707)**	(416)	**(707)**	(416)
Property rental and similar income		**157**	188	**378**	369
Dividend income		**169**	130	**1,184**	1,144
Net sale/(purchase) of deposits		**4,510**	(3,040)	**4,510**	(3,040)
Interest received		**365**	571	**372**	575
Receipt of loan notes		**450**	100	**450**	100
Net cash generated from/(used in) investing activities		**1,114**	(6,830)	**2,922**	(5,279)
Cash flows from financing activities					
Dividends paid to company's shareholders	8	**(3,568)**	(2,884)	**(3,568)**	(2,884)
Purchase of own shares		**(1,628)**	(275)	**(1,628)**	(275)
Net cash used in financing activities		**(5,196)**	(3,159)	**(5,196)**	(3,159)
Net Increase/(decrease) in cash in the year		**4,671**	(880)	**4,658**	(843)
Cash and cash equivalents at beginning of year	16	**13,240**	14,120	**13,238**	14,081
Cash and cash equivalents at end of year	16	**17,911**	13,240	**17,896**	13,238

The notes on pages 38 to 68 form part of these financial statements.

Accounts

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2014

1 Accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements and company financial statements (the "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 January 2014 or later periods. These new pronouncements are listed below:

Amendments to IAS 32 "Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities" (effective 1 January 2014)
Amendments to IAS 36 "Impairment of assets on recoverable amount disclosures" (effective 1 January 2014)
Amendments to IAS 39 "Financial instruments: Recognition and measurement" (effective 1 January 2014)
Amendments to IFRS 10 "Consolidated financial statements" IFRS 12 and IAS 27 for investment entities (effective date 1 January 2014)
Annual Improvements 2012 (effective 1 July 2014)
Annual Improvements 2013 (effective 1 July 2014)
Amendments to IFRS 11 "Joint Arrangements on acquisition of an interest in a joint operation" (effective 1 January 2016)
IFRS 15 "Revenue from contracts with customers" (effective 1 January 2017)
IFRS 9 "Financial Instruments" (effective 1 January 2018)

The directors are currently evaluating the impact of the adoption of these standards, amendments and interpretations in future periods, although it is anticipated that the impact will be immaterial.

The company has adopted the following new and amended standards as of 1 July 2013.

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

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

The group adopted IAS 19 (revised) "Employee Benefits" on 1 July 2013 consistent with the standard's effective date. The group has applied the standard retrospectively in accordance with the transition provisions. The new standard replaces the interest cost of post-employment obligations and the expected return on post-employment scheme assets with a net interest cost based on the net post-employment obligation and the discount rate, measured at the beginning of the year. This has decreased the "net interest on pension scheme assets and liabilities" in the consolidated income statement. This has had no effect on total comprehensive income as the increased charge in the income statement is offset by a credit in "actuarial gain on pension scheme" in the consolidated statement of comprehensive income. The 2013 consolidated income statement has been restated accordingly to reflect the charge of £47,000. There has been no impact of the change in accounting policy on the consolidated balance sheet or consolidated cash flow statement as a result of reflecting the above changes.

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 basis its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Revenue is subsequently recognised based upon the goods and services provided, when these goods have been delivered to the customer or the service performed, excluding VAT and trade discounts.

Interest income

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

Interest on impaired loans is recognised using the original effective interest rate.

Dividend income

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

Segment reporting

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

The group is organised into seven operating segments based on the products and customer base in the lighting market. The largest business is Thorlux. The six 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, Portland Lighting Limited and TRT Lighting Limited.

Accounts

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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.

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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

1 Accounting policies continued

Intangible assets

Development costs

The group undertakes development activities on an ongoing basis. Part of these costs relate to projects where the benefit is received in the short term (less than one year) and part relates to longer term projects where the benefit is expected to be received for several years to come. Costs associated with the shorter term activities are expensed as and when they are incurred. Costs associated with the longer term projects are capitalised as an intangible asset and amortised over the expected life of the benefit, generally at 33.33% per annum, commencing when the asset is available for use within the business. Development assets are recognised as intangible assets when the following criteria are met:

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

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

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

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

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

Fishing rights

Fishing rights are stated at cost less accumulated impairment where applicable. The rights are not amortised, but assessed annually for impairment.

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.

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.

Accounts

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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

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.

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, UK Pound, Australian Dollar and Arab Emirate Dirham. 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.

Accounts

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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.

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 seven 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 six 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, Portland Lighting Limited, and TRT 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 2014				
Revenue to external customers	**49,657**	**13,290**	**–**	**62,947**
Revenue to other group companies	**650**	**1,146**	**(1,796)**	**–**
Total revenue	**50,307**	**14,436**	**(1,796)**	**62,947**
Operating profit	**10,593**	**842**	**198**	**11,633**
Net finance income				**753**
Share of profit of joint venture				**37**
Profit before income tax				**12,423**
Year to 30 June 2013 (restated)				
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 (restated)				856
Share of loss of joint venture				(80)
Profit before income tax				11,526

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.

	2014 £'000	2013 £'000
UK	**55,080**	47,686
Europe	**5,357**	4,393
Other countries	**2,510**	3,253
	62,947	55,332

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

Accounts

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

3 Group operating profit

	2014 £'000	2013 £'000
Group operating profit is stated after charging/(crediting):		
Profit on sale of property, plant and equipment	**(75)**	(62)
Rental income from investment property	**(120)**	(116)
Depreciation of property, plant and equipment (note 10):		
– owned assets	**1,269**	1,182
Operating lease rentals:		
– plant and machinery	**54**	39
– other	**134**	139
Intangible amortisation/impairment (note 9)	**1,439**	1,082
Foreign exchange losses recognised in income statement	**96**	33

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	2014 £'000	2013 £'000
Fees payable to company's auditors for the audit of the company and consolidated financial statements	**46**	43
Fee payable to the company's auditor and its associates for other services:		
– the audit of company's subsidiaries pursuant to legislation	**50**	36
– taxation advisory services	**43**	–
	139	79

It is the group's practice to employ PricewaterhouseCoopers LLP on assignments additional to their statutory audit duties where their expertise and experience with the group are important.

4 Other gains – net

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

	2014 £'000	2013 £'000
Fair value gains	**–**	1

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

5 Employee information

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

	2014 Number	2013 Number
Production	**247**	224
Sales and distribution	**112**	104
Administration	**155**	144
Total average headcount	**514**	472

Employment costs of all employees (including executive directors).

	2014 £'000	2013 £'000
Wages and salaries	**15,652**	14,108
Social security costs	**1,732**	1,542
Other pension costs	**681**	661
	18,065	16,311

Other pension costs include contributions to the pension scheme and other employers' pension related charges comprising life assurance of £73,000 (2013: £66,000), pension administration and professional charges of £81,000 (2013: £129,000), a pension paid to a former director, contributions to Sugg Lighting Limited group personal pension plan and private pension schemes amounting to £83,000 (2013: £87,000).

Contributions to the defined contribution section amounted to £251,000 (2013: £248,000).

From April 2014 the group introduced an auto enrolment pension scheme, administered independently of the FW Thorpe pension schemes. Contributions to the auto enrolment scheme amounted to £48,000 (2013: £nil).

Directors' emoluments

	2014 £'000	2013 £'000
Aggregate emoluments	**1,299**	1,181
Contributions to money purchase pension schemes	**9**	25
	1,308	1,206

Highest paid director

	2014 £'000	2013 £'000
Total of emoluments and amounts receivable	**336**	311

The highest paid director is a pensioner of the retirement benefits scheme (2014 and 2013: accrued pension of £131,000).

At 30 June 2014 retirement benefits were accruing to M Allcock and D Taylor (2013: M Allcock and D Taylor) under the defined benefit scheme and to A M Cooper (2013: A M Cooper) under the defined contribution scheme.

Further details are provided in the Directors' remuneration report on pages 69 to 71.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

6 Finance income

	2014 £'000	Restated 2013 £'000
Finance income		
Current assets		
Interest receivable	**365**	595
Non-current assets		
Fair value adjustment on loans	**62**	–
Dividend income on available-for-sale financial assets	**169**	121
Net rental income	**157**	140
	753	856

7 Income tax expense

Analysis of income tax expense in the year:

	2014 £'000	Restated 2013 £'000
Current tax		
Current tax on profits for the year	**2,162**	2,086
Adjustments in respect of prior years	**25**	(209)
Total current tax	**2,187**	1,877
Deferred tax (note 22)		
Origination and reversal of temporary differences	**47**	131
Total deferred tax	**47**	131
Income tax expense	**2,234**	2,008

The tax assessed for the year is lower (2013: lower) than the standard rate of corporation tax in the UK of 22.5% (2013: 23.75%). The differences are explained below:

	2014 £'000	Restated 2013 £'000
Profit before income tax	**12,423**	11,526
Profit on ordinary activities multiplied by the standard rate in the UK of 22.5% (2013: 23.75%)	**2,795**	2,737
Effects of:		
Expenses not deductible for tax purposes	**11**	16
Accelerated tax allowances and other timing differences	**(445)**	(299)
Adjustments in respect of prior years	**25**	(209)
Profits taxed at small companies rate	**(2)**	–
Other	**(150)**	(237)
Tax charge	**2,234**	2,008

The weighted average applicable tax rate was 18.0% (2013: 17.4%).

The standard rate of corporation tax in the UK changed from 23% to 21% with effect from 1 April 2014. Accordingly the group's profit for this accounting year is taxed at an effective rate of 22.5%.

As a result of the change in the UK corporation tax rate to 20% from 1 April 2015, which was substantially enacted on 2 July 2013, the relevant deferred tax balances have been re-measured at 20%.

8 Dividends

Dividends paid during the year are outlined in the tables below:

Dividends paid (pence per share)	2014	2013
Final dividend	**2.00**	1.46
Interim dividend	**1.05**	1.00
Total	**3.05**	2.46

The dividend per share is based on the rebased number of shares issues following the share split of 10 for 1 on 19 August 2013.

A final dividend in respect of the year ended 30 June 2014 of 2.20p per share, amounting to £2,545,000, and a special dividend of 1.50p per share, amounting to £1,735,000, is to be proposed at the Annual General Meeting on 13 November 2014. These financial statements do not reflect these dividends payable.

Dividends proposed (pence per share)	2014	2013
Final dividend	**2.20**	2.00
Special dividend	**1.50**	–

Dividends paid	2014 £'000	2013 £'000
Final dividend	**2,340**	1,712
Interim dividend	**1,228**	1,172
Total	**3,568**	2,884

Dividends proposed	2014 £'000	2013 £'000
Final dividend	**2,545**	2,340
Special dividend	**1,735**	–

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

9 Intangible assets

Group 2014	Goodwill £'000	Development costs £'000	Technology £'000	Brand name £'000	Software £'000	Patents £'000	Fishing rights £'000	Total £'000
Cost								
At 1 July 2013	3,503	4,364	311	174	860	150	182	9,544
Additions	–	1,428	–	–	47	–	–	1,475
Write-offs	–	(831)	–	–	–	–	–	(831)
At 30 June 2014	**3,503**	**4,961**	**311**	**174**	**907**	**150**	**182**	**10,188**
Accumulated amortisation								
At 1 July 2013	600	1,282	124	116	676	60	–	2,858
Charge for the year	–	1,040	62	58	124	30	–	1,314
Impairment	–	–	125	–	–	–	–	125
Write-offs	–	(831)	–	–	–	–	–	(831)
At 30 June 2014	**600**	**1,491**	**311**	**174**	**800**	**90**	**–**	**3,466**
Net book amount								
At 30 June 2014	**2,903**	**3,470**	**–**	**–**	**107**	**60**	**182**	**6,722**

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

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

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 2014	Goodwill £'000	Development costs £'000	Software £'000	Patents £'000	Fishing £'000	Total £'000
Cost						
At 1 July 2013	600	3,891	706	150	182	5,529
Additions	–	1,281	45	–	–	1,326
Write-offs	–	(757)		–	–	(757)
At 30 June 2014	**600**	**4,415**	**751**	**150**	**182**	**6,098**
Accumulated amortisation						
At 1 July 2013	600	1,164	529	60	–	2,353
Charge for the year	–	935	119	30	–	1,084
Write-offs	–	(757)	–	–	–	(757)
At 30 June 2014	**600**	**1,342**	**648**	**90**	**–**	**2,680**
Net book amount						
At 30 June 2014	**–**	**3,073**	**103**	**60**	**182**	**3,418**

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

Amortisation and impairment of £1,439,000 (2013: £1,082,000) 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.

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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 2013	10,491	14,711	25,202	10,491	11,761	22,252
Additions	419	1,636	2,055	419	1,181	1,600
Disposals	–	(368)	(368)	–	(293)	(293)
At 30 June 2014	**10,910**	**15,979**	**26,889**	**10,910**	**12,649**	**23,559**
Accumulated depreciation						
At 1 July 2013	2,113	10,709	12,822	2,113	8,355	10,468
Charge for the year	193	1,076	1,269	193	830	1,023
Disposals	–	(290)	(290)	–	(233)	(233)
At 30 June 2014	**2,306**	**11,495**	**13,801**	**2,306**	**8,952**	**11,258**
Net book amount						
At 30 June 2014	**8,604**	**4,484**	**13,088**	**8,604**	**3,697**	**12,301**

Freehold land which was not depreciated at 30 June 2014 amounted to £947,000 (2013: £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 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

11 Commitments

(a) Capital commitments

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

	Group		Company	
	2014 £'000	2013 £'000	**2014 £'000**	2013 £'000
Property, plant and equipment	**1,267**	462	**1,267**	437

(b) Operating lease commitments

The group leases premises under non-cancellable operating lease agreements. The lease terms are between five and twenty years (2013: five and twenty years), and the lease agreements are renewable at the end of the lease period at market rate.

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

	Group		Company	
	Land and buildings 2014 £'000	Land and buildings 2013 £'000	**Land and buildings 2014 £'000**	Land and buildings 2013 £'000
Within one year	**110**	113	**21**	7
Within two to five years	**198**	263	**24**	18
Over five years	**–**	–	**–**	–
	308	376	**45**	25

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 £3,829,000 (2013: £2,846,000) 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 2014				
Assets as per balance sheet				
Loans and other receivables	**1,340**	**–**	**–**	**1,340**
Available-for-sale financial assets	**–**	**3,441**	**–**	**3,441**
Other financial assets at fair value through profit or loss	**–**	**–**	**388**	**388**
Trade and other receivables	**14,145**	**–**	**–**	**14,145**
Short-term financial assets	**15,638**	**–**	**–**	**15,638**
Cash and cash equivalents	**17,911**	**–**	**–**	**17,911**
Total	**49,034**	**3,441**	**388**	**52,863**

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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 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	11,396	–	–	11,396
Short-term financial assets	20,148	–	–	20,148
Cash and cash equivalents	13,240	–	–	13,240
Total	46,512	2,458	388	49,358

Company	**Loans and receivables £'000**	**Available-for-sale £'000**	**Assets at fair value through the profit and loss £'000**	**Total £'000**
30 June 2014				
Assets as per balance sheet				
Loans and other receivables	**1,340**	**–**	**–**	**1,340**
Available-for-sale financial assets	**–**	**3,441**	**–**	**3,441**
Other financial assets at fair value through profit or loss	**–**	**–**	**388**	**388**
Trade and other receivables	**14,587**	**–**	**–**	**14,587**
Short-term financial assets	**15,638**	**–**	**–**	**15,638**
Cash and cash equivalents	**17,896**	**–**	**–**	**17,896**
Total	**49,461**	**3,441**	**388**	**53,290**

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	20,148	–	–	20,148
Cash and cash equivalents	13,238	–	–	13,238
Total	46,176	2,458	388	49,022

The above analysis excludes prepayments.

	Group		**Company**	
Liabilities as per balance sheet	**2014 £'000**	2013 £'000	**2014 £'000**	2013 £'000
Trade and other payables (excluding statutory liabilities)	**9,551**	7,999	**10,041**	8,187
	9,551	7,999	**10,041**	8,187

Financial liabilities are measured at amortised cost.

The group and company did not have derivative financial instruments at 30 June 2014 or 30 June 2013.

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

13 Investment property

Group and company	2014 £'000	2013 £'000
At 1 July	**2,102**	2,081
Addition	**33**	21
At 30 June	**2,135**	2,102

The following amounts have been recognised in the income statement:

Group and company	2014 £'000	2013 £'000
Rental income	**120**	116
Direct operating expenses arising from investment properties that generate rental income	**(15)**	(15)

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 (2013: £1,288,000) is freehold land and therefore not depreciated; the property element includes accumulated depreciation of £269,000 (2013: £269,000) which relates to the property occupied by Mackwell Electronics Ltd up to the date of disposal of this business. 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 August 2014 of the land by the river Wye and the land in Monmouthshire which has resulted in a valuation of £1.5m, 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	2014 £'000	2013 £'000
Beginning of year	**2,458**	1,841
Additions	**707**	416
Revaluation	**276**	201
End of year	**3,441**	2,458

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 2014 or 2013.

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

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15 Short-term financial assets

Group and company	2014 £'000	2013 £'000
Beginning of year	**20,148**	17,108
Net (disposals)/additions	**(4,510)**	3,040
End of year	**15,638**	20,148

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	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Cash at bank and on hand	**17,911**	13,240	**17,896**	13,238

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	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Raw materials	**7,644**	6,694	**5,244**	5,218
Work in progress	**2,894**	2,404	**2,702**	2,143
Finished goods	**3,866**	2,844	**3,738**	2,736
	14,404	11,942	**11,684**	10,097

The cost of inventories recognised as an expense and included in cost of sales amounted to £25,027,000 (2013: £21,678,000).

18 Trade and other receivables

	Group		Company	
Current	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Trade receivables	**13,556**	11,004	**10,395**	9,017
Other receivables	**589**	392	**588**	357
Prepayments and accrued income	**737**	703	**516**	531
Amounts owed by subsidiaries	**–**	–	**3,604**	1,688
	14,882	12,099	**15,103**	11,593

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

	Group		Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Trade receivables past due date not provided	**717**	527	**169**	322

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 2014 the bad debt provision for the group amounted to £27,000 (2013: £21,000) and for the company £3,000 (2013: £2,000).

18 Trade and other receivables continued

During the year the following amounts were written off:

	Group 2014 £'000	Group 2013 £'000	Company 2014 £'000	Company 2013 £'000
Bad debts written off	**19**	75	**–**	56
Bad debts recovered	**(32)**	(1)	**(8)**	(1)
Net bad debt expense	**(13)**	74	**(8)**	55

At 30 June 2014, trade receivables were due to the group and company in the following currency denominations.

	Group 2014 £'000	Group 2013 £'000	Company 2014 £'000	Company 2013 £'000
Due in £ sterling	**12,551**	10,127	**9,400**	8,244
Due in € euro	**594**	510	**584**	406
Due in Australian dollars	**411**	367	**411**	367
Total trade receivables	**13,556**	11,004	**10,395**	9,017

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 2014 this amounted to £388,000 (2013: £388,000).

20 Trade and other payables

Current	Group 2014 £'000	Group 2013 £'000	Company 2014 £'000	Company 2013 £'000
Trade payables	**6,647**	5,342	**4,928**	3,645
Social security and other taxes	**1,461**	1,100	**1,138**	889
Other payables	**1,959**	1,925	**1,868**	1,882
Accruals and deferred income	**945**	732	**526**	484
Amounts owed to subsidiaries	**–**	–	**2,719**	2,176
	11,012	9,099	**11,179**	9,076

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

21 Provisions for liabilities and charges

	Group 2014 £'000	Group 2013 £'000	Company 2014 £'000	Company 2013 £'000
WEEE provision	**102**	102	**102**	102
Total	**102**	102	**102**	102

Analysis of total provisions:	Group 2014 £'000	Group 2013 £'000	Company 2014 £'000	Company 2013 £'000
Non-current	**102**	102	**102**	102
Total	**102**	102	**102**	102

WEEE provision

A potential liability exists for the future cost of disposal of products under the WEEE legislation for a transitional period between the adoption of the WEEE legislation in the European Union in August 2005 and the effective date in the UK of 1 July 2007.

From 1 July 2007 the group has followed Regulation 9 of the Legislation and amended the terms of sale to its customers so that the customer is responsible for the actual costs of WEEE at the time of disposal.

Although the time scale of the utilisation of this provision cannot be predicted with certainty, it is expected that it will not be utilised before 30 June 2016.

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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 2014 £'000	Group 2013 £'000	Company 2014 £'000	Company 2013 £'000
Deferred tax assets:				
– Deferred tax assets to be recovered after more than 12 months	**36**	32	**–**	–
– Deferred tax asset to be recovered within 12 months	**–**	–	**–**	–
	36	32	**–**	–
Deferred tax liabilities:				
– Deferred tax liability to be recovered after more than 12 months	**(923)**	(944)	**(842)**	(862)
– Deferred tax liability to be recovered within 12 months	**–**	–	**–**	–
	(923)	(944)	**(842)**	(862)
Net deferred tax liabilities	**(887)**	(912)	**(842)**	(862)

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

	Group 2014 £'000	Group 2013 £'000	Company 2014 £'000	Company 2013 £'000
Beginning of year	**(912)**	(763)	**(862)**	(723)
Income statement charge	**(47)**	(131)	**(45)**	(121)
Tax credited/(charged) directly to equity	**72**	(18)	**65**	(18)
End of year	**(887)**	(912)	**(842)**	(862)

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

Deferred tax assets	Accelerated tax depreciation £'000	Retirement benefit obligations £'000	Other £'000	Total £'000
At 1 July 2012	15	–	–	15
Credited to the income statement	17	–	–	17
Charged directly to equity	–	–	–	–
At 1 July 2013	32	–	–	32
Credited to the income statement	4	–	–	4
Charged directly to equity	–	–	–	–
At 30 June 2014	**36**	**–**	**–**	**36**

Deferred tax liabilities	Accelerated tax depreciation £'000	Fair value gains and losses £'000	Research & development £'000	Total £'000
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 1 July 2013	112	123	709	944
Charged/(credited) to the income statement	(31)	5	77	51
(Credited)/charged directly to equity	(11)	31	(92)	(72)
At 30 June 2014	**70**	**159**	**694**	**923**

22 Deferred income tax continued

The deferred income tax credited/(charged) to equity during the year is as follows:

	Group 2014 £'000	Group 2013 £'000	Company 2014 £'000	Company 2013 £'000
Tax on revaluation of available-for-sale assets	**(47)**	(48)	**(47)**	(48)
Impact of deferred tax rate change	**119**	30	**112**	30
	72	(18)	**65**	(18)

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. There was an increase in the number of treasury shares held during the year following the purchase of 1,300,000 shares by the company in May 2014.

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/or restated following the sub-division of shares (10 for 1), which became effective on 19 August 2013, and for the impact of adopting IAS 19 revised (see note 1).

	Continuing operations 2014	Continuing operations Restated 2013
Weighted average number of ordinary shares in issue	**116,792,165**	117,192,140
Profit attributable to equity holders of the company (£'000)	**10,189**	9,518
Basic earnings per share (pence per share)	**8.72**	8.12

24 Share capital

	Group and company 2014 £'000	Group and company 2013 £'000
Allotted and fully paid		
118,935,590 ordinary shares of 1p each (2013: 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 2014 £'000	Group and company 2013 £'000
Movements in treasury shares included in share capital		
Shares held in treasury at 1 July	**20**	17
Purchases	**13**	3
Share capital at 30 June	**33**	20
Number of shares held in treasury at 30 June	**3,260,000**	1,960,000

There were no shares issued during the year (2013: nil). There are no share options outstanding at the year end (2013: nil).

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25 Other reserves

Group and company	Share premium account £'000	Capital redemption reserves £'000
At 30 June 2013 and 30 June 2014	**656**	**137**

26 Cash generated from operations

	Group		Company	
Cash generated from continuing operations	**2014 £'000**	Restated 2013 £'000	**2014 £'000**	Restated 2013 £'000
Profit before income tax	**12,423**	11,526	**12,140**	11,869
Depreciation charge	**1,269**	1,182	**1,023**	940
Amortisation/impairment of intangibles	**1,439**	1,082	**1,084**	870
Profit on disposal of property, plant and equipment	**(75)**	(63)	**(54)**	(47)
Finance income	**(753)**	(856)	**(1,996)**	(2,055)
Retirement benefit contributions in excess of current and past service charge	**(403)**	(863)	**(403)**	(863)
Share of (profit)/loss from joint venture	**(37)**	80	**–**	–
Changes in working capital				
– Inventories	**(2,462)**	(798)	**(1,587)**	(840)
– Trade and other receivables	**(2,783)**	(1,189)	**(3,510)**	(575)
– Trade and other payables	**2,144**	1,745	**2,334**	705
Cash generated from continuing operations	**10,762**	11,846	**9,031**	10,004

27 Related party transactions

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

2014	**Purchases of goods £'000**	**Sales of goods £'000**	**Sales of services £'000**	**Dividends paid to company £'000**
Compact Lighting Limited	**34**	**30**	**4**	**–**
Philip Payne Limited	**405**	**43**	**1**	**500**
Sugg Lighting Limited	**–**	**21**	**18**	**–**
Solite Europe Limited	**148**	**136**	**2**	**15**
Portland Lighting Limited	**2**	**–**	**–**	**500**
TRT Lighting Limited	**555**	**420**	**19**	**–**

2013	Purchases of goods £'000	Sales of goods £'000	Sales of services £'000	Dividends paid to company £'000
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

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	
	2014 £'000	2013 £'000	**2014 £'000**	2013 £'000
Compact Lighting Limited	**(1)**	(17)	**1,977**	1,369
Philip Payne Limited	**(1,114)**	(1,351)	**15**	1
Sugg Lighting Limited	**–**	–	**4,324**	4,149
Solite Europe Limited	**(124)**	(13)	**40**	1
Portland Lighting Limited	**(1,420)**	(795)	**–**	–
TRT Lighting Limited	**(60)**	–	**1,532**	–
Total	**(2,719)**	(2,176)	**7,888**	5,520

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 £3,964,000 (2013: £3,832,000) against the Sugg Lighting Limited inter-company balance, and a provision of £320,000 (2013: £nil) against the TRT 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 69 to 71. There are a number of employees who are related parties. Total remuneration for the period was £180,000.

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 £5,000 (2013: £4,000), purchased goods amounting to £2,385,000 (2013: £2,617,000), and sold services of £nil (2013: £nil). At the year end there were trade balances due to Mackwell Electronics Limited of £238,000 (2013: £323,000) and £2,000 due from Mackwell Electronics Limited (2013: £nil). The company is owed £1,450,000 (2013: £1,900,000) in respect of the loan notes issued to the company as part of the sale agreement (note 29), plus accrued interest of £29,000 (2013: £39,000) at the balance sheet date. The company owns the premises occupied by Mackwell Electronics Limited and rent is charged of £102,000 per annum (2013: £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 FW Thorpe with a current value in excess of the loan amount. At 30 June 2014 there was accrued interest due to the company of £3,000 (2013: £3,000).

28 Portland Lighting Limited

Following the acquisition of Portland Lighting Limited on 1 July 2011 the group made a final payment during the year of £390,000, of which £371,000 was accrued at 30 June 2013. This payment is 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.

A repayment of £450,000 was received during the year, which has reduced the balance due at 1% over the Bank of England base rate to £1,450,000 (2013: £1,625,000) and the balance due at the higher interest rate of 4% above the Bank of England base rate to £nil (2013: £275,000).

The outstanding loan note tranche at 1% over the Bank of England base rate of £1,450,000 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 £1,340,000.

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.

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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 2014 amounted to £818,000 (2013: £1,258,000). 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 2014 by an independent qualified actuary using the following major assumptions.

	2014	2013	2012	2011	2010
Price inflation	**3.50%**	3.40%	2.80%	3.70%	3.50%
Salary increases	**3.50%**	3.50%	4.55%	5.45%	5.25%
Discount rate	**4.30%**	4.60%	4.40%	5.50%	5.35%
Revaluation for deferred pensioners	**2.50%**	2.50%	2.05%	2.95%	3.50%
Pension increases in payment of 5% pa or RPI if less	**3.30%**	3.30%	2.75%	3.55%	3.30%
Pension increases in payment of 2.5% pa or RPI if less	**2.20%**	2.25%	2.10%	2.35%	2.20%
Life expectancy at age 65 – men	**22.9 years**	24.2 years	22.5 years	22.4 years	22.3 years
Life expectancy at age 65 in 20 years – men	**24.3 years**	26.2 years	24.4 years	24.4 years	24.3 years
Life expectancy at age 65 – women	**24.8 years**	26.6 years	24.9 years	24.8 years	24.7 years
Life expectancy at age 65 in 20 years – women	**26.3 years**	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 2014		30 June 2013		30 June 2012		30 June 2011		30 June 2010	
	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**	**12,796**	n/a	11,829	6.20%	9,744	7.75%	11,166	7.65%	9,045
Bonds	**4.30%**	**14,707**	4.60%	13,267	4.40%	12,484	5.00%	10,982	4.84%	9,464
Property	**–**	**–**	–	–	–	–	–	–	7.35%	19
Other	**n/a**	**1,448**	0.50%	1,545	0.50%	1,596	0.50%	1,328	0.50%	1,565
Total market value of assets		**28,951**		26,641		23,824		23,476		20,093
Present value of scheme liabilities		**(26,053)**		(24,959)		(23,809)		(22,993)		(21,472)
Surplus/(deficit) in the scheme		**2,898**		1,682		15		483		(1,379)

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:

	2014 £'000	2013 £'000
Present value of funded obligations	**(26,053)**	(24,959)
Fair value of plan assets	**28,951**	26,641
Surplus in the scheme	**2,898**	1,682
Less restriction of surplus recognised in the balance sheet	**(2,898)**	(1,682)
Liability recognised in the balance sheet	**–**	–

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

	2014 £'000	2013 £'000
At 1 July	**(24,959)**	(23,809)
Current service cost	**(415)**	(452)
Interest cost	**(1,146)**	(1,045)
Contributions by plan participants	**(311)**	(295)
Actuarial losses	**(41)**	(247)
Benefits paid	**819**	889
At 30 June	**(26,053)**	(24,959)

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

	2014 £'000	2013 £'000
At 1 July	**26,641**	23,824
Expected return in plan assets	**1,233**	1,092
Actuarial gains	**767**	1,061
Employer contributions	**818**	1,258
Employee contributions	**311**	295
Benefits paid	**(819)**	(889)
At 30 June	**28,951**	26,641

The amounts recognised in the income statement are as follows:

	2014 £'000	Restated 2013 £'000
Current service cost	**415**	452
Net interest cost	**–**	–
Total included within staff costs and finance income	**415**	452

Of the total charge, £415,000 (2013: £452,000) and £nil (2013 restated: £nil) were included in "administrative expenses" and "finance income" respectively.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

30 Pension scheme continued

Analysis of amount recognised in the statement of comprehensive income

	2014 £'000	Restated 2013 £'000
Actual return less expected return on pension scheme assets	**767**	1,061
Experience (losses)/gains arising on the scheme liabilities	**(99)**	(438)
Changes in assumptions underlying the present value on the scheme liabilities	**58**	191
Movement in recovery plan liability	**(189)**	–
Net interest cost	**87**	47
Restriction of pension scheme surplus	**(1,216)**	(1,667)
Actuarial loss recognised in the statement of comprehensive income	**(592)**	(806)

	2014 £'000	Restated 2013 £'000
Cumulative actuarial loss recognised in the statement of comprehensive income at 1 July	**(3,413)**	(4,274)
Actuarial gain recognised in the statement of comprehensive income for the year	**624**	861
Cumulative actuarial loss recognised in the statement of comprehensive income at 30 June	**(2,789)**	(3,413)

The restriction in the scheme surplus is excluded from the cumulative actuarial gain recognised in the statement of comprehensive income. As as result of the most recent valuation, and in the light of the non-recognition of the pension scheme surplus, the recovery plan liability of £189,000 (2013: £nil) is included in Other Payables.

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 2014 was £2,000,000 (2013: £2,153,000) or 6.9% (2013: 8.1%).

The group expect to pay £727,000 contributions (2013: £1,259,000) into the pension scheme during the forthcoming year.

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

	2014		Restated 2013		2012		2011		2010	
	£'000	%	£'000	%	£'000	%	£'000	%	£'000	%
Difference between the expected and actual return on scheme assets	**767**		1,061		193		1,335		1,713	
Percentage of scheme assets		**3%**		4%		1%		6%		9%
Experience loss on scheme liabilities	**(99)**		(438)		227		(433)		(388)	
Percentage of the present value of scheme liabilities		**0%**		2%		1%		2%		2%
Changes in assumptions underlying the present value of scheme liabilities	**58**		191		(1,830)		152		(1,371)	
Percentage of the present value of scheme liabilities		**0%**		1%		8%		0%		6%
Movement in recovery plan liability	**(189)**		–		–		–		–	
Percentage of the present value of scheme liabilities		**1%**		0%		0%		0%		0%
Net interest income	**87**		47		–		–		–	
Percentage of the present value of scheme liabilities		**0%**		0%		0%		0%		0%
Restriction of pension scheme surplus	**–**		–		–		(483)		–	
Percentage of the present value of scheme liabilities		**0%**		0%		0%		2%		0%
Amount which has been recognised in the SoCI	**624**		861		(1,410)		571		(46)	
Percentage of the present value of the scheme liabilities		**2%**		3%		6%		2%		0%

31 Group companies

The parent company has the following investments as at 30 June 2014 and 30 June 2013:

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%

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	– design and manufacture of lighting for roads and tunnels

The cost of investment in subsidiaries is as follows:

	Group		Company	
	2014 £'000	2013 £'000	**2014 £'000**	2013 £'000
Investment in subsidiaries – cost	**–**	–	**5,732**	5,732
Less provisions	**–**	–	**(1,592)**	(1,592)
	–	–	**4,140**	4,140

The movement in the investment and provisions is as follows:

	Cost £'000	Provisions £'000
At 1 July 2013	5,732	(1,592)
Increase in provision	–	–
At 30 June 2014	**5,732**	**(1,592)**

There were no additions or disposals during the year.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

32 Investment in joint ventures

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.

The group has a joint venture in United Arab Emirates. Thorlux Lighting LLC is registered in United Arab Emirates and operates from a sales office in Abu Dhabi.

	Group		Company	
	2014 £'000	2013 £'000	**2014 £'000**	2013 £'000
At 1 July	**22**	111	**154**	156
Share of profit/(loss)	**37**	(80)	**–**	–
Exchange rate movement	**(2)**	(9)	**(13)**	(2)
At 30 June	**57**	22	**141**	154

33 Events after the balance sheet date

Executive Share Ownership Plan (ESOP)

At a General Meeting on 18 July 2014 the shareholders approved the establishment of an ESOP, created to motivate and retain those employees responsible for the continued success of the group.

The plan allows the vesting of options subject to the achievement of performance targets, being annual growth of pre-tax Earnings Per Share in excess of RPI plus 3% over a five year period.

Rather than issue new shares, the company will utilise shares that are already held in treasury to satisfy options.

The scheme will be offered to the company's executive directors and certain directors of the subsidiary companies. Options over a total of up to 1.8m shares will be granted, representing approximately 1.6% of shares with voting rights at 9 October 2014.

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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

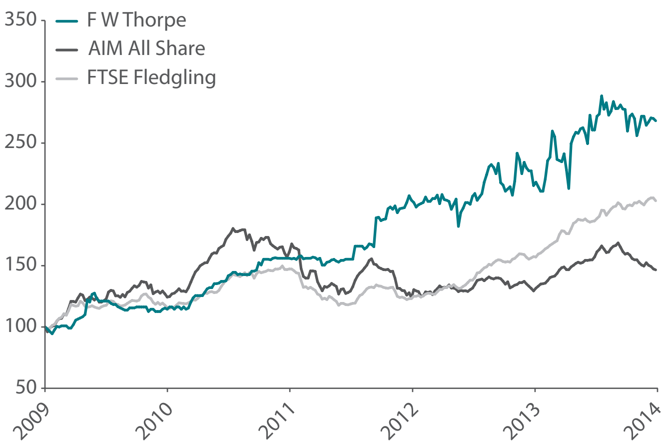
The Board as a whole determines the remuneration of the non-executive directors. The Board takes into account the contribution made and the relative time spent on the company's affairs. The non-executive directors do not receive bonuses. Their benefits in kind consist of the provision of health insurance.

Directors' service contracts

A B Thorpe and M Allcock have service contracts terminable on two years' notice. A M Cooper, C Muncaster and D Taylor have service contracts terminable on one year's 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)

	2014 Salary/fees £'000	2014 Bonus £'000	2014 Benefits £'000	2014 Total £'000	2013 Total £'000
Executive directors					
A B Thorpe	**195**	**115**	**26**	**336**	311
M Allcock	**195**	**115**	**20**	**330**	306
D Taylor	**96**	**45**	**15**	**156**	139
A M Cooper	**107**	**66**	**11**	**184**	162
C Muncaster	**107**	**71**	**11**	**189**	163
Non-executive directors					
C M Brangwin	**25**	**–**	**11**	**36**	35
I A Thorpe	**25**	**–**	**14**	**39**	37
P D Mason	**25**	**–**	**4**	**29**	28
Total emoluments	**775**	**412**	**112**	**1,299**	1,181

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 defined benefit section aims to provide a maximum pension of two-thirds of pensionable salary at normal retirement date. M Allcock's and D Taylor's pensionable salary includes an average of the previous three years' profit bonus. Defined contribution members contribute up to 5% of basic salary and the company contributes up to 9.5%.

All the executive directors are covered by life assurance benefit of four times pensionable salary. In addition, the defined benefit scheme members are entitled to a spouse's pension on death.

The following directors, excluding those classified as pensioners, had accrued entitlements under the defined benefit section of the pension scheme.

	Age at year end	Normal pension age	Value of accrued pension at 30 June 2014 £pa	Director's contributions during the year £	Change in value of accrued pension since 30 June 2013 £pa
M Allcock	46	65	**72,909**	10,727	5,138
D Taylor	52	65	**50,395**	5,843	5,547

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.

	2014 £'000	2013 £'000
A M Cooper	**8,665**	24,930

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

	2014 £	2013 £
C Muncaster	**8,665**	8,495

Directors' shareholdings

The directors listed below were in office during the year. Directors' interests in the share capital of the company at 30 June 2014 and 1 July 2013 were as follows:

	Ordinary shares of 1p Beneficial	
	2014	2013
Executive directors		
A B Thorpe	**27,899,840**	27,899,840
M Allcock	**114,000**	114,000
D Taylor	**55,913**	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 (2013: 1,700,000 shares).

On 5 August 2014 the beneficial holding of A B Thorpe decreased by 297,140 to 27,602,700.

The market price of the company's shares at the beginning and end of the financial year was 109p and 131.5p respectively and the range of market prices during the year was from 101.5p to 145p.

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 2014 to 9 October 2014.

Approved by the Board and signed on its behalf by:

C Muncaster
Director

9 October 2014

Additional information

NOTICE OF MEETING

Notice is hereby given that the seventy-eighth Annual General Meeting of FW Thorpe Plc will be held at Merse Road, North Moons Moat, Redditch, Worcestershire B98 9HH on 13 November 2014 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 2014.
2. (a) To declare a final dividend.
   (b) To declare a special dividend
3. To re-elect Mr M Allcock as a director.
4. To re-elect Mr D Taylor as a director.
5. To re-elect Mr P D Mason as a director.
6. To re-appoint PricewaterhouseCoopers LLP as auditors of the company, to hold office until the conclusion of the next General Meeting at which accounts are laid before the company and to authorise the directors to fix the auditors' remuneration.

Special business

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

7. That the directors' remuneration report (as set out on pages 69 to 71 of the Annual Report and Accounts) for the year ended 30 June 2014 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 9 October 2014.

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 2015; 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 11 November 2014 (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 11 November 2014 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 11 November 2014 (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 9 October 2014 (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 3,260,000 shares held in treasury, the total voting rights in the company as at 9 October 2014 are 115,675,590.

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

9 October 2014

Additional information

SHAREHOLDER NOTES

Additional information

SHAREHOLDER NOTES CONTINUED

Additional information

FINANCIAL CALENDAR

2014

17 October	Posting of the Annual Report and Accounts
13 November	Annual General Meeting
20 November	Payment of final dividend and special dividend

2015

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

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