

A modern office interior featuring a long, narrow space with a series of circular pendant lights hanging from a ceiling with exposed wooden beams. The floor is a light grey, and there are several tables with blue chairs. A glass railing is visible in the background.

FW THORPE PLC

Annual Report and Accounts
2016

For the year ended 30 June 2016

FW THORPE PLC

Introduction

We specialise in designing and manufacturing professional lighting systems. We currently employ around 600 people and although each company works autonomously, our skills and markets are complementary.

Investment Case

- A well positioned portfolio of companies over 7 different countries
 - See our current global footprint on pages 04 to 05
- Innovative products with market leading technology
 - Read our SmartScan case study on pages 16 to 19
- Strong profit margins and robust balance sheet

Front cover image

Windmill Community Campus, Fife

Further information



To access to further information please visit:

www.fwthorpe.co.uk

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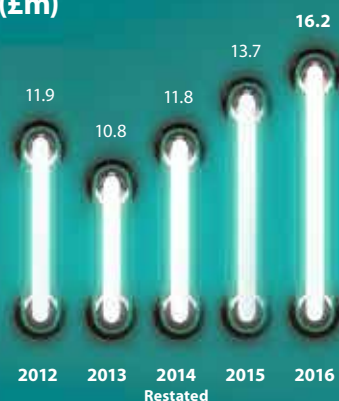
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Financial Highlights

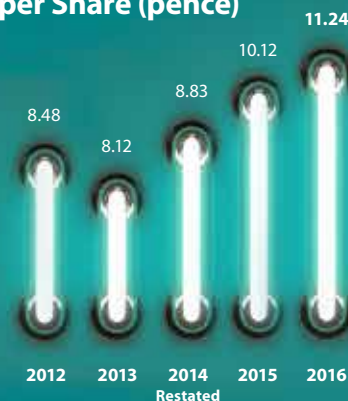
Revenue (£m)



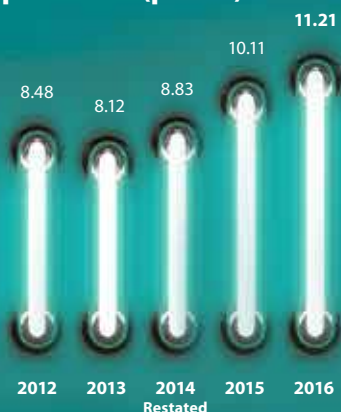
Operating Profit (£m)



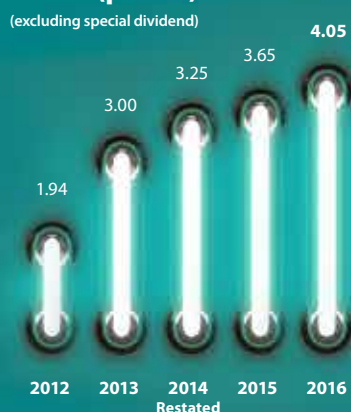
Basic Earnings per Share (pence)



Diluted Earnings per Share (pence)



Dividend per Share (pence)



For more information see our strategy and performance, pages 14 and 24

Operational Highlights

- Revenue and operating profit boosted by Lightronics acquisition
- Thorlux profitability improved despite relatively flat revenues
- TRT performed strongly, disappointing Compact performance
- SmartScan platform successfully launched
- Investment in Luxintec grants access to lensing technology and Spanish market

About Us

Designers, Manufacturers and Suppliers of Professional Lighting Systems –
Our Brand Portfolio



Thorlux Lighting

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

Read more on page 25

Description

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 16,882m² 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.



Compact

Key products

- Recessed and surface luminaires
- Track systems

Market sectors

- Retail
- Display
- Hospitality

Read more on page 26

Description

Compact Lighting, founded by FW Thorpe in 1992, designs and manufactures a complete range of innovative lighting solutions for the retail, hospitality and display environments.

From its purpose-built factory in Portsmouth, UK, Compact Lighting offers cost-effective solutions using the latest LED technology to a host of global clients.



Philip Payne

Key products

- Emergency exit signage
- Emergency lighting systems

Market sectors

- Commercial
- Hospitality
- Healthcare

Read more on page 26

Description

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 encourages direct dialogue with architects and designers to ensure via product variation or bespoke work aesthetic aspirations and requirements are fully met.



Solite

Key products

- Cleanroom luminaires

Market sectors

- Pharmaceutical
- Healthcare
- Education/Research

Read more on page 27

Description

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

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



Portland Lighting

Key products

- Lighting for signs

Market sectors

- Retail
- Hospitality
- Advertising

Description

Portland Lighting designs, manufactures and supplies innovative lighting products to the advertising, brewery, retail and sign lighting industries.

The company operates from a modern 1,300m² facility in Walsall, which 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 its sector.

Read more on page 27



TRT Lighting

Key products

- Road and tunnel lighting
- Amenity lighting

Market sectors

- Infrastructure
- Facilities – car parking

Description

TRT (Thorlux Road and Tunnel) Lighting, is an independent specialist division which has evolved from Thorlux Lighting.

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

Read more on page 28



Lightronics

Key products

- Road lighting
- Amenity lighting
- Outdoor wall and ceiling luminaires
- Lighting controls

Market sectors

- Infrastructure
- Facilities – car parking
- Housing

Description

Based in Waalwijk, Netherlands, Lightronics specialises in the development, manufacture and supply of external and impact resistant lighting, which includes street lighting, outdoor wall and ceiling luminaires as well as control systems. The majority of its revenue is derived from the Netherlands but there is also an export presence in other European locations.

Lightronics was originally established in 1946 and has a strong tradition of solid, reliable products as well as being known for its innovation. Products are environmentally friendly in terms of energy use as well as in the prevention of light pollution.

Read more on page 29



Luxintec

Key products

- LED industrial luminaires
- LED retail and display luminaires
- Customised LED solutions
- LED optics

Market sectors

- Architectural
- Retail
- Industrial
- Automotive

Description

Based in Valladolid, in north-west Spain, Luxintec specialises in the design, development and manufacture of innovative and high performance LED luminaires and lighting systems.

Alongside its range of luminaires for a variety of market sectors, Luxintec designs and produces custom LED lighting solutions for emergency vehicles, general automotive and other customer applications.

Read more on page 30

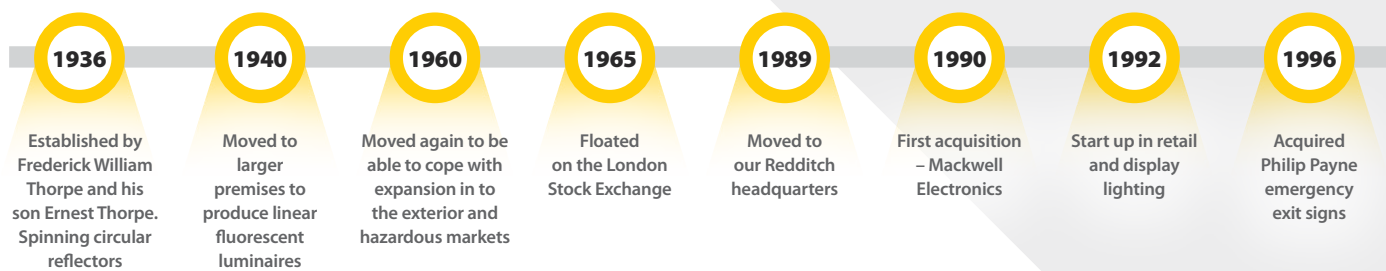
FW Thorpe At A Glance

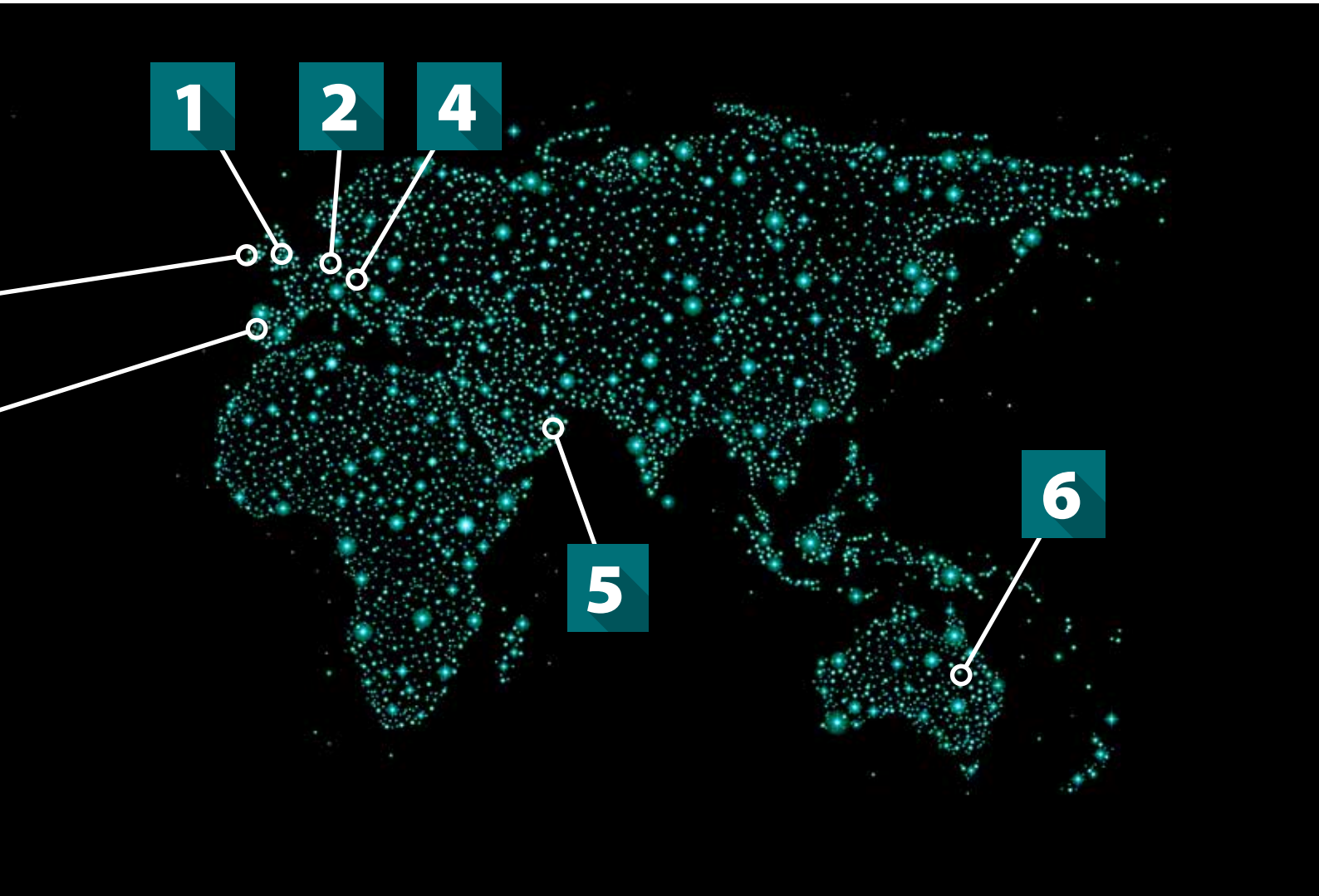
Our Global Footprint

- 1** **United Kingdom**
Thorlux Lighting, Compact Lighting, Philip Payne, Solite Europe, Portland Lighting, TRT Lighting
- 2** **Netherlands**
Lightronics
- 3** **Ireland**
Thorlux Lighting
- 4** **Germany**
Thorlux Lighting
- 5** **United Arab Emirates**
Thorlux Lighting
- 6** **Australia**
Thorlux Lighting Australasia
- 7** **Spain**
Luxintec



FW Thorpe Timeline





2005

Transferred to AIM

2009

Acquired Solite Europe Lighting for clean rooms

2011

Acquisition of Portland Lighting
Mackwell Electronics disposal

2013

Start-up company TRT Lighting
Entered the street lighting market

2014

Creation of an in-house LED printed circuit board production line
Ability to place 400,000 components per day

2015

Acquisition of Lightronics – Netherlands
Develop European market
Sugg Lighting disposal

2016

Investment in Luxintec – Spain
Target Spanish market and acquire lens specialism

Strategic Report

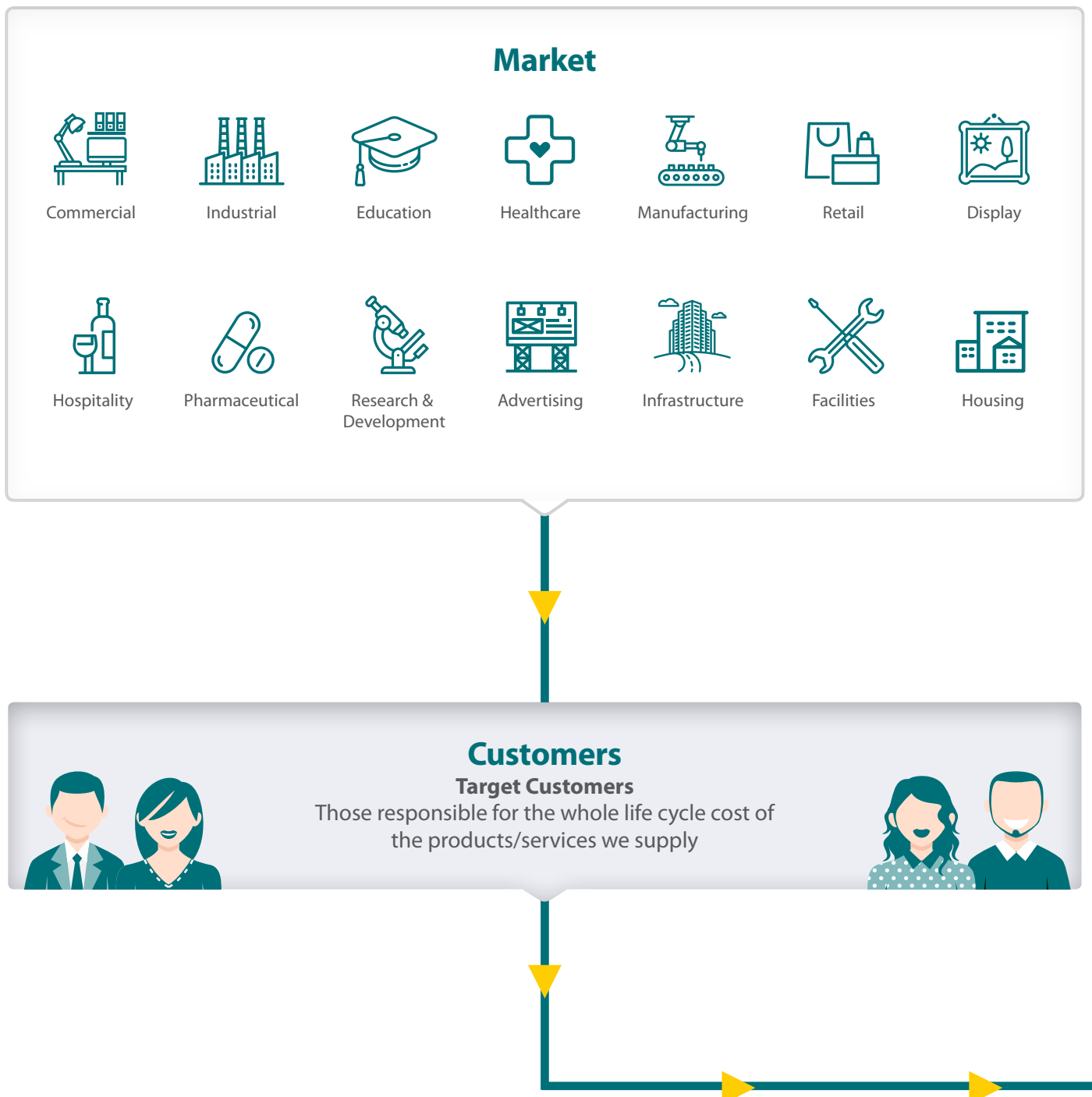
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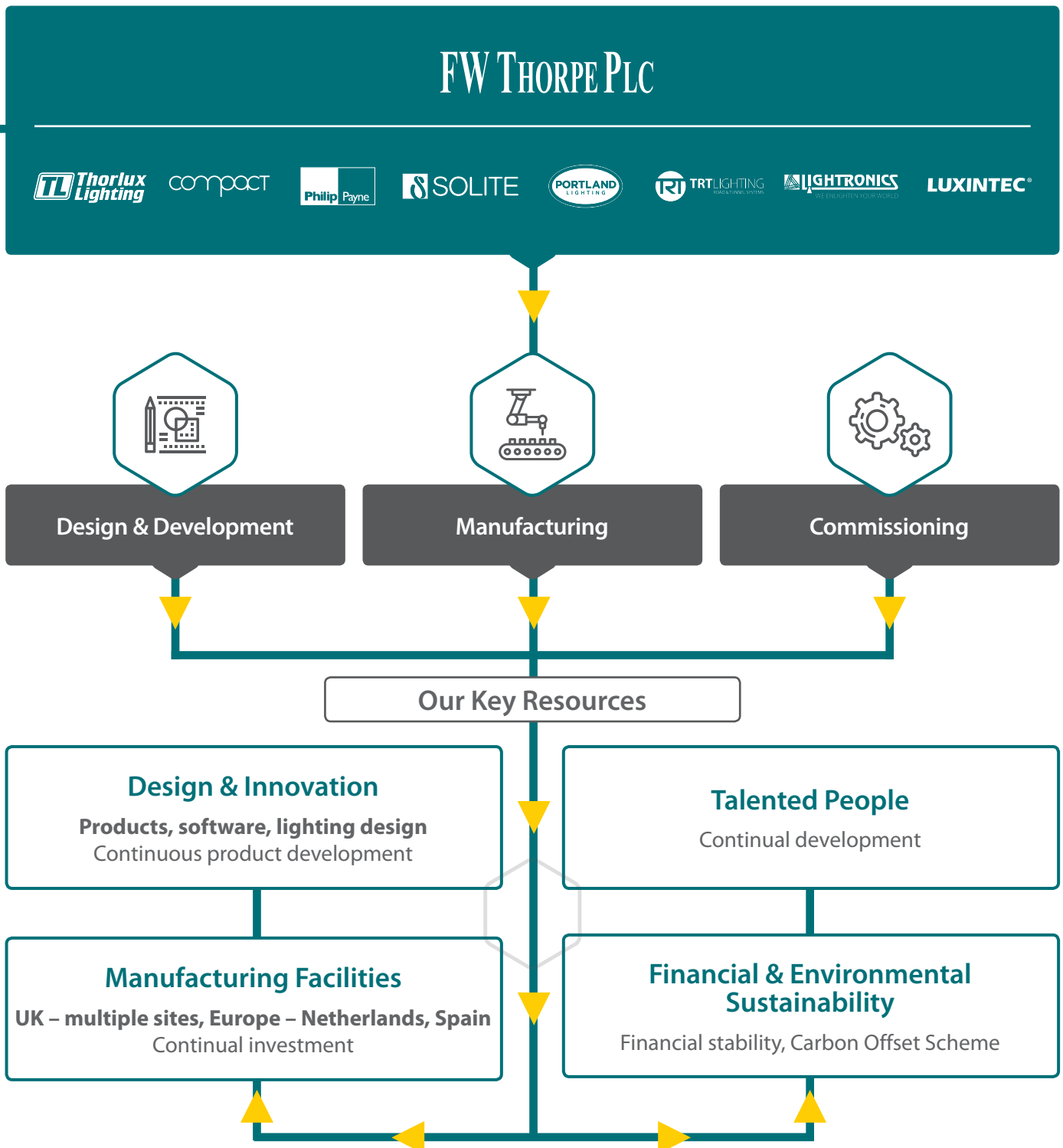
Business Model

Customers come to us for peace of mind. The correct technical solution, professional service, sustainability of products/services and the ability to support the customer during its warrantable life and beyond.

Our business model is focused on the needs of our customers and the marketplace, with a robust capital structure that underpins our ability to deliver sustainable growth, innovative products and excellent customer service.



- Read our strategy on pages 14 to 15
- See our installation case study on page 20



Chairman's Statement



Andrew Thorpe
Chairman



"... revenue reached a new high of £88.9m increasing 20.9% over the previous year."

In your company's 2015/16 financial year to 30 June 2016, I am pleased to report that revenue reached a new high of £88.9m increasing 20.9% over the previous year. Similarly operating profit rose to £16.2m, an increase of 18.1% in comparison to the year to June 2015. Once again investment income fell, due to a continuing reduction in general bank interest rates.

Most companies in the Group traded well during 2015/16 either maintaining or increasing revenue and profit in comparison to last year. Again, most credit should go to TRT Lighting, our road tunnel and street lighting company and to Lightronics BV, our Netherlands lighting company purchased last year, both of whom made substantial progress.

Whilst striving to go forward one must also be aware of where one's tail is. Our tail was trimmed during the 2014/15 year with the sale of Sugg Lighting. Well, when the tail has been trimmed then there is a new end to the tail. This new end is our Compact Lighting company; started by us in 1992 to design, produce and manufacture lighting for retailers. Discussions are in hand as to how the company can better address the retail sector.

LED continues to be an increasing percentage of Group sales and for most projects now the choice is LED. Parts of the Group still suffer inefficiencies in having to produce some "traditional" forms of lighting such as fluorescent and, less so, high intensity discharge products and this will continue until the component prices for this old technology increase further due to volume reductions. LED component prices are still reducing but at a slower pace than in the earlier days of LED. At some point the two costs will match and LED will be the only logical choice. Thorlux, within the Group, suffers most from this malaise although this year it has been possible to increase the number of old technology ranges being withdrawn. LED chip efficiency is still improving but also at a slower rate meaning that products throughout the Group are not having to be updated at quite such a furious pace as in recent years.

In the last financial year your Group purchased Lightronics BV in The Netherlands and this financial year we have made a €1.2m investment purchasing 40% of Luxintec SL

in Spain. This was mentioned as a Board approved intention in my six monthly report. Times are early but good progress is being made to see how we can assist this ostensibly LED lens manufacturer move deeper into the much larger luminaire market.

Group exports, with the assistance of offices, agents abroad and now with the inclusion of Lightronics, have increased during this financial year. A worthy increase considering that due to the costs of manufacturing in the UK exporters from the UK can only ever sell on attributes other than price. Business in the Group UAE office is building and there are some "nice" jobs on the not-too-distant horizon that should be secured. The office is currently down to two people but restoration of the third is imminent. Recent discussions with our UAE partner may lead to the cementing of relations with some local companies who could provide additional regular business.

Investments in this financial year have been many and varied but only the Luxintec SL investment of €1.2m and the refurbishment of the old Thorlux loading deck into 330 square metres of office space for £0.4m are of notable individual value. This new space allows Thorlux to increase the number of Lighting Scheme Design Engineers as the general move in the market is that many specifiers, though quite capable of producing their own lighting schemes, are preferring to ask those lighting companies being considered, to complete schemes for them. This requirement is, therefore, a commercial necessity rather than a luxury and is one affecting other companies in the Group similarly.

Investments in product design and development continue across the Group without hindrance and there are a number of exciting (in lighting terms) new developments to be introduced in the next year.

Performance for the year to 30 June 2016 allows your Board to recommend a final dividend of 2.85p per share (2015: 2.55p) which together with the interim and special dividends paid in April 2016 gives a total dividend for the year of 6.05p per share (2015: 3.65p). Excluding the special dividend this is an increase of 11.0%.

Thorlux Lighting

The largest part of the Group, with three hundred and ninety one people, and manufacturer of commercial and industrial lighting systems, Thorlux Lighting's figures show a solid performance with an increase in operating profit on flat revenues. These figures must, however, be viewed in the knowledge that approximately £1.0m of regular business was lost, in essence due to an American take-over of that customer. The new owners took a different view of how they wished to service their lighting needs. Further, there has been a notable reduction in certain areas of government spending where the company has been strong. Despite these setbacks Thorlux managed to maintain, although not increase, revenue.

The factory re-layout has been in full swing during the year and many small investments have been made renewing, updating and improving many elements of the manufacturing process. One fairly major investment at Thorlux during 2015/16 has been the transformation of an old loading deck into 330 square metres of office space at a cost of some £0.4m, and as mentioned earlier in this report.

The Thorlux Dusseldorf office in Germany with five people has performed well with sales of €2.3m in the year to 30 June 2016 and it is currently actively exploring ways to also allow Thorlux to expand coverage into Switzerland and Austria, with some orders having recently been received from the former. The office in Dublin, Ireland, with four people and revenue of €2.9m during the period also performed well. The joint venture in Australia has disappointed again, however, and as a result of the situation re-assessment as mentioned in my six monthly report we have agreed by mutual consent with our joint venture partner, to dissolve this partnership. This dissolution took place on 1 July 2016 with the result that FW Thorpe Plc via Thorlux Lighting is now 100% owner of Thorlux Australasia Pty.

I would like, at this time, to thank our Australian partner for his work and assistance in helping set up this venture and also to wish him continued success in his other business activities.

To counter various areas of business lacking in vitality at this time Thorlux has been concentrating on other areas of the market, with a bolstering of "Business Development" capabilities. Some areas of government spending have been squeezed but others are probably more buoyant than previously and the company has given more concentration to the latter with some notable success.

Further new contacts have been forged within the retail sector, not delving into Compact Lighting's sector of instore lighting but for back-of-house, warehousing and external requirements.

Compact Lighting

Compact Lighting is the new tail talked about in my opening remarks. It has not performed satisfactorily over many years and has in most of those years not been a net contributor to Group results. Its market is well served by many and various others who, like Compact, have restricted themselves to certain areas of retail lighting. In Compact's case, to certain areas of instore lighting.

Your Group Board is well aware that it must be looking to the "sharp end" but, at the same time, it must be cognisant of what is happening at the tail. Discussions must be developed into how Compact Lighting Ltd can work closer with Thorlux and be turned into an entity giving better service to the Group. There will be a concentration in this regard during 2016/17.

Philip Payne

"Payne's", manufacturer of specification exit signs with twenty three people has produced another set of pleasing results with another set of record revenue and profit figures.

UK trading has been reasonably buoyant but as mentioned last year the company has also been concentrating, via the Group UAE office, on marketing in a number of Middle East countries where incidences of fire driven disasters have led to strict regimes of design, technical ability and certification requirements for emergency lighting equipment. Philip Payne has all these attributes and some notable successes have been gained to reward their diligence in working to meet these criteria.

The desire to improve and expand continues at Payne's with investments throughout the year including the purchase from Thorlux of two press-brake sheet metal bending machines, replaced last year by Thorlux, and needed to replace their one unreliable machine. Payne's has also completed a necessary renewal of most hardware running the management system.

One or two notable projects supplied this year with Philip Payne exit systems are, to name but a few, The British Museum, The Palace of Westminster, Winchester Cathedral and Harrods.



"Thorlux Lighting's figures show a solid performance with an increase in operating profit on flat revenues."

Chairman's Statement



18.5%

Solite

... most successful year increasing revenue by 18.5% and operating profit by 71.0%



£15.6^m

Lightronics

... adding revenue of £15.6m and an operating profit of £2.1m ...

Solite Europe

Solite, maker of cleanroom lighting and with eighteen people had its most successful year increasing revenue by 18.5% and operating profit by 71.0%.

Well ensconced now in their new factory occupied last year Solite has taken over one or two ranges of more specialist products from Thorlux; products that are complementary to their current offering. These ranges have not yet really been appreciative to current performance, however.

Solite, to date, having looked to market their products in countries adjacent to our own are beginning to look further afield for opportunities in their specialist cleanroom sector.

Portland Lighting

The report on Portland Lighting, maker of lights for signs, with eighteen people, could be almost copied from last year.

It was recognised when we purchased Portland back in 2012 that there was a limited scope in the UK for great market strides in their niche area. Taking this, into account, however, Portland has performed admirably and "as expected" with sales and profit only edging up but maintaining its highest-in-the-Group profit to sales ratio.

Product sales in LED format have increased their percentage of the whole and trials of solar powered billboard lighting have been completed during the year with some success. I say "some success" as in many locations there are visual, space, or other locational restrictions which hamper the use of this type of technology in particular places.

Portland has made a move, during the year, to enter the export market but unfortunately this has met with a false start. Start number two is under consideration.

TRT

TRT, your Group's UK manufacturer of road tunnel and street lighting fittings with forty two people, has continued to make swift progress with sales and profit well ahead of last year.

One serious constraint has been a lack of space in the premises purchased for them at start-up and the lack of any suitable larger alternatives to purchase in the Redditch area. Since its inception TRT has relied in no insignificant terms on technical assistance from Thorlux and for storage and paintwork assistance and so, as it moves forward, it is advisable for the former to keep close to the latter. This arrangement has benefited both parties as it has also made good use of spare storage and powder coating capacity at Thorlux. There are one or two property opportunities on the horizon which we hope will move closer soon.

Component sourcing problems experienced during 2014/15 have to a large degree been mitigated by increasing stocks and sourcing some items nearer to home.

Many or most Group products end up being installed in buildings where we never enter so it is good to often see TRT products on our daily travels, lighting the streets. To mention one of many tunnel lighting projects in which TRT Lighting are involved, this year the main entry and exit tunnels to Heathrow Airport are being re-lit using a TRT LED lighting system.

Lightronics

Lightronics BV our Netherlands manufacturer of mainly outdoor lighting with fifty one people and purchased during the 2014/15 year performed very well. 2015/16 is the first year in which a full year's figures have been included in Group figures, adding revenue of £15.6m and an operating profit of £2.1m to those figures.

Their projects throughout the year have been for numerous Netherlands towns and cities, as well as major road lighting projects for Amsterdam. One may ask about synergies and possible exchange of products with TRT Lighting in particular but different countries light areas in different ways with national preferences and in this instance the Dutch often prefer more aesthetically orientated products for street lighting than the UK where a more functional approach is used. In this product area this has actually led, so far, to more Lightronics products being added to the TRT range than vice versa. Either way is good for the Group, however.

In regard to the Group wish for Lightronics to be a launch pad for Group commercial lighting systems into the Netherlands, this has started more slowly than we would have wished but times are early and a second Sales Engineer for this purpose has just been employed.

Luxintec

It was mentioned in the six monthly report that your Board has approved an investment of €1.2m to purchase a minority 40% shareholding in Luxintec SL and this investment has been completed.

Luxintec with thirty six people has designed and manufactured LED lenses for the Group with creditable success for a number of years and the majority owner and founder wished to expand his business into the much larger field of luminaire manufacture.

Times are very early here and, recognising that FW Thorpe PLC is a minority shareholder in this instance, talks as to how Luxintec can utilise Group designs to accomplish their wishes are ongoing.

Our wish, of course, is that by using Group designs and assistance Luxintec can grow substantially selling Spanish manufactured luminaires into their market; the "made in Spain" tab seemingly being an important one for them.

Carbon Offsetting

There has been no increase in plantings since last year's figure of 70,324 trees planted and this pause was signalled in last year's report. Your company is now a little behind in its carbon offset tree planting but this will most likely be made up this year as more government grants are now available!

The 3,000 or so trees destroyed due to the Hymenoscyphus fraxineus fungus (Ash die-back disease) have now been replaced with other types. Regrettably the other 7,000 Ash trees will also have to be destroyed and replaced imminently.

Despite our best efforts, offset tree planting purchases by our customers are still somewhat muted although, this year, we will be having another campaign to try and summon up interest.

This investment still, however, is often respectfully mentioned by many of our existing and potential customers and "green" credentials are becoming a more important criteria for numerous firms in their purchase considerations.

People

Last year I said that we have a serious number of personnel who have been with us 25 years and some well over 40 years.

Well, this year we celebrated one gentleman who has spent 50 years at Thorlux. Peter Corrigan started as an apprentice metal spinner at the age of fifteen years old. He worked through to lead the section and became our "Master Spinner". In later years he took up general and time study duties timing our various manufacturing operations. A cricket fan, the company booked a special London weekend for him and his wife including a limited over England versus Pakistan match. Regrettably two weeks before the weekend, he was taken ill and couldn't go.

We managed to retrieve most activities for a later weekend but unfortunately, despite our best efforts, we couldn't get England to play Pakistan again at the Oval!

Peter is now back with us looking well and much slimmer!

To all those others in the Group may I express my thanks for making 2015/16 another successful year.

The Future

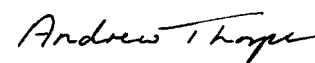
I seem to say it every year but, yet again, I must say that the future is uncertain but now for another and additional reason; "Brexit". Most world economies are still not buoyant and this just adds another economic unknown.

We will, however, continue to concentrate on areas we think best whilst still hearing but not necessarily acting upon what others tell us! Concentrate on selling to the BRICS our government told us! Brazil isn't doing so well, Russia is suffering with low oil prices and sanctions, India we don't hear of much, and China has a reducing growth rate. All of these countries, by the way, have very high protectionist import duties for foreign manufactured goods such as lighting equipment. We do, however, remain cautiously optimistic about the year ahead.

We will continue to concentrate in stable areas and where we have "advantage", be it our efficient durable products and systems for high energy cost markets, our reliable rugged industrial ranges for rugged industrial uses or whatever.

However events play-out people will always need lights.

We will continue on!



Andrew Thorpe
Chairman

Strategy

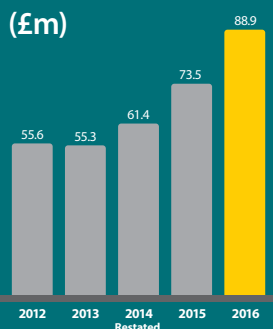
Our products are sold throughout the world. The Group management team is passionate about developing the business for the benefit of the shareholders, employees and customers. With the energy and ability of our staff we look forward to the future with enthusiasm. Our aim is to create shareholder value through market leadership in the design, manufacture and supply of professional lighting systems.

Our focus is for long term growth and stability, achieved through the following priorities:

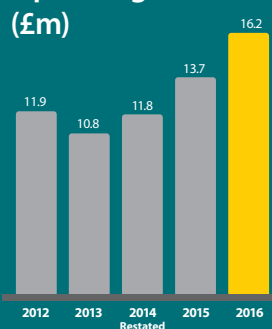
Priority	Progress to date
<p>1 Focus on high quality products and good leadership in technology</p> <p>Customers continually require new and innovative ways in which to reduce the operating costs of their lighting installations. There is also the requirement to reduce their environmental impacts.</p>	<ul style="list-style-type: none"> • Introduction of the SmartScan wireless system enhancing controls and emergency luminaire product ranges • Introduction of wireless controls and monitoring of street/amenity lighting • Introduction of new LED product ranges and existing ranges further enhanced • Access to lens and optical technology via investment in Luxintec
<p>2 Continue to grow the customer base for Group companies</p> <p>With the continued investment in the product portfolio and the broad range of sectors we can service, the focus will be on expanding our customer base in new markets and territories.</p>	<ul style="list-style-type: none"> • Acquisition of a stake in Luxintec providing access to Spanish speaking markets • Industrial sector targeted in The Netherlands utilising Lightronics
<p>3 Focus on manufacturing excellence</p> <p>Along with continued product development, the need to innovate the production process is essential.</p>	<ul style="list-style-type: none"> • Re-organisation of assembly section at Thorlux • Investment in vertical storage units at various sites to improve space utilisation
<p>4 Continue to develop high quality people</p> <p>One of our main sources of competitive advantage, it is imperative we continually develop and retain talent within the business.</p>	<ul style="list-style-type: none"> • Training and development • Apprenticeship scheme continues • Investment in Luxintec

Measuring strategic performance (KPIs) for our shareholders

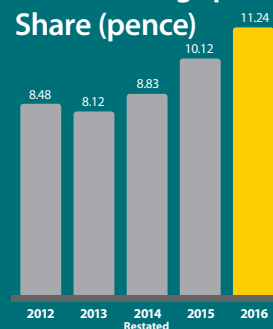
Revenue (£m)











Operating Profit (£m)




Basic Earnings per Share (pence)



 Read more about our risks on pages 22 to 23

Future opportunities	Associated risks
<ul style="list-style-type: none"> • Further development of the wireless controls product ranges • Continuous research and development 	 <ul style="list-style-type: none"> • Product acceptance • Initial product introduction
<ul style="list-style-type: none"> • Consider further sales offices overseas • Potential business development investment • Investment in sales personnel in the UK and overseas 	   <ul style="list-style-type: none"> • Short term cost increase without immediate return • Prolonged time required to establish FW Thorpe brands in new territories
<ul style="list-style-type: none"> • Continued investment in manufacturing facilities 	  <ul style="list-style-type: none"> • Reduced productivity whilst changes are implemented • Learning curve on introduction of new products and processes
<ul style="list-style-type: none"> • Continued investment in training and personnel development 	 <ul style="list-style-type: none"> • Ability to retain staff in competitive local job markets

 Read about our performance on pages 24 to 31

 For more information see our Chairman's Statement, pages 10 to 13

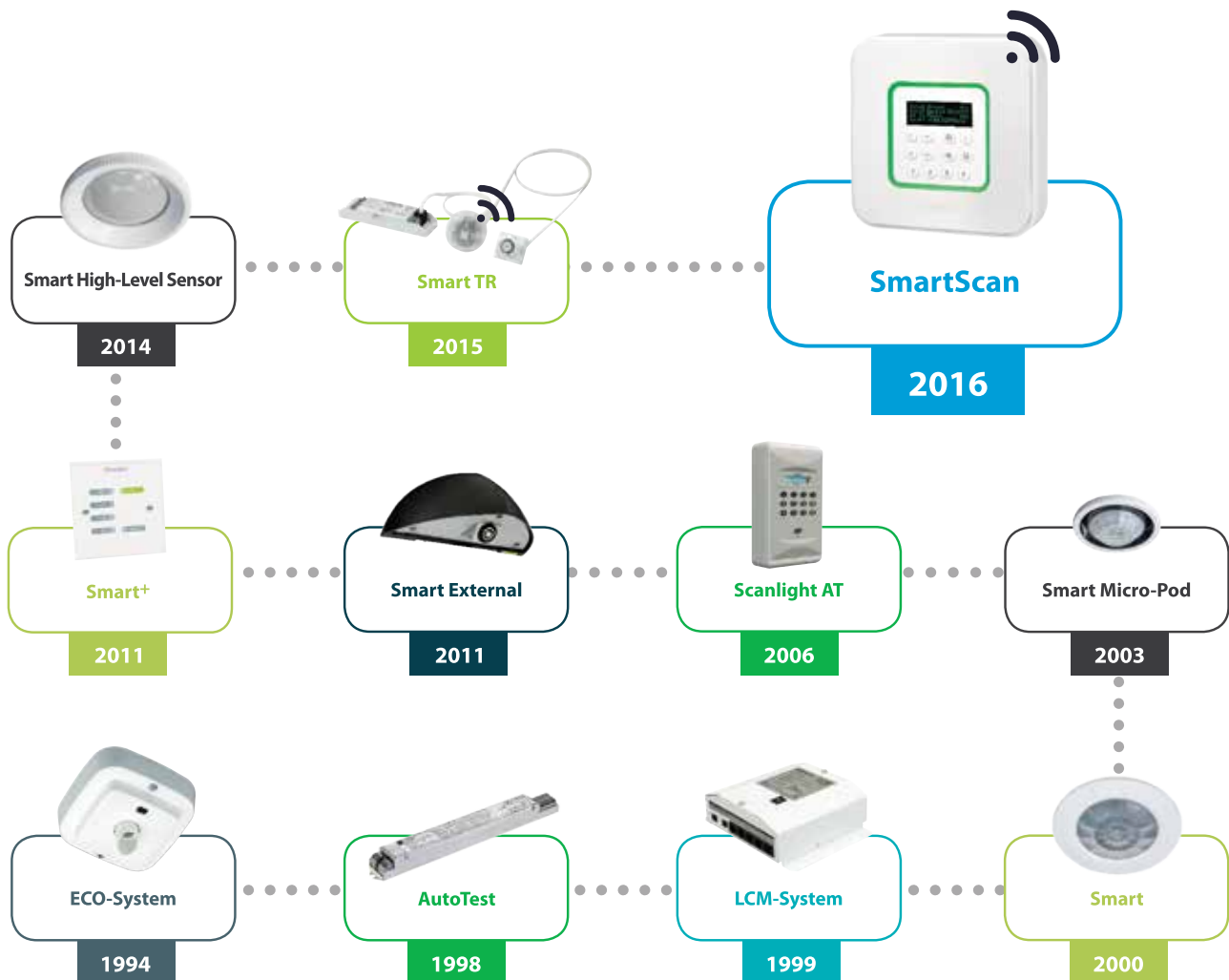
Introducing SmartScan

Thorlux Lighting – History of Lighting Controls

In 2000 Thorlux developed Smart, an energy efficient system to control indoor lighting, which has since been used in thousands of applications, from hospitals to warehouses. Following on from this, in 2011, Smart External was launched, this utilised the basic technology of Smart and tailored it specifically for external lighting control in car parks and other areas. The third system, Scanlight AT, an automatic testing system for emergency lighting, was developed back in 2006. Thorlux has now merged these three systems together into one wireless control system – SmartScan.

SmartScan uses mesh network technology so groups of luminaires are formed, not by hard wiring, but by addressing. Each device acts as a repeater, ensuring that data signals always find a suitable communication path.

The heart of the system is the SmartScan Gateway. This Gateway uses the mesh network to communicate with individual luminaires, sending out instructions such as emergency lighting automatic testing times. It also reads energy performance data and the emergency lighting status from SmartScan luminaires and transmits it to the World Wide Web for viewing using tablets, smart-phones, laptops and computers.



We have **wirelessly** combined our 3 market-leading systems:



Smart
Energy Efficient Indoor
Lighting Controls



Smart External
Energy Efficient External
Lighting Controls



Scanlight AT
Web-based Emergency
Lighting Testing
and Monitoring



Platform 1



Luminaires operate on a stand-alone basis: Smart luminaires link wirelessly in groups for presence detection and scene setting. Energy performance data can be retrieved using the SmartScan Programmer. Emergency luminaires are self-test with the addition that operational status information can be retrieved using the SmartScan Programmer.

Platform 2



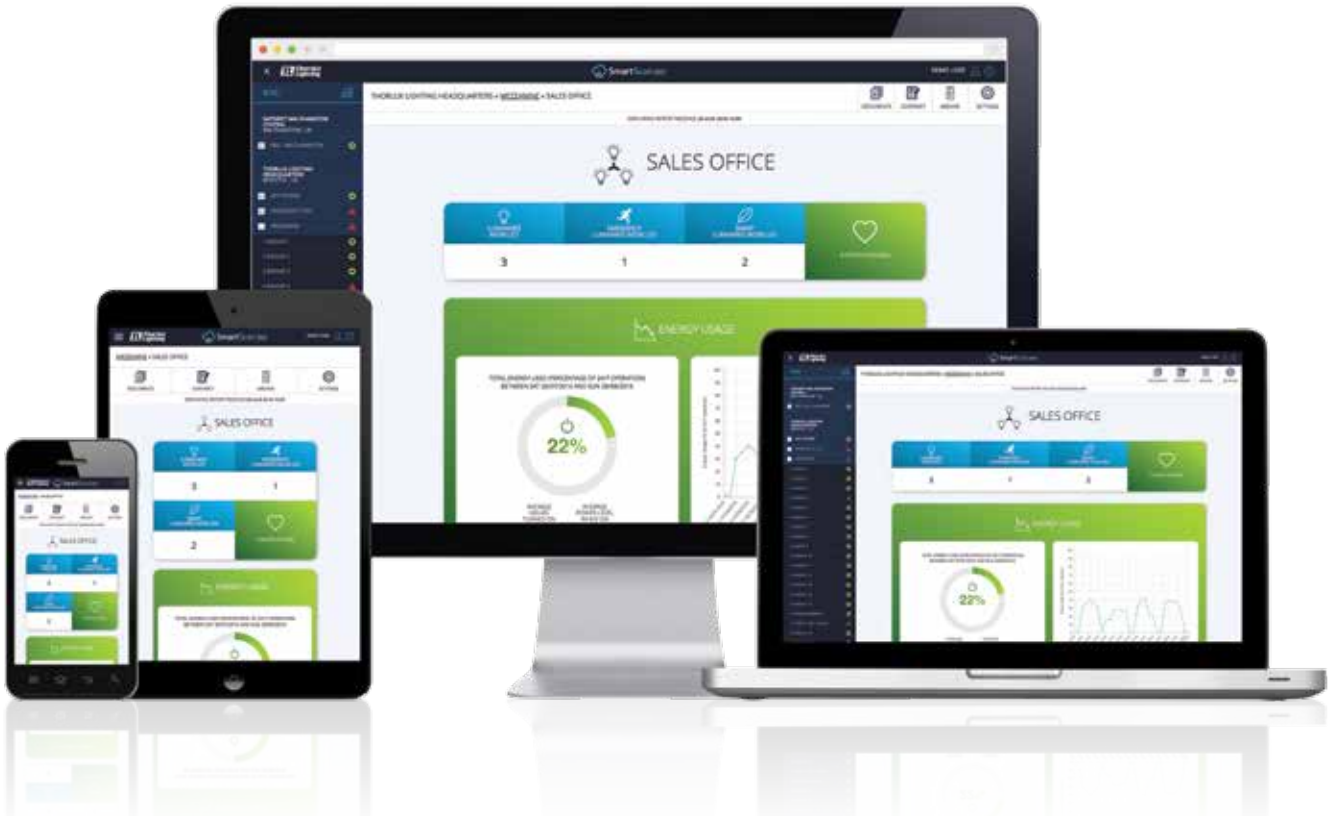
The same luminaires are also very simply wirelessly linked into a Gateway which collects and transmits their energy performance data and emergency lighting operational status information to the World Wide Web for viewing using tablets, smart-phones, laptops and computers.

Introducing SmartScan

SmartScan

Platform 2

Website



Delivers full energy performance reports.

Provides emergency lighting status information.

Controls emergency lighting testing dates/times.

Controls external lighting switching times.

User Friendly

The system is accessed using a web browser, there is no need for a specific App or piece of software.

Remote Access

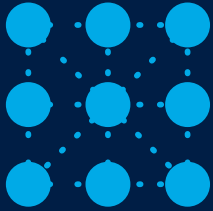
Records can be accessed remotely with a username and password.

Off-site Storage

Energy performance data, emergency lighting testing records, "as fitted" drawings, commissioning certificates and all the essential emergency lighting documentation is stored remotely on the web server but can be accessed by anyone who has a username and password.



What are the benefits?



System Flexibility

SmartScan utilises a wireless mesh network. Each device acts as a repeater, ensuring that data signals always find a suitable communication path. Groups are easily created and changed providing future flexibility without altering wiring.



Excellent Wireless Reliability

An operational frequency of 868MHz (922MHz in Australasia) provides excellent transmission distances and better penetration of signals.



Efficient Communication

Intelligent algorithm with low transmission of data – transmits less than 1% of total time (99% of time wireless is off) - reduces wireless traffic increasing reliability.



Intelligent Connectivity

Software uses simple wait before transmit logic to ensure error free transmissions.

Platform 2



Reduced Installation Costs

The SmartScan Gateway and compatible Smart, Smart External and emergency luminaires simply require a mains connection. All communication cables are replaced by the mesh network so there is no need for data cables, additional power supplies, control modules.



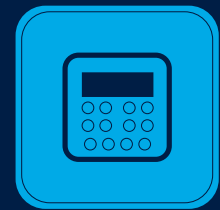
Simple and Fast Commissioning

Using a single robust hand held infra-red programmer all luminaire types can be very quickly and easily commissioned, and all operational settings can be fine tuned in the future if desired.



Made in the UK

Customer assurance that the system and luminaires are fully compatible - designed and manufactured by Thorlux in the UK. SmartScan builds on the ultra reliable first wireless generation of Smart - SmartTR.



Powerful Information Collection

The SmartScan Gateway uses the mesh network to communicate with individual luminaires, sending out instructions such as emergency lighting automatic testing times. It also reads energy performance data and the emergency lighting status from SmartScan luminaires and transmits it to the World Wide Web for viewing using tablets, smart-phones, laptops and computers.

Case Study – Oxford University Hospitals

Background

2015/16 saw Thorlux complete a number of projects; of these, a key project for Oxford University Hospitals demonstrated Thorlux's all-round capabilities, from supplying energy saving products to now co-ordinating their installation.

The Hospital Energy Project

Oxford University Hospitals is a world renowned centre of clinical excellence and one of the largest NHS teaching trusts in the UK. The Trust is made up of four hospitals: the John Radcliffe Hospital (which includes the Children's Hospital, West Wing, Eye Hospital, Heart Centre and Women's Centre), the Churchill Hospital and the Nuffield Orthopaedic Centre, all located in Oxford, and the Horton General Hospital in Banbury, north Oxfordshire.

The Hospital Energy Project is an Oxford University Hospitals initiative to improve the patient environment, decrease carbon emissions and reduce energy costs. It includes replacing over 6,000 lights, alongside installing a new combined heat and power engine and building management system. Thorlux were commissioned to deliver lighting solutions for the project.

The Lighting Assignment

The Thorlux lighting solution encompassed a range of activities to deliver target energy savings of 1,746,301 kWh per annum. These included:

- Full hospital surveys to identify the optimal areas for energy saving.
- Lighting design to ensure the right product strategy for the right application.
- Manufacturing and supplying products.
- Installing and commissioning the solution.

The lighting component of the project was completed in June 2016.



Key Highlights

- Over 6,000 luminaires replaced in five months.
- Annual saving in excess of 1,746,301 kWh per year.
- Turnkey supply and installation solution.

Key Benefits

- Annual saving of £115,000 on electricity.
- New luminaires that are up to 90% more efficient.
- 3,200 fewer lamp replacements per year.
- Estates Department call-out rate reduced by over 20%.
- Improved, brighter working environment in patient and staff areas.

Hospital Example

In the basement on Level 0 of the John Radcliffe Hospital, 12,000 uniforms are fitted and 3.5 million items of linen are handled for laundering each year. The Linen and Laundry Service is carried out by 13 staff, four of whom are seamstresses. The staff's working environment was transformed by upgrading the lighting as part of the Hospital Energy Project.

Michelle Redhead, Linen and Laundry Services Manager, explains:

“The difference is dramatic. We need bright light for the fine sewing work we do, and previously relied on individual lamps to boost the overhead lighting – but not any more!

The new lighting is 100% brighter, and people coming in now are taken aback at how bright it is here. It is so much better. We were slightly dreading the inconvenience of the work, as we thought it would be disruptive, but it wasn't. They worked around us and there was no disruption at all.

It has been brilliant. We really can't believe the change.”

More information on the Oxford Hospitals' Hospital Energy Project can be found on the Hospitals' website: www.ouh.nhs.uk/about/developments/energy/default.aspx

← Oxford Heart Centre

← AVIC

← Outpatients & Echocardiography



Marshall's Fun

KEVIN BAINES ICE CREAM

Cafe



Principal Risks and Uncertainties

Risk policy and framework

The Board is responsible for the identification and effective management of risks posed to the Group. Due to the impact certain risks could pose, the Board regularly reviews the likelihood of risks occurring and the potential impact they could have on the business.

Detailed below is a list of the principal risks facing the business, and the corresponding actions the Board are currently taking in order to manage them.

Area of risk	Type of risk	Description of risk
A Adverse economic conditions	Strategic	<ul style="list-style-type: none"> Deferred or reduced capital investment plans in market sectors, which our products are supplied into and are key sources of revenue for the Group
B Changes in government legislation or policy	Strategic	<ul style="list-style-type: none"> Reduction in public sector expenditure and changing policy increases risk to our order book Uncertainty of free access to EU markets
C Competitive environment	Strategic	<ul style="list-style-type: none"> Existing competitors, powerful new entrants and continued evolution of technologies in the lighting industry eroding our revenue and profitability
D Price changes	Operational	<ul style="list-style-type: none"> Erosion of revenue and profitability
E Business Continuity	Operational	<ul style="list-style-type: none"> The majority of the Group's revenues are from products manufactured in the Redditch facility
F Credit Risk	Financial	<ul style="list-style-type: none"> The Group offers credit terms which carries risk of slow payment and default
G Movements in currency exchange rates	Financial	<ul style="list-style-type: none"> The Group is exposed to transaction and translation risks. With some natural hedging in EUR this risk is primarily with changes in the GBP:USD rates



Read our strategy on pages 14 to 15



Read our performance on pages 24 to 31

Key



Increase in risk



No change in risk



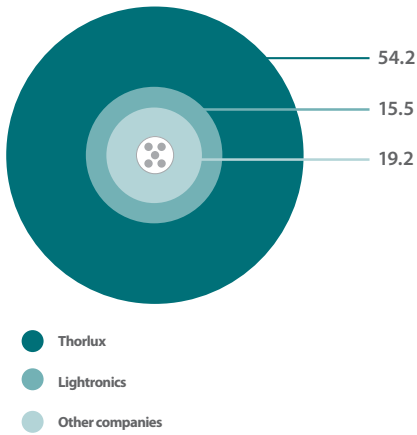
Decrease in risk

Mitigation of risk	Possible impact on performance	Strategic priorities impacted upon	Change in period
<ul style="list-style-type: none"> Broad range of customers in differing sectors High quality, technically advanced products to differentiate the Group from competitors Actively seek to identify new opportunities to ensure we maximise our potential of winning new business 	High	<div style="display: flex; flex-wrap: wrap;"> <div style="width: 50%; text-align: center;">1</div> <div style="width: 50%; text-align: center;">2</div> <div style="width: 50%; text-align: center;">4</div> </div>	▲
<ul style="list-style-type: none"> 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 Develop sales in new markets 	Medium	<div style="display: flex; flex-wrap: wrap;"> <div style="width: 50%; text-align: center;">2</div> <div style="width: 50%; text-align: center;">4</div> </div>	▲
<ul style="list-style-type: none"> Offering innovative products and service solutions that are technologically advanced products to enable us to differentiate ourselves from our competitors Investing in research and development activities to produce new and evolving product ranges Investing in new production equipment to ensure we can keep costs low and maintain barriers to new market entrants 	Medium	<div style="display: flex; flex-wrap: wrap;"> <div style="width: 50%; text-align: center;">1</div> <div style="width: 50%; text-align: center;">2</div> <div style="width: 50%; text-align: center;">3</div> <div style="width: 50%; text-align: center;">4</div> </div>	=
<ul style="list-style-type: none"> 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 the loss of market share from a lack of competitiveness 	Medium	<div style="display: flex; flex-wrap: wrap;"> <div style="width: 50%; text-align: center;">1</div> <div style="width: 50%; text-align: center;">2</div> </div>	▲
<ul style="list-style-type: none"> High level of importance attached to environmental management systems, health and safety and preventative maintenance Insurance cover is maintained to provide financial protection where appropriate 	High	<div style="display: flex; flex-wrap: wrap;"> <div style="width: 50%; text-align: center;">2</div> <div style="width: 50%; text-align: center;">3</div> </div>	=
<ul style="list-style-type: none"> Credit policy includes an assessment of the bad debt risk and management of higher risk customers The Group maintains a credit insurance policy for a significant proportion of its debtors 	Low	<div style="display: flex; flex-wrap: wrap;"> <div style="width: 50%; text-align: center;">2</div> </div>	=
<ul style="list-style-type: none"> The Group has increased its sourcing of materials to maintain a natural hedge to offset its currency risk from EUR receivables and is considering alternatives to minimise the USD risk 	Low	<div style="display: flex; flex-wrap: wrap;"> <div style="width: 50%; text-align: center;">2</div> </div>	▲

Performance

FW Thorpe – Group Performance

Group total revenue (£m) exc. Intercompany



2016 Group Company Overview

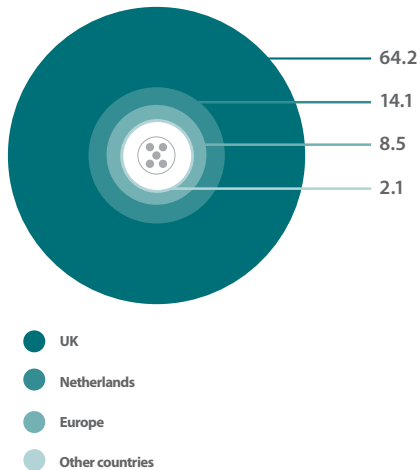
FW Thorpe PLC is a group of individual companies that concentrate on particular market sectors and, in recent years, certain geographical locations. The Group has extended its geographical reach with the establishment of a sales office in the UAE, the acquisition of Lightronics in the Netherlands, and, more recently, with investment in Luxintec SL in Spain (see page 30 for further details) and by assuming full control of Thorlux Australasia Pty in Australia following FW Thorpe's buy-out of its joint venture partner in July 2016.

The Group has continued to progress in many areas, with numerous new product introductions, investment in manufacturing facilities and penetration into new markets. This progress is underpinned by the development of market-leading lighting equipment and the delivery of excellent customer service.

The following is an overview of the year for each company.

The companies within the Group face different challenges within their respective markets, but all share product and technical expertise that is particularly beneficial with the continuing development and market adoption of LED and lighting control technology.

Sales by region (£m)



Thorlux Application Centre, Redditch

Thorlux – Revenue £57m, +0%



Pershore College, Pershore

Whilst revenue has remained at a similar level to the previous year, the number of orders received during 2015/16 achieved another record high and operating profit also improved when compared with the previous year.

Thorlux supplies the broadest product range of the FW Thorpe Plc companies, covering multiple market sectors in both the public and private sectors. Thorlux continues to be the driving force behind product development for the rest of the Group.

Product development has continued to be a key focus during 2015/16 with the introduction of SmartScan (see page 16 for further details), a wirelessly integrated control and emergency lighting system that can now be offered across the entire Thorlux range of products. This system combines two systems that were already hugely successful in their own right: Smart for lighting controls and Scanlight for emergency lighting. The new system will provide a number of additional benefits,

not least the ability to retrieve via the internet data about how the lighting is performing, and the ease of installation, due to wireless communication.

Following a number of years of capital investment in manufacturing, 2015/16 has been a year of consolidation. New vertical storage units have been added to maximise the use of available space in the factory. This has enabled the layout of the assembly process to be expanded and further streamlined.

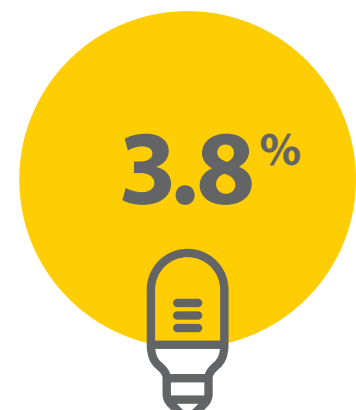
From a selling perspective, Thorlux has penetrated new markets with its supply and installation service. A number of projects have been completed where Thorlux has taken responsibility for not only supplying the lighting, but also installing and commissioning the project as well. This has resulted in additional revenue of £1.7m that would otherwise have been lost to competitors.



“... the number of orders received during 2015/16 achieved another record high and operating profit also improved when compared with the previous year.”

With the introduction of SmartScan and the focus on new business sectors such as supply and installation, Thorlux will continue to develop opportunities to grow the business during the next financial year and beyond. Exploiting the expanding global footprint of the Group will be especially important to counteract any impact from the UK's decision to separate from the European Union. From a foundation of innovation and market leading customer service, Thorlux will continue to strive for growth over the next few years.

Increase in operating profit



Performance

Compact Lighting – Revenue £3.9m, -26%



Bentley, Leicester

Compact operates in the retail, display and hospitality sectors. With challenging delivery schedules and competitive pricing, these markets can be particularly demanding. Despite an improved result in 2014/15, the business has taken a disappointing step backwards in 2015/16.

Business with new customers has been secured but unfortunately on a smaller scale than anticipated, as these customers award initial orders before any major roll-out work is placed. There has also been some success with a new market for Compact: car showrooms. Projects have been undertaken with the likes of Bentley, Ferrari and Audi during the year. We remain positive that these new relationships will prove fruitful in the future, justifying our decision to invest in the sales organisation and new product tooling.

Compact continues to invest in developing LED products to strengthen its reputation as an LED innovator, in conjunction with investment in product tooling to differentiate the company from the competition. Products launched this year have included many Hi-Bar variants (a linear product providing recessed or suspended continuous lines of light) and a new small downlighter, the Mina-S.

In the future the company will continue to promote the Compact brand to a wider audience, develop the export business further, and support Group selling activities with its tooled product portfolio and manufacturing capabilities.

Philip Payne – Revenue £2.5m, +9%

The architects' choice, Philip Payne has achieved another record year in terms of revenue and return on sales. When it comes to lighting specifications for emergency exit signage for the UK's premier construction and refurbishment projects, Philip Payne remains one of the preferred options.

This year has seen considerable investment in a number of new products designed to maximise the increases in lumen performance afforded by the latest generation of LEDs. These products maintain the design sympathy expected by their core audience, to ensure that the Philip Payne brand continues to be the default choice for emergency lighting within the architectural community.

Product variants include high power versions to comply with local UAE standards as part of Philip Payne's strategy to maximise opportunities from the Group's UAE operations. The launch of an emergency

lighting control offering during this last trading period has been well received in the UAE, where safety regulations are vigorously enforced, with Philip Payne systems being successfully commissioned on a number of prestigious projects.

Back at home, the brand continues to be successful, winning its biggest order ever: to provide the emergency lighting systems at the £300 million brainchild of the Duke of Westminster, the Defence and National Rehabilitation Centre. The centre, located in 358 acres near Loughborough, will provide clinical rehabilitation for injured British military personnel as well extending expertise for civilians with life changing injuries. Alongside this, Philip Payne has enjoyed better than normal success, adding to its prestigious list of completed projects, including ongoing works at the Royal Albert Hall, BBC and Birmingham Hippodrome, plus new refurbishments at the Lowry Theatre in

Manchester, Meadowhall Shopping Centre, the Australian Embassy and Donald Trump's Turnberry Resort.

2016/17 will see further investment in the product portfolio, the introduction of wireless communication for certain product ranges, and investment in key manufacturing capabilities.



Winchester University, Winchester

Solite – Revenue £2.6m, +19%

Growth at Solite continues. The specialist cleanroom lighting manufacturer has enjoyed its best performance since joining the Group in 2009. Orders, revenue and operating profit all surpassed previous highs.

Affirming the decision to invest in new facilities, the first full year of production in the new factory in Stockport has provided the platform for Solite to record previously unmatched sales volumes in 2015/16. The new factory has provided an ideal environment to introduce systems, processes and procedures that were unachievable at the previous site because of physical constraints. With work now completed on the product demonstration area the transition is complete, making Solite's Stockport factory one of the most modern facilities in the Group.

Following its investments in machinery, the company is able confidently to pitch for larger projects, affording economies of scale and improving efficiency and profitability. Further investments in the sales force have given Solite the opportunity to expand from its core clean area lighting markets into other niche lighting sectors that require the element of flexible manufacturing which has been pivotal to recent growth.

The new financial year will start with a good order book and a focus on a new sector that is complementary to the Solite product range, as well as continued development of the clean area specifications and healthcare projects.



Salford Royal, Salford

Portland Lighting – Revenue £3.5m, +3%

Portland Lighting, the externally illuminated sign lighting company that the Group acquired in 2011, continues to provide excellent returns. 2015/16 was another successful year, with the company servicing a very demanding customer base. The company turns around in excess of 100 customer orders most days, many for delivery on the same or the following day.

The addition of solar powered derivatives to the range has broadened product appeal among clients that need to illuminate signs and billboards in locations where the provision of mains electricity may be problematic or costly. Whilst the opportunity to use solar power may have limited appeal in the UK, the potential in sunnier climates is greater. With a strategy to increase its focus on exports, the company can expect more opportunities to use solar technology.

The company's sales and marketing focus continues to be on external shop front sign lighting, the brewery trade and the advertising billboard companies. 2016/17 will see Portland increase its focus on expanding its export market while continuing to build on its share of the UK market.



Storagebase Self Storage, Wednesbury

Performance

TRT Lighting – Revenue £8.3m, +95%

2015/16 has been another record year for TRT, building on the positive performance of 2014/15. A number of large scale orders for both street and tunnel lighting have generated a significant increase in profitability.

TRT has secured and delivered a major project during the year, with the lighting of the main passenger tunnel at Heathrow Airport. Heathrow is the busiest UK airport and the world’s second busiest cargo port. The public can only access terminals 2, 3 and 4 via the quad bore 630 metre road tunnel which passes under the northern runway. This tunnel serves 41 million passengers per year and is now lit by 1,316 Verso luminaires controlled by 1,661 individually addressable electronic DALI drivers.

Production facilities have continued to be improved to meet the increased demand. Investment has been made to increase the available space within the factory by introducing vertical storage units and reorganising the factory layout; this has resulted in the business being able to cope with recent demand for up to 5,000 units per month.

Street lighting projects remain competitive, particularly from a price perspective. TRT has secured new projects in Lincolnshire and Milton Keynes, as well as continued business in Warwickshire, Worcestershire and a number of London boroughs. The company has also won amenity lighting projects, working alongside Thorlux. Projects have included lighting for car parks in retail and roadways at airports, as well as installations in the education and healthcare sectors.

TRT starts 2016/17 with a good order book from a street lighting perspective, but with margins under pressure due to the weakening pound against both the US dollar and euro. Improvement of margins will remain a focus, as well as continued development of products and improved efficiency in the order to delivery process.



“TRT has secured and delivered a major project during the year, with the lighting of the main passenger tunnel at Heathrow Airport.”



Heathrow Main Tunnel, Hounslow

Lightronics – Revenue £15.6m, new addition

Acquired in April 2015, this is the first full year for Lightronics within the FW Thorpe Group. It has been an excellent year, with record orders, revenue and profitability – Lightronics has outperformed all expectations.

Lightronics focuses on the street, amenity and impact proof lighting segments in the Netherlands and Northern Europe. A good proportion of the growth can be attributed to two main projects: a €2m street lighting project in Amsterdam, and a €0.9m cycle path illumination project. Both projects demonstrate key characteristics of this business: production flexibility, supply chain management and speed of product development. To satisfy the demanding delivery schedule for the Amsterdam project, new premises were secured and additional assembly capacity created within only a few weeks.

One aspect of FW Thorpe's strategic plan when acquiring Lightronics was to enter the industrial and emergency lighting segments. Given the demands placed on the Lightronics business during the year, progress has not been as expected; however, a recruitment and marketing plan has commenced, with some small successes for Lightronics selling Thorlux products into its home market and its own products into the UK market via TRT and Thorlux.

Product development is a key part of the Lightronics business, as it is for all FW Thorpe companies. During the year, Lightronics has further developed its wireless control software and hardware for street lighting, with initial trials underway in its local area. Wireless control products enable users to control street lighting and retrieve operational data remotely, and will be further developed during the coming year.

The challenge for Lightronics in 2016/17 will be to achieve a similar remarkable result again. The focus will be on continued product development of street lighting controls as well as nurturing the industrial and emergency segments by selling Thorlux products into the Netherlands.



“It has been an excellent year, with record orders, revenue and profitability.”



Cycle Path Lighting, Netherlands

Introduction to LUXINTEC®

In March 2016, FW Thorpe acquired a 40% interest in Luxintec SL – specialists in the design, development and manufacturing of LED lighting systems including sophisticated light control optics such as LED lenses.

Based in Valladolid in the north west of Spain, the company has continued to grow since its inception in 2006. Thorlux was one of Luxintec’s inaugural customers, for the design and development of an early Thorlux LED lens now widely used in the Thorlux Scanlight system. Along with the production of custom LED lighting solutions for emergency vehicles, general automotive and other custom applications, Luxintec offers an impressive range of LED luminaires serving a variety of market sectors.

Main growth to date has been achieved in the local Spanish market, but the company also has key clients in northern Europe and Scandinavia. Initially, the product focus was on the retail sector; however, with innovative designs for high power LED luminaires, the company has successfully migrated into more industrial applications, winning favour against conventional lighting schemes on a number of large scale warehouse and factory projects.



Existing manufacturing facility in Valladolid

Luxintec has a strong research and development ethos: the company has developed patented lenses for its luminaires, which are manufactured under its ISO 9001 (quality management system) licence at its ISO 14001 (environmental management system) approved location.

As part of a jointly approved investment plan, Luxintec will move to a new facility which is currently under construction and due for completion during 2017. Along with Luxintec’s current sales and marketing operation and impressive product development services, the new factory will house the modern production services and surface mount line and will see the

planned introduction of new production technologies, making the Luxintec factory one of the best equipped facilities in the Group.

Following FW Thorpe’s investment in Luxintec, it is hoped that this partnership will lead to opportunities across the Group for further product diversity and sales into new territories.



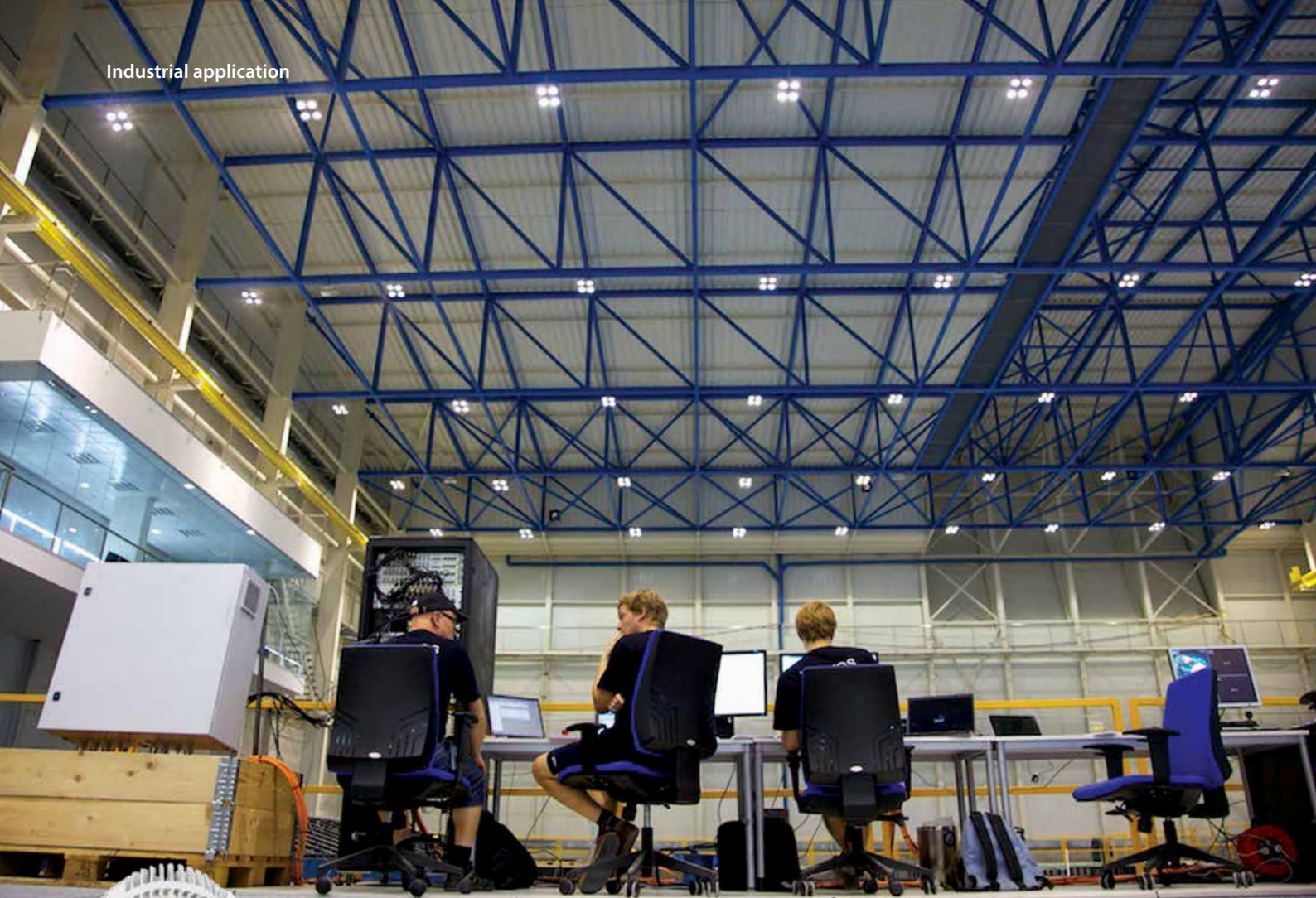
Members of the Luxintec sales team meet FW Thorpe directors at the Light & Build exhibition, Frankfurt in March 2016 to toast the future

Luxintec

40% shareholding at a cost of

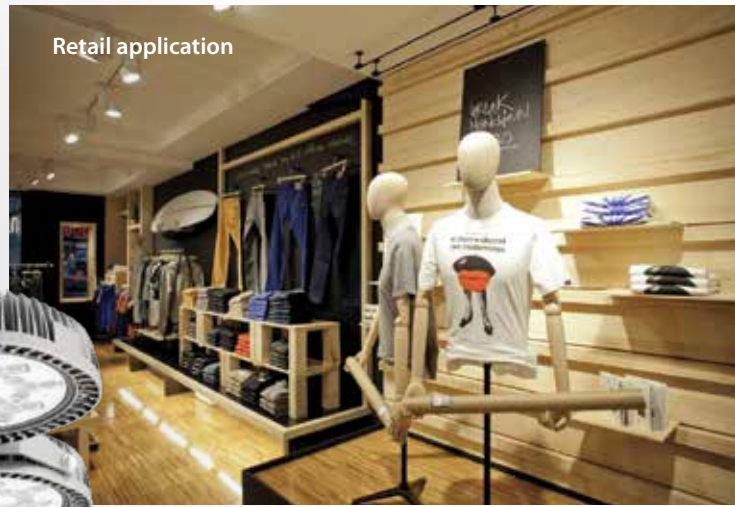


Industrial application



Luxer – LED product with specially designed lenses

Retail application



Retail application



Governance

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Independent Auditors' Report to the members of FW Thorpe Plc	44



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.

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



David Taylor
Managing Director,
Philip Payne.

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



Ian Thorpe
Non-Executive Director

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



Colin Brangwin
Non-Executive Director

After joining the company in 1963, Colin was appointed a director in 1969, later as joint Managing Director, and in 1995 was appointed Chairman. He became non-executive Chairman in 2000, resigning from this role on 30 June 2003.



Peter Mason
Non-Executive Director

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

Registrars

Equiniti
Aspect House
Spencer Road
Lancing
BN99 6DA

Registered Office

Merse Road
North Moons Moat
Redditch
Worcestershire
B98 9HH

Registered No

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

Directors' Report

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.

Business review

The trading results for the year are set out in the Consolidated Income Statement on page 48 and the Group's financial position at the end of the year is set out in the Consolidated and Company Statement of Financial Position on page 50. A review of the performance of the business during the financial year and expected future developments are contained in the Chairman's Statement and the Performance section which form part of the Strategic Report.

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 revenue 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 risk and uncertainties

The table on pages 22 and 23 details 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 has financial risks and seeks to minimise and manage these by incorporating controls into key functions as part of the normal business operation.

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.

Financial Review

The directors have pleasure in submitting their annual report and the audited consolidated financial statements of the Group and the company for the year ended 30 June 2016.

Results and dividends

Revenue increased by 20.9% to £88.9m. Excluding the acquisition of Lightronics, the increase in revenue was 4.4%. Operating profit also showed an improvement of 18.1% to £16.2m (6.5% excluding Lightronics) benefiting from the improved profitability at TRT and Lightronics, as well as the Thorlux business.

Net finance income declined during the year to £0.1m (2015: £0.7m), primarily due to payments made in relation to the acquisition of Lightronics.

The taxation charge reflects an effective tax rate of 20.1% (2015: 18.7%). This is higher than the rate in the previous year due to tax relief for R&D expenditure being replaced by an R&D expenditure credit and a higher tax rate in the Netherlands.

On 5 April 2016, the company paid an interim dividend of 1.20p per share (2015: 1.10p) and a special dividend of 2.00p per share (2015: nil) amounting to £3,701,000 (2015: £1,272,000). A final dividend of 2.85p (2015: 2.55p) per ordinary share is proposed amounting to £3,297,000 (2015: £2,950,000) and, if approved, will be paid on 24 November 2016. Total dividends paid during the year amounted to £6,651,000 in aggregate (2015: £5,552,000). The final dividend for 2015 was paid on 19 November 2015.

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, UAE Dirhams 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 2016 or 30 June 2015.

Pension scheme position and funding

A triennial actuarial valuation at 30 June 2015 has been completed. This valuation showed that the pension scheme position remains in surplus 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 £1,681,000 (2015: £1,542,000) 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 one 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 (2015: 41).

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.

Environment

The Group is committed to minimising the environmental impact of both its manufacturing processes and its products. However, even with the most responsible approach, some carbon dioxide (CO₂) will be released into the atmosphere as an indirect result of factory and selling activities and customers' use of luminaires.

In 2009, FW Thorpe designed an ambitious carbon offsetting scheme to help compensate for these emissions. The scheme is now accredited under the Woodland Carbon Code and now has 70,324 trees planted. The Group requires some 8,000 or so plantings per annum to offset the CO₂ produced by our operations.



Directors' Report

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.

Modern slavery

Our Modern Slavery Act disclosure is published on our corporate website (www.fwthorpe.co.uk) in the responsibility section.

Charitable gifts

During the year the Group gave £5,563 (2015: £7,372) for charitable purposes. This is made up of donations to UK charities for children's welfare of £150, cancer care of £350, healthcare of £100, educational schemes of £2,550, emergency aid and homelessness of £50 and local causes of £2,363.

Directors

The directors of the company during the year and at the date of this report are set out on pages 34 and 35.

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

Directors' Share Interests

The details of the directors' share interests are set out in the directors' remuneration report on page 43.

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 41 to 43.

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 12 October 2016, the company had received notification of the following interests in 3% or more of the issued share capital, excluding holdings of directors:

FMR LLC 6,619,000 shares (5.6%)

Mrs B Thorpe 4,759,389 (4.0%)

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

In previous years, at the Annual General Meeting, shareholders have been asked to pass resolutions to authorise the directors to allot shares for cash or to grant rights to subscribe for, or to convert any security into, shares in the company and to allow them to do so (and also to sell treasury shares) in certain circumstances without first offering the shares in question to existing shareholders.

As the directors have no intention of exercising these authorities, it has been decided not to renew them at the forthcoming Annual General Meeting.

This will not, however, prevent shares from being allotted or treasury shares being sold to individuals who exercise options under any share option scheme of the company.

Purchase of Own Shares

Resolution number 8 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 12 October 2016 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 2017. 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 re-appointment will be proposed at the next Annual General Meeting.

Going Concern

The directors confirm that they are satisfied that the Group and company have adequate resources, with £18.3m cash and £14.9m 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.

Approval of Strategic and Directors' Report

The directors confirm that the information contained within the Strategic Report on pages 6 to 31 and the Directors' report on pages 36 to 39 is an accurate representation of the Group's strategy and performance.

By order of the Board



C Muncaster

Director
12 October 2016
Registered Office:
Merse Road
North Moons Moat
Redditch
Worcestershire
B98 9HH

Company Registration Number: 317886

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 IFRSs 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

12 October 2016

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

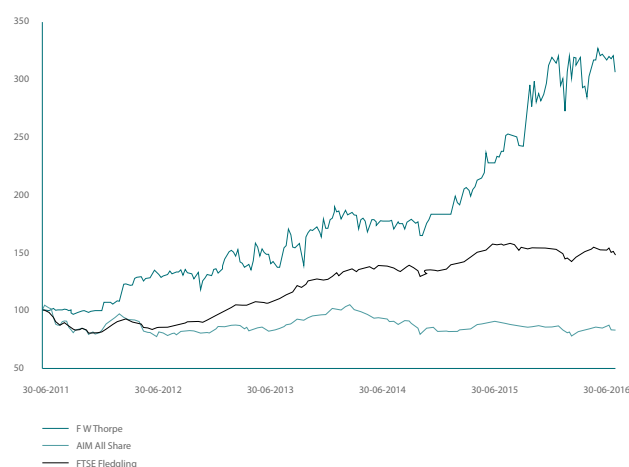
The Board as a whole determines the remuneration of the non-executive directors. The Board takes into account the contribution made and the relative time spent on the company's affairs. The non-executive directors do not receive bonuses. Their benefits in kind consist of the provision of health insurance.

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.



Directors' Remuneration Report

Directors' Emoluments (Audited)

	2016 Salary/fees £'000	2016 Bonus £'000	2016 Benefits £'000	2016 Total £'000	2015 Total £'000
Executive directors					
A B Thorpe	212	145	27	384	370
M Allcock	221	150	13	384	359
D Taylor	114	66	16	196	172
A M Cooper	127	89	11	227	206
C Muncaster	140	102	12	254	225
Non-executive directors					
C M Brangwin	26	–	11	37	37
I A Thorpe	26	–	14	40	40
P D Mason	26	–	4	30	30
Total emoluments	892	552	108	1,552	1,439

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, HMRC 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 2016 £pa	Director's contributions during the year £	Change in value of accrued pension since 30 June 2015 £pa
M Allcock	48	65	108,120	15,571	19,891
D Taylor	54	65	63,776	7,083	7,237

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.

	2016 £'000	2015 £'000
A M Cooper	10,737	10,767

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

	2016 £'000	2015 £'000
C Muncaster	11,933	10,983

Directors' Shareholdings

The directors listed below were in office during the year. Directors' interests in the share capital of the company at 30 June 2016 and 1 July 2015 were as follows:

	Ordinary shares of 1p Beneficial	
	2016	2015
Executive directors		
A B Thorpe	27,602,700	27,602,700
M Allcock	114,000	114,000
D Taylor	55,913	55,913
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

On 21 January 2016 C M Brangwin reduced his joint non-beneficial interest in 1,700,000 shares to nil shares (2015: 1,700,000 shares).

The market price of the company's shares at the beginning and end of the financial year was 175p and 224p respectively and the range of market prices during the year was from 174p to 250.7p.

Executive Share Ownership Plan (ESOP)

Share options were granted during 2014, under the company's ESOP, to the company's executive directors and certain directors of subsidiary companies. The plan allows the vesting of options subject to the achievement of performance targets, being annual growth of pre-tax Earnings Per Shares in excess of RPI plus 3% over a five-year period. The options that were granted to the executive directors are detailed in the table below:

	A B Thorpe	M Allcock	D Taylor	A M Cooper	C Muncaster
Date Granted	24 October 2014	24 October 2014	24 October 2014	24 October 2014	24 October 2014
Share Options	200,000	200,000	200,000	200,000	200,000
Exercise price (p)	124	124	124	124	124

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 2016 to 12 October 2016.

Approved by the Board and signed on its behalf by:



C Muncaster

Director
12 October 2016

Independent Auditors' Report to the Members of FW Thorpe Plc

Report on the financial statements

Our opinion

In our opinion:

- FW Thorpe Plc's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 30 June 2016 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 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.

What we have audited

The financial statements, included within the Annual Report, comprise:

- the Consolidated and Company Statement of Financial Position as at 30 June 2016;
- the Consolidated Income Statement and Consolidated Statement of Comprehensive Income for the year then ended;
- the Consolidated and Company Statement 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 the preparation of the financial statements is 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, and applicable law.

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.

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 Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("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.

What an audit of financial statements involves

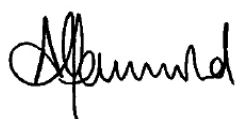
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report 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.



Andrew Hammond (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
12 October 2016

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Consolidated Income Statement

For the year ended 30 June 2016

	Notes	2016 £'000	2015 £'000
Continuing operations			
Revenue	2	88,946	73,544
Cost of sales		(50,000)	(41,314)
Gross profit			
Distribution costs		(8,455)	(6,181)
Administrative expenses		(14,532)	(12,331)
Other operating income		236	–
Operating profit	3	16,195	13,718
Finance income	7	702	727
Finance costs	7	(627)	–
Share of loss of equity accounted investments	32	(1)	(50)
Profit before income tax			
Income tax expense	8	(3,270)	(2,691)
Profit for the year from continuing operations			
Loss for the year from discontinued operations		–	(253)
Profit for the year			
		12,999	11,451

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	2016 pence	2015 pence
– Basic	Continuing operations	24	11.24	10.12
– Diluted	Continuing operations	24	11.21	10.11
– Basic	Discontinued operations	24	–	(0.22)
– Diluted	Discontinued operations	24	–	(0.22)
– Basic	Total	24	11.24	9.90
– Diluted	Total	24	11.21	9.89

The notes on pages 54 to 87 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 £13,661,000 (2015: £11,118,000).

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2016

	Notes	2016 £'000	2015 £'000
Profit for the year:		12,999	11,451
Other comprehensive income/(expenses)			
Items that may be reclassified to profit or loss			
Revaluation of available-for-sale financial assets			
– Arising in year	15	(74)	(152)
– Reclassified in year		–	–
Exchange differences on translation of foreign operations			
– Arising in year		1,627	(21)
– Reclassified in year		–	–
Taxation	23	60	30
		1,613	(143)
Items that will not be reclassified to profit or loss			
Actuarial loss on pension scheme	30	(1,285)	(247)
Movement on unrecognised pension scheme surplus	30	1,095	18
		(190)	(229)
Other comprehensive income/(expense) for the year, net of tax		1,423	(372)
Total comprehensive income for the year attributable to equity shareholders		14,422	11,079

The notes on pages 54 to 87 form part of these financial statements.

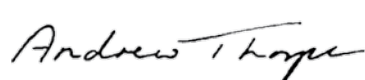
Consolidated and Company Statement of Financial Position

As at 30 June 2016

	Notes	Group		Company	
		2016 £'000	2015 £'000	2016 £'000	2015 £'000
Assets					
Non-current assets					
Property, plant and equipment	11	14,900	13,834	8,525	7,848
Intangible assets	10	15,183	14,349	3,381	3,558
Investment in subsidiaries	31	–	–	13,682	13,682
Investment property	14	2,131	2,171	6,926	7,027
Loans and receivables	29	4,980	4,760	4,980	4,760
Equity accounted investments	32	936	–	936	–
Available-for-sale financial assets	15	3,348	3,018	3,348	3,018
Deferred tax assets	23	27	17	–	–
		41,505	38,149	41,778	39,893
Current assets					
Inventories	18	18,863	17,762	11,311	11,817
Trade and other receivables	19	21,914	19,698	22,988	18,169
Other financial assets at fair value through profit or loss	20	389	389	389	389
Short-term financial assets	16	14,910	9,358	14,910	9,358
Cash and cash equivalents	17	18,295	19,176	16,471	18,868
Total current assets		74,371	66,383	66,069	58,601
Total assets		115,876	104,532	107,847	98,494
Liabilities					
Current liabilities					
Trade and other payables	21	(16,700)	(14,656)	(13,504)	(12,062)
Current income tax liabilities		(1,963)	(2,051)	(1,601)	(1,515)
Total current liabilities		(18,663)	(16,707)	(15,105)	(13,577)
Net current assets		55,708	49,676	50,964	45,024
Non-current liabilities					
Retirement benefit deficit	30	–	–	–	–
Other payables	21	(4,619)	(3,838)	(4,619)	(3,838)
Provisions for liabilities and charges	22	(1,088)	(102)	(507)	(102)
Deferred income tax liabilities	23	(799)	(1,021)	(600)	(835)
Total liabilities		(25,169)	(21,668)	(20,831)	(18,352)
Net assets		90,707	82,864	87,016	80,142
Equity					
Share capital	25	1,189	1,189	1,189	1,189
Share premium account	26	656	656	656	656
Capital redemption reserve	26	137	137	137	137
Foreign currency translation reserve	26	1,606	–	–	–
Retained earnings		87,119	80,882	85,034	78,160
Total equity		90,707	82,864	87,016	80,142

The notes on pages 54 to 87 form part of these financial statements.

The financial statements on pages 48 to 87 were approved by the Board on 12 October 2016 and signed on its behalf by




A B Thorpe

C Muncaster

Company Registration Number: 317886

Consolidated Statement of Changes in Equity

For the year ended 30 June 2016

	Notes	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Foreign currency translation reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 July 2014		1,189	656	137	–	75,305	77,287
Comprehensive income/(expense)							
Profit for the year to 30 June 2015		–	–	–	–	11,451	11,451
Actuarial loss on pension scheme	30	–	–	–	–	(247)	(247)
Movement on unrecognised pension scheme surplus	30	–	–	–	–	18	18
Revaluation of available-for-sale financial assets	15	–	–	–	–	(152)	(152)
Movement on associated deferred tax	23	–	–	–	–	30	30
Exchange differences on translation of foreign operations		–	–	–	–	(21)	(21)
Total comprehensive income		–	–	–	–	11,079	11,079
Transactions with owners							
Dividends paid to shareholders	9	–	–	–	–	(5,552)	(5,552)
Share based payment charge	6	–	–	–	–	50	50
Total transactions with owners		–	–	–	–	(5,502)	(5,502)
Balance at 30 June 2015		1,189	656	137	–	80,882	82,864
Comprehensive income/(expense)							
Profit for the year to 30 June 2016		–	–	–	–	12,999	12,999
Actuarial loss on pension scheme	30	–	–	–	–	(1,285)	(1,285)
Movement on unrecognised pension scheme surplus	30	–	–	–	–	1,095	1,095
Revaluation of available-for-sale financial assets	15	–	–	–	–	(74)	(74)
Movement on associated deferred tax	23	–	–	–	–	14	14
Impact of deferred tax rate change	23	–	–	–	–	46	46
Transfer to foreign currency translation reserve		–	–	–	(21)	21	–
Exchange differences on translation of foreign operations		–	–	–	1,627	–	1,627
Total comprehensive income		–	–	–	1,606	12,816	14,422
Transactions with owners							
Dividends paid to shareholders	9	–	–	–	–	(6,651)	(6,651)
Share based payment charge	6	–	–	–	–	72	72
Total transactions with owners		–	–	–	–	(6,579)	(6,579)
Balance at 30 June 2016		1,189	656	137	1,606	87,119	90,707

The notes on pages 54 to 87 form part of these financial statements.

Company Statement of Changes in Equity

For the year ended 30 June 2016

	Notes	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 July 2014		1,189	656	137	72,882	74,864
Comprehensive income/(expense)						
Profit for the year to 30 June 2015		–	–	–	11,118	11,118
Actuarial loss on pension scheme	30	–	–	–	(247)	(247)
Movement on unrecognised pension scheme surplus	30	–	–	–	18	18
Revaluation of available-for-sale financial assets	15	–	–	–	(152)	(152)
Movement on associated deferred tax	23	–	–	–	30	30
Exchange differences on translation of foreign operations		–	–	–	13	13
Total comprehensive income		–	–	–	10,780	10,780
Transactions with owners						
Dividends paid to shareholders	9	–	–	–	(5,552)	(5,552)
Share based payment charge	6	–	–	–	50	50
Total transactions with owners		–	–	–	(5,502)	(5,502)
Balance at 30 June 2015		1,189	656	137	78,160	80,142
Comprehensive income/(expense)						
Profit for the year to 30 June 2016		–	–	–	13,661	13,661
Actuarial loss on pension scheme	30	–	–	–	(1,285)	(1,285)
Movement on unrecognised pension scheme surplus	30	–	–	–	1,095	1,095
Revaluation of available-for-sale financial assets	15	–	–	–	(74)	(74)
Movement on associated deferred tax	23	–	–	–	14	14
Impact of deferred tax rate change	23	–	–	–	42	42
Transfer to foreign currency translation reserve		–	–	–	–	–
Exchange differences on translation of foreign operations		–	–	–	–	–
Total comprehensive income		–	–	–	13,453	13,453
Transactions with owners						
Dividends paid to shareholders	9	–	–	–	(6,651)	(6,651)
Share based payment charge	6	–	–	–	72	72
Total transactions with owners		–	–	–	(6,579)	(6,579)
Balance at 30 June 2016		1,189	656	137	85,034	87,016

The notes on pages 54 to 87 form part of these financial statements.

Consolidated and Company Statements of Cash Flows

For the year ended 30 June 2016

	Notes	Group		Company	
		2016 £'000	2015 £'000	2016 £'000	2015 £'000
Cash flows from operating activities					
Cash generated from operations	27	18,946	13,315	13,737	10,894
Tax paid		(3,323)	(1,280)	(2,307)	(1,254)
Net cash generated from operating activities		15,623	12,035	11,430	9,640
Cash flows from investing activities					
Purchases of property, plant and equipment		(2,543)	(3,271)	(1,782)	(1,409)
Proceeds from sale of property, plant and equipment		122	167	85	139
Purchase of intangibles		(1,764)	(1,621)	(1,404)	(1,418)
Purchase of subsidiary (net of cash acquired)		–	(6,392)	–	(8,700)
Disposal of subsidiary		–	(561)	–	(327)
Purchase of investment property		(28)	(36)	(24)	(1,340)
Purchase of available-for-sale financial assets		(404)	(100)	(404)	(100)
Sale of available-for-sale financial assets		–	371	–	371
Equity accounted investments acquired	32	(936)	–	(936)	–
Property rental and similar income		74	154	348	409
Dividend income		177	149	1,973	1,414
Net (purchase)/sale of deposits		(5,552)	6,280	(5,552)	6,280
Interest received		314	301	217	304
Receipt of loan notes		200	1,261	200	1,261
Net cash used in investing activities		(10,340)	(3,298)	(7,279)	(3,116)
Cash flows from financing activities					
Repayment of borrowings		–	(1,920)	–	–
Dividends paid to company's shareholders	9	(6,651)	(5,552)	(6,651)	(5,552)
Net cash used in financing activities		(6,651)	(7,472)	(6,651)	(5,552)
Effects of exchange rate changes on cash		487	–	103	–
Net (decrease)/increase in cash in the year		(881)	1,265	(2,397)	972
Cash and cash equivalents at beginning of year	17	19,176	17,911	18,868	17,896
Cash and cash equivalents at end of year		18,295	19,176	16,471	18,868

The notes on pages 54 to 87 form part of these financial statements.

Notes to the Financial Statements

For the year ended 30 June 2016

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 and company 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 2015 or later periods. These new pronouncements are listed below:

Amendment to IAS 1, "Presentation of financial statements on the disclosure initiative" (effective 1 January 2016)
 Amendment to IFRS 10 and IAS 28 on investment entities applying the consolidation exemption (effective 1 January 2016)
 Amendment to IFRS 10 and IAS 28 on sale or contribution of assets (effective 1 January 2016)
 Amendments to IAS 27, "Separate financial statements" on the equity method (effective 1 January 2016)
 Amendments to IAS 16, "Property, plant and equipment" and IAS 41, "Agriculture", regarding bearer plants (effective 1 January 2016)
 Amendment to IAS 16, "Property, plant and equipment" and IAS 38, "Intangible assets", on depreciation and amortisation (effective 1 January 2016)
 Amendments to IFRS 11 "Joint Arrangements" on acquisition of an interest in a joint operation" (effective 1 January 2016)
 Annual improvements 2014 (effective 1 January 2016)
 IFRS 14, "Regulatory deferral accounts" (effective 1 January 2016)
 IFRS 15, "Revenue from contracts with customers" (effective 1 January 2017)
 IFRS 9, "Financial Instruments" (effective 1 January 2018)
 IFRS 15 "Revenue from contracts with customers" (effective 1 January 2018)
 IFRS 16 "Leases" (effective 1 January 2019)

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.

No new or amended standards were adopted for the year ending 30 June 2016.

The accounts for the year ended 30 June 2015 have been delivered to the Registrar of Companies, and the auditors' report was unqualified and did not contain a statement under section 498(2) and (3) of the Companies Act 2006.

The financial statements are presented in pounds sterling, rounded to the nearest thousand.

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.

Equity accounted investments

The Group's interests in equity accounted investments comprise interests in joint ventures and an associate.

Joint ventures are all entities over which the Group exercised joint control. Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Investments in joint ventures and associates 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 equity accounted investments 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 equity accounted investments 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 each equity accounted investment 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, when it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Revenue is subsequently recognised based upon the goods and services provided, when these goods have been delivered to the customer or the service performed, excluding VAT and trade discounts.

Interest income

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

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

Dividend income

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

Notes to the Financial Statements

For the year ended 30 June 2016

1 Accounting Policies *continued*

Segment reporting

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

The Group is organised into eight operating segments based on the products and customer base in the lighting market. The largest businesses, on an ongoing basis, are Thorlux and Lightronics Participaties B.V. 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, Solite Europe Limited, Portland Lighting Limited, TRT Lighting Limited and Thorlux Lighting LLC.

Pension costs

The Group operates a hybrid defined benefit and defined contribution pension scheme. The basis of the Group's 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.

1 Accounting Policies continued

Foreign currencies

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

Taxation

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

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

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

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and 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%–10%
Plant and equipment	10%–33%

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date. Assets are reviewed for impairment where there is an indication that the carrying value may not be recoverable.

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

Leases

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

Notes to the Financial Statements

For the year ended 30 June 2016

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.

In the company accounts land and buildings (and integral fixtures and fittings) not occupied by the company are included within investment property.

Investments in subsidiaries

Investments in subsidiaries are held at cost less impairment. Cost includes directly attributable costs of investment.

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 the 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, and 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.

Notes to the Financial Statements

For the year ended 30 June 2016

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 Cartwright Benefit Consultants 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 is 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, 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 16) 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.

Notes to the Financial Statements

For the year ended 30 June 2016

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 regard to the cash resources is 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 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.

Share based payments

Senior executives of the Group receive remuneration in the form of share based payments. The fair value of the shares or share options granted is recognised over the vesting period to reflect the value of the employee services received. The charge relating to grants to employees of the company is recognised as an expense in the profit and loss account.

The fair value of options granted, excluding the impact of any non-market vesting conditions, is calculated using established option pricing models. The probability of meeting non-market vesting conditions, which include profitability targets, is used to estimate the number of share options which are likely to vest.

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 eight 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 recently acquired Lightronics business is a material subsidiary, and is therefore disclosed separately. 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, Solite Europe Limited, Portland Lighting Limited, TRT Lighting Limited and Thorlux Lighting LLC.

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	Lightronics £'000	Other companies £'000	Inter- segment adjustments £'000	Total continuing operations £'000
Year to 30 June 2016					
Revenue to external customers	54,157	15,524	19,265	–	88,946
Revenue to other group companies	2,409	60	2,401	(4,870)	–
Total revenue	56,566	15,584	21,666	(4,870)	88,946
Operating profit	11,699	2,103	2,189	204	16,195
Net finance income					75
Share of loss of joint venture					(1)
Profit before income tax					16,269

Year to 30 June 2015

Revenue to external customers	54,192	3,275	16,077	–	73,544
Revenue to other group companies	2,329	–	1,781	(4,110)	–
Total revenue	56,521	3,275	17,858	(4,110)	73,544
Operating profit	11,267	481	1,944	26	13,718
Net finance income					727
Share of loss of joint venture					(50)
Profit before income tax					14,395

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

(b) Geographical analysis

The Group’s business segments operate in four main areas: the UK, the Netherlands, 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.

	2016 £'000	2015 £'000
UK	64,231	61,317
Netherlands	14,113	3,899
Europe	8,529	6,239
Other countries	2,073	2,089
	88,946	73,544

The vast majority of assets and capital expenditure are in the UK, and cannot be split geographically in relation to the Group’s revenues.

Notes to the Financial Statements

For the year ended 30 June 2016

3 Group Operating Profit

	2016 £'000	2015 £'000
Group operating profit is stated after charging/(crediting):		
Profit on sale of property, plant & equipment	(89)	(102)
Rental income from investment property	(126)	(118)
Depreciation of investment property	68	–
Depreciation of property, plant & equipment		
– owned property	1,455	1,300
Operating lease rentals		
– plant and machinery	245	149
– other	239	207
Amortisation of intangible assets	2,277	1,484
Research and development expenditure credit	(236)	–
Currency (gains)/losses recognised in income statement	(45)	234

Services provided by the company's auditors

	2016 £'000	2015 £'000
Fees payable to the company's auditors for audit of consolidated and company financial statements	89	49
Fees payable to the company's auditor and its associates for other services		
Audit of company's subsidiaries	48	90
Taxation advisory services	–	5
	137	144

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.

Other operating income consists of the research and development expenditure credit of £236,000 (2015: £nil). This is a credit provided by the UK government for carrying out research and development. In prior years this credit was included as a deduction from the tax expense.

4 Other Gains – Net

Other financial assets at fair value through profit or loss (note 20)

	2016 £'000	2015 £'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:

	2016 Number	2015 Number
Production	273	258
Sales and distribution	135	119
Administration	183	170
Total average headcount	591	547

Employment costs of all employees (including executive directors)

	2016 £'000	2015 £'000
Wages & salaries	20,519	18,794
Social security costs	2,115	1,912
Other pension costs	1,074	941
	23,708	21,647

Other pension costs include contributions to pension schemes and other employer's pension related charges comprising life assurance of £80,000 (2015: £73,000), pension administration and professional charges of £94,000 (2015: £95,000) and private pension schemes amounting to £71,000 (2015: £77,000).

Contributions to the defined contribution section amounted to £261,000 (2015: £276,000) and contributions to other schemes administered independently of the FW Thorpe pension schemes amounted to £327,000 (2015: £202,000).

Directors' Emoluments

	2016 £'000	2015 £'000
Aggregate emoluments	1,552	1,439
Contributions to money purchase schemes	23	22
	1,575	1,461

Highest paid director

	2016 £'000	2015 £'000
Total of emoluments and amounts receivable	384	370

In addition the highest paid director is a pensioner of the retirement benefits scheme with an annual pension of £138,000 (2015: £134,000).

At 30 June 2016 retirement benefits were accruing to M Allcock and D Taylor (2015: M Allcock and D Taylor) under the defined benefit scheme and to A M Cooper (2015: A M Cooper) under the defined contribution scheme.

Further details are provided in the directors' remuneration report on pages 41 to 43.

Notes to the Financial Statements

For the year ended 30 June 2016

6 Share Based Payment Charge

The Group operates a share based remuneration scheme, created to motivate and retain those employees responsible for the continued success of the Group.

The Executive Share Ownership Plan (ESOP) allows for 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.

Under IFRS 2, an expense is recognised in the income statement for share based payments, calculated on the fair value at the date of grant. The application of IFRS 2 gave rise to a charge of £72,000 (2015: £50,000) for the period.

At 30 June 2016, there were no options exercisable (2015: nil) under the ESOP.

a) Details of changes in the number of awards outstanding during the year are set out below:

	Options	Exercise price (p/s)
Outstanding at 1 July 2015	1,700,000	124
Granted during the year	–	–
Exercised during the year	–	–
Forfeited during the year	–	–
Lapsed during the year	–	–
Outstanding at 30 June 2016	1,700,000	124

The weighted average contractual life of the share based payments outstanding at the end of the year is 8.3 years.

b) Fair value calculations

The fair value of the share options granted during the year were calculated using the methods, principle assumptions and data set out below:

Method used	Black-Scholes
Date of grant	24 October 2014
Share price at date of grant (p/s)	124
Exercise price (p/s)	124
Expected option life (years)	3 – 7
Vesting period (years)	3 – 7
Expected volatility	23% – 28%
Expected dividend yield	3.02%
Risk free rate	1.06% – 1.90%
Fair value per share (p/s)	18.61 – 21.07

Expected volatility was determined by calculating the annualised standard deviation over the daily changes in the share price, and measured against historical share price movements over the number of years vesting period prior to the grant of the options.

Cash-settled share based payment charge

Arising from the acquisition of Lightronics Participaties B.V., the Group entered into a cash-settled share based payment arrangement with certain employees of Lightronics Participaties B.V. Under this arrangement, the Group is committed to purchase the 43% of the share appreciation rights held by these employees, between the third and sixth anniversaries of the acquisition, calculated by a pre-determined earnings multiple used to value the initial investment.

Under IFRS 2, an expense is recognised in the income statement for share based payments, calculated on the fair value at the date of grant. The application of IFRS 2 gave rise to a charge of £122,000 (2015: £26,000) for the period. The total liability at 30 June 2016 was £148,000 (2015: £26,000).

The fair value of the share based payment was calculated by estimating the additional payment due to the relevant employees, assuming an earnings growth of 3% per annum, and using the pre-determined earnings multiple.

7 Finance Income

	2016 £'000	2015 £'000
Finance income		
Current assets		
Interest receivable	396	358
Non-current assets		
Fair value adjustments on loans	45	65
Dividend income on available-for-sale financial assets	177	149
Net rental income	84	155
	702	727
Finance cost		
Current liabilities		
Interest payable	3	-
Share appreciation right distributions	624	-
	627	-
Net finance income	75	727

The share appreciation right distributions represents payments made in relation to the acquisition of Lightronics Participaties B.V. On acquisition, share appreciation rights were granted over 35% of the share capital of Lightronics Participaties B.V., of which 57% are held by external investors, entitling them to dividends. The Group has accounted for this distribution of dividends from Lightronics Participaties B.V. to the external investors as a finance expense.

8 Income Tax Expense

Analysis of income tax expense in the year:

	2016 £'000	2015 £'000
Current tax		
Current tax on profits for the year	3,726	2,807
Adjustments in respect of prior years	(268)	(184)
Total current tax	3,458	2,623
Deferred tax		
Origination and reversal of temporary differences	(188)	68
Total deferred tax	(188)	68
Income tax expense	3,270	2,691

The tax assessed for the year is higher (2015: lower) than the standard rate of corporation tax in the UK of 20.00% (2015: 20.75%). The differences are explained below:

	2016 £'000	2015 £'000
Profit before income tax	16,269	14,395
Profit on ordinary activities multiplied by the standard rate in the UK of 20.00% (2015: 20.75%)	3,254	2,987
Effects of:		
Expenses not deductible for tax purposes	349	72
Accelerated tax allowances and other timing differences	(158)	(181)
Adjustments in respect of prior years	(268)	(184)
Foreign profit taxed at higher rate	97	21
Other	(4)	(24)
Tax charge	3,270	2,691

The effective tax rate was 20.1% (2015: 18.7%).

Notes to the Financial Statements

For the year ended 30 June 2016

8 Income Tax Expense *continued*

A change to the UK corporation tax rate was announced in the Chancellor's Budget on 16 March 2016. The change announced is to reduce the main rate to 17% from 1 April 2020. Changes to reduce the UK corporation tax rate to 19% from 1 April 2017 and to 18% from 1 April 2020 had already been substantively enacted on 26 October 2015.

As the change to 17% had not been substantively enacted at the balance sheet date its effects are not included in these financial statements. The overall effect of that change, if it had applied to the deferred tax balance at the balance sheet date, would be to reduce the deferred tax liability by an additional £68,000 and increase the tax expense for the period by £23,000.

9 Dividends

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

Dividends paid (pence per share)	2016	2015
Final dividend	2.55	2.20
Special dividend	2.00	1.50
Interim dividend	1.20	1.10
Total	5.75	4.80

A final dividend in respect of the year ended 30 June 2016 of 2.85p per share, amounting to £3,297,000, is to be proposed at the Annual General Meeting on 17 November 2016 and, if approved, will be paid on 24 November 2016 to shareholders on the register on 28 October 2016. The ex-dividend date is 27 October 2016. These financial statements do not reflect this dividend payable.

Dividends proposed (pence per share)	2016	2015
Final dividend	2.85	2.55
Special dividend	–	–

Dividends paid	2016	2015
	£'000	£'000
Final dividend	2,950	2,545
Special dividend	2,314	1,735
Interim dividend	1,387	1,272
Total	6,651	5,552

Dividends proposed	2016	2015
	£'000	£'000
Final dividend	3,297	2,950
Special dividend	–	–

10 Intangible Assets

	Goodwill £'000	Development costs £'000	Technology £'000	Brand name £'000	Software £'000	Patents £'000	Fishing rights £'000	Total £'000
Group 2016								
Cost								
At 1 July 2015	9,063	5,797	1,583	657	1,039	150	182	18,471
Currency translation	909	28	208	79	14	–	–	1,238
Additions	–	1,681	–	–	251	–	–	1,932
Write-offs and transfers	–	(1,052)	–	–	(109)	–	–	(1,161)
At 30 June 2016	9,972	6,454	1,791	736	1,195	150	182	20,480
Accumulated amortisation								
At 1 July 2015	600	1,947	356	198	901	120	–	4,122
Currency translation	–	1	37	20	1	–	–	59
Charge for the year	–	1,882	182	97	86	30	–	2,277
Write-offs and transfers	–	(1,052)	–	–	(109)	–	–	(1,161)
At 30 June 2016	600	2,778	575	315	879	150	–	5,297
Net book amount								
At 30 June 2016	9,372	3,676	1,216	421	316	–	182	15,183

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

	Goodwill £'000	Development costs £'000	Technology £'000	Brand name £'000	Software £'000	Patents £'000	Fishing rights £'000	Total £'000
Group 2015								
Cost								
At 1 July 2014	3,503	4,961	311	174	907	150	182	10,188
Additions	–	1,542	–	–	60	–	–	1,602
Acquisition of a subsidiary	5,560	122	1,272	483	72	–	–	7,509
Write-offs	–	(828)	–	–	–	–	–	(828)
At 30 June 2015	9,063	5,797	1,583	657	1,039	150	182	18,471
Accumulated amortisation								
At 1 July 2014	600	1,491	311	174	800	90	–	3,466
Charge for the year	–	1,284	45	24	101	30	–	1,484
Write-offs	–	(828)	–	–	–	–	–	(828)
At 30 June 2015	600	1,947	356	198	901	120	–	4,122
Net book amount								
At 30 June 2015	8,463	3,850	1,227	459	138	30	182	14,349

Amortisation and impairment of £2,277,000 (2015: £1,484,000) is included in the administrative expenses.

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.

Notes to the Financial Statements

For the year ended 30 June 2016

10 Intangible Assets continued

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

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

	Goodwill £'000	Development costs £'000	Software £'000	Patents £'000	Fishing rights £'000	Total £'000
Company 2016						
Cost						
At 1 July 2015	600	5,023	803	150	182	6,758
Additions	–	1,330	220	–	–	1,550
Write-offs and transfers	–	(979)	(80)	–	–	(1,059)
At 30 June 2016	600	5,374	943	150	182	7,249
Accumulated amortisation						
At 1 July 2015	600	1,737	743	120	–	3,200
Charge for the year	–	1,641	61	30	–	1,732
Write-offs and transfers	–	(979)	(85)	–	–	(1,064)
At 30 June 2016	600	2,399	719	150	–	3,868
Net book amount						
At 30 June 2016	–	2,975	224	–	182	3,381

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

	Goodwill £'000	Development costs £'000	Software £'000	Patents £'000	Fishing rights £'000	Total £'000
Company 2015						
Cost						
At 1 July 2014	600	4,415	751	150	182	6,098
Additions	–	1,348	52	–	–	1,400
Write-offs	–	(740)	–	–	–	(740)
At 30 June 2015	600	5,023	803	150	182	6,758
Accumulated amortisation						
At 1 July 2014	600	1,342	648	90	–	2,680
Charge for the year	–	1,135	95	30	–	1,260
Write-offs	–	(740)	–	–	–	(740)
At 30 June 2015	600	1,737	743	120	–	3,200
Net book amount						
At 30 June 2015	–	3,286	60	30	182	3,558

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.

11 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 2015	11,079	16,585	27,664	5,403	13,549	18,952
Currency translation	–	20	20	–	–	–
Additions	462	2,074	2,536	464	1,285	1,749
Disposals	–	(349)	(349)	–	(225)	(225)
Transfers	–	80	80	–	5	5
At 30 June 2016	11,541	18,410	29,951	5,867	14,614	20,481
Accumulated depreciation						
At 1 July 2015	2,358	11,472	13,830	1,618	9,486	11,104
Currency translation	–	2	2	–	–	–
Charge for the year	209	1,246	1,455	100	889	989
Disposals	–	(316)	(316)	–	(197)	(197)
Transfer	–	80	80	–	60	60
At 30 June 2016	2,567	12,484	15,051	1,718	10,238	11,956
Net book amount						
At 30 June 2016	8,974	5,926	14,900	4,149	4,376	8,525

Freehold land which was not depreciated at 30 June 2016 amounted to £1,033,000 (2015: £1,033,000) (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 2014	10,910	15,979	26,889	10,910	12,649	23,559
Additions	1,438	1,760	3,198	50	1,285	1,335
Acquisition of a subsidiary	–	100	100	–	–	–
Transfer to investment property	–	–	–	(5,557)	–	(5,557)
Disposals	(1,269)	(1,254)	(2,523)	–	(385)	(385)
At 30 June 2015	11,079	16,585	27,664	5,403	13,549	18,952
Accumulated depreciation						
At 1 July 2014	2,306	11,495	13,801	2,306	8,952	11,258
Charge for the year	203	1,097	1,300	98	849	947
Transfer to investment property	–	–	–	(786)	–	(786)
Disposals	(151)	(1,120)	(1,271)	–	(315)	(315)
At 30 June 2015	2,358	11,472	13,830	1,618	9,486	11,104
Net book amount						
At 30 June 2015	8,721	5,113	13,834	3,785	4,063	7,848

Notes to the Financial Statements

For the year ended 30 June 2016

12 Commitments

(a) Capital commitments

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

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Property, plant and equipment	84	427	77	408

(b) Operating lease commitments

The Group leases premises under non-cancellable operating lease agreements. The lease terms are between one and four years (2015: one and four years), and the lease agreements are renewable at the end of the lease period at market rate.

Additional information

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

	Group		Company	
	Land and buildings 2016 £'000	Land and buildings 2015 £'000	Land and buildings 2016 £'000	Land and buildings 2015 £'000
Within one year	415	200	9	18
Within two to five years	528	399	3	2
Over five years	–	–	–	–
	943	599	12	20

13 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 £3,737,000 (2015: £3,407,000) 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 2016				
Assets as per balance sheet				
Loans and receivables	4,980	–	–	4,980
Available-for-sale financial assets	–	3,348	–	3,348
Other financial assets at fair value through the profit and loss	–	–	389	389
Trade and other receivables	20,567	–	–	20,567
Short-term financial assets	14,910	–	–	14,910
Cash and cash equivalents	18,295	–	–	18,295
Total	58,752	3,348	389	62,489

13 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 2015				
Assets as per balance sheet				
Loans and other receivables	4,760	–	–	4,760
Available-for-sale financial assets	–	3,018	–	3,018
Other financial assets at fair value through profit or loss	–	–	389	389
Trade and other receivables	18,586	–	–	18,586
Short-term financial assets	9,358	–	–	9,358
Cash and cash equivalents	19,176	–	–	19,176
Total	51,880	3,018	389	55,287

Company	Loans and receivables £'000	Available- for-sale £'000	Assets at fair value through the profit and loss £'000	Total £'000
30 June 2016				
Assets as per balance sheet				
Loans and receivables	4,980	–	–	4,980
Available-for-sale financial assets	–	3,348	–	3,348
Other financial assets at fair value through the profit and loss	–	–	389	389
Trade and other receivables	22,247	–	–	22,247
Short-term financial assets	14,910	–	–	14,910
Cash and cash equivalents	16,471	–	–	16,471
Total	58,608	3,348	389	62,345

Company	Loans and receivables £'000	Available- for-sale £'000	Assets at fair value through the profit and loss £'000	Total £'000
30 June 2015				
Assets as per balance sheet				
Loans and other receivables	4,760	–	–	4,760
Available-for-sale financial assets	–	3,018	–	3,018
Other financial assets at fair value through profit or loss	–	–	389	389
Trade and other receivables	17,644	–	–	17,644
Short-term financial assets	9,358	–	–	9,358
Cash and cash equivalents	18,868	–	–	18,868
Total	50,630	3,018	389	54,037

The above analysis excludes prepayments.

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For the year ended 30 June 2016

13 Financial Instruments by Category continued

	Group		Company	
	30 June 2016 £'000	30 June 2015 £'000	30 June 2016 £'000	30 June 2015 £'000
Liabilities as per balance sheet				
Trade and other payables (excluding statutory liabilities)	14,372	12,721	12,006	10,670
Deferred consideration	4,472	3,838	4,472	3,838

Financial liabilities are measured at amortised cost.

The Group and company did not have derivative financial instruments at 30 June 2016 or 30 June 2015. All assets and liabilities above are considered to be at fair value.

14 Investment Property

	Group			Company		
	Freehold land and buildings £'000	Other £'000	Total £'000	Freehold land and buildings £'000	Other £'000	Total £'000
Cost						
At 1 July 2015	1,009	1,162	2,171	6,601	1,162	7,763
Additions	–	28	28	–	28	28
Disposals	–	–	–	(4)	–	(4)
Transfers	–	–	–	75	–	75
At 30 June 2016	1,009	1,190	2,199	6,672	1,190	7,862
Accumulated depreciation						
At 1 July 2015	–	–	–	736	–	736
Charge for the year	58	10	68	176	–	176
Disposals	–	–	–	–	–	0
Transfer	–	–	–	24	–	24
At 30 June 2016	58	10	68	936	–	936
Net book amount						
At 30 June 2016	951	1,180	2,131	5,736	1,190	6,926
At 30 June 2015	1,009	1,162	2,171	5,865	1,162	7,027

The following amounts have been recognised in the income statement:

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Rental income	126	118	394	373
Direct operating expenses arising from investment properties that generate rental income	(96)	(18)	(205)	(105)

The investment property and land, for the Group, 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 £1,318,000 (2015: £1,288,000) is freehold land and therefore not depreciated; the property element includes accumulated depreciation of £337,000 (2015: £269,000) which relates to the property occupied by Mackwell Electronics Ltd. At the date of disposal of this business, the cumulative value of depreciation of the property occupied by Mackwell Electronics Ltd was £269,000. 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.

The company's investment properties consist of land and buildings used by subsidiaries in their normal course of business. The company receives rental income from the subsidiaries for the use of these premises and incurs amortisation costs.

Each investment property generates rental income.

15 Available for sale Financial Assets

Group and company	2016 £'000	2015 £'000
Beginning of year	3,018	3,441
Net additions/(disposals)	404	(271)
Revaluation	(74)	(152)
	3,348	3,018

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 2016 or 2015.

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 Consolidated Income Statement. Impairment losses recognised in the Consolidated Income Statement on equity instruments are not reversed through the Consolidated Income Statement.

16 Short-term Financial Assets

Group and company	2016 £'000	2015 £'000
Beginning of year	9,358	15,638
Net additions/(disposals)	5,552	(6,280)
	14,910	9,358

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.

17 Cash and Cash Equivalents

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Cash at bank and in hand	18,295	19,176	16,471	18,868

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

18 Inventories

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Raw materials	12,806	10,914	5,457	5,588
Work in progress	1,882	3,363	1,660	2,726
Finished goods	4,175	3,485	4,194	3,503
	18,863	17,762	11,311	11,817

The cost of inventories recognised as an expense and included in cost of sales amounted to £38,052,000 (2015: £30,111,000). The amount of write-down in inventory to net realisable value is £672,000 (2015: £888,000)

Notes to the Financial Statements

For the year ended 30 June 2016

19 Trade and Other Receivables

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Current				
Trade receivables	19,879	18,181	12,882	11,924
Other receivables	688	405	674	403
Prepayments and accrued income	1,347	1,112	741	525
Amounts owed by subsidiaries	-	-	8,691	5,317
Total	21,914	19,698	22,988	18,169

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

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Trade receivables past due date not provided	995	1,873	786	582

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 consider 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 debts 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 2016 the bad debt provision for the Group amounted to £78,000 (2015: £69,000) and for the company £4,000 (2015: £11,000).

During the year the following amounts were written off:

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Bad debts written off	15	33	7	9
Bad debts recovered	(8)	(6)	-	(3)
Net bad debt expense	7	27	7	6

At 30 June 2016, trade receivables were due to the Group and company in the following currency denominations:

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Due in £ Sterling	14,583	13,892	10,800	10,430
Due in € EURO	4,095	3,561	1,220	1,008
Due in UAE Dirham	339	242	-	-
Due in Australian Dollars	695	486	695	486
Due in \$ United States Dollars	167	-	167	-
Total	19,879	18,181	12,882	11,924

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.

20 Other Financial Assets at Fair Value through Profit and Loss

The Group and company have units in a sterling cash fund. At 30 June 2016 this amounted to £389,000 (2015: £389,000).

	2016 £'000	2015 £'000
Sterling cash fund	389	389

21 Trade and Other Payables

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Current liabilities				
Trade payables	7,920	8,840	4,502	5,347
Other payables	1,334	844	387	642
Social security and other taxes	2,328	1,934	1,498	1,392
Accruals and deferred income	5,118	3,038	3,852	1,936
Amounts owed to subsidiaries	–	–	3,265	2,745
	16,700	14,656	13,504	12,062
Non-current liabilities				
Other payables	4,619	3,838	4,619	3,838
	4,619	3,838	4,619	3,838

Amounts owed to subsidiaries are unsecured, interest free and have no fixed date of repayment. Non-current liabilities is a commitment to purchase the outstanding share appreciation rights in the subsidiary, Lightronics Participaties B.V.

22 Provisions for Liabilities and Charges

	Group			Company		
	WEEE provision £'000	Warranty provision £'000	Total £'000	WEEE provision £'000	Warranty provision £'000	Total £'000
At 1 July 2015	102	–	102	102	–	102
Transfer from accruals and deferred income	–	518	518	–	304	304
Additions	–	525	525	–	101	101
Utilisation	–	(57)	(57)	–	–	–
At 30 June 2016	102	986	1,088	102	405	507

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Analysis of total provisions				
Non-current	1,088	102	507	102
Total	1,088	102	507	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 timescale of the utilisation of this provision cannot be predicted with certainty, it is expected that it will not be utilised before 30 June 2017.

Warranty provision

The provision for warranty is in accordance with the accounting policy described in note 1.

Notes to the Financial Statements

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23 Deferred Income Tax

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

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Deferred tax assets	27	17	–	–
Deferred tax liabilities	(799)	(1,021)	(600)	(835)
Net deferred tax liabilities	(772)	(1,004)	(600)	(835)

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

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Beginning of year	(1,004)	(887)	(835)	(842)
Income statement charge/(credit)	188	(68)	179	(23)
Tax credited directly to equity	60	30	56	30
Acquired due to purchase of subsidiary	–	(7)	–	–
Currency translation	(16)	(72)	–	–
End of year	(772)	(1,004)	(600)	(835)

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:

	Accelerated tax depreciation £'000	Retirement benefit obligations £'000	Other £'000	Total £'000
Deferred tax assets				
At 1 July 2014	36	–	–	36
Charged to the income statement	(12)	–	–	(12)
Discontinued operations	(7)	–	–	(7)
Charged directly to equity	–	–	–	–
At 1 July 2015	17	–	–	17
Credited to the income statement	11	–	–	11
Charged directly to equity	(1)	–	–	(1)
At 30 June 2016	27	–	–	27

	Accelerated tax depreciation £'000	Research & development £'000	Fair value & other timing differences £'000	Total £'000
Deferred tax liabilities				
At 1 July 2014	70	694	159	923
Charged to the income statement	22	34	–	56
Charged directly to equity	–	–	(30)	(30)
Acquired due to purchase of subsidiary	72	–	–	72
At 1 July 2015	164	728	129	1,021
Charged/(credited) to the income statement	(104)	10	(83)	(177)
Credited directly to equity	(4)	(37)	(20)	(61)
Currency translation	16	–	–	16
At 30 June 2016	72	701	26	799

23 Deferred Income Tax continued

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

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Deferred tax credited/(charged) to equity				
Tax on revaluation for sale of financial assets	14	30	14	30
Impact of deferred tax rate change	46	–	42	–
	60	30	56	30

24 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.

	2016	2015
Basic		
Weighted average number of ordinary shares in issue	115,675,590	115,675,590
Profit attributable to equity holders of the company (£'000)	12,999	11,451
Basic earnings per share (pence per share) continuing operations	11.24	10.12
Basic earnings per share (pence per share) discontinued operations	–	(0.22)
Basic earnings per share (pence per share) total	11.24	9.90
Diluted		
Weighted average number of ordinary shares in issue (fully diluted)	115,938,805	115,706,334
Profit attributable to equity holders of the company (£'000)	12,999	11,451
Diluted earnings per share (pence per share) continuing operations	11.21	10.11
Diluted earnings per share (pence per share) discontinued operations	–	(0.22)
Diluted earnings per share (pence per share) total	11.21	9.89

25 Share Capital

	Group and Company	
	2016 £'000	2015 £'000
Allotted and fully paid		
118,935,590 ordinary shares of 1p each (2015: 118,935,590 ordinary shares of 1p each)	1,189	1,189

The ordinary shareholders each have one vote per share.

	Group and Company	
	2016 £'000	2015 £'000
Movements in treasury shares included in share capital		
Share capital at 1 July and 30 June	33	33
Number of shares held in treasury at 30 June	3,260,000	3,260,000

There were no shares issued during the year (2015: nil). There are 1,700,000 (2015: 1,700,000) share options outstanding at the year end.

Notes to the Financial Statements

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26 Other Reserves

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Share premium account	656	656	656	656
Capital redemption reserves	137	137	137	137
Foreign currency translation reserve	1,606	–	–	–
	2,399	793	793	793

In order to improve the visibility of the financial statements, a foreign currency translation reserve has been created to show the value of translation gains in the statement of other comprehensive income.

27 Cash Generated from Operations

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Cash generated from continuing operations				
Profit before income tax	16,269	14,395	16,040	13,272
Depreciation charge	1,523	1,288	1,164	1,049
Amortisation/impairment of intangibles	2,277	1,484	1,732	1,260
Profit on disposal of property, plant and equipment	(89)	(104)	(57)	(88)
Finance (income)/expense	(75)	(727)	(4,346)	391
Retirement benefit contributions in excess of current and past service charge	(190)	(229)	(190)	(2,563)
Share of loss from equity accounted investment	1	50	1	(229)
Share based payment charge	193	76	46	141
Research and development expenditure (credit)/charge	(236)	–	(165)	76
Effects of exchange rate movements	182	(28)	182	1
Changes in working capital				
– Inventories	(1,128)	(1,707)	506	(133)
– Trade and other receivables	(2,094)	(3,659)	(3,057)	(3,574)
– Payables and provisions	2,313	2,215	1,881	1,291
Cash generated from continuing operations	18,946	13,054	13,737	10,894

The cash generation from discontinued operations is as follows:

	2016 £'000	2015 £'000
Cash generated from discontinued operations		
Profit before income tax	–	(233)
Depreciation charge	–	12
Finance income	–	7
Changes in working capital		
– Inventories	–	84
– Trade and other receivables	–	189
– Trade and other payables	–	202
Cash generated from discontinued operations	–	261
Total cash generated from operations	18,946	13,155
Continuing operations	18,946	13,054
Discontinued operations	–	261
Total cash generated from operations	18,946	13,315

28 Related Party Transactions

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

	Purchases of goods £'000	Sales of goods £'000	Sales of services £'000	Dividends paid to company £'000
2016				
Compact Lighting Limited	158	51	48	–
Philip Payne Limited	552	63	38	500
Solite Europe Limited	596	373	33	50
Portland Lighting Limited	–	–	25	750
TRT Lighting Limited	940	1,527	64	–
Thorlux Lighting LLC	–	385	–	–
Lightronics Participaties B.V.	19	10	–	2,067
2015				
Compact Lighting Limited	135	74	4	–
Philip Payne Limited	507	52	1	500
Solite Europe Limited	386	351	7	15
Portland Lighting Limited	–	–	2	750
TRT Lighting Limited	753	1,683	19	–
Thorlux Lighting LLC	–	159	–	–
Lightronics Participaties B.V.	–	–	–	–

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	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Compact Lighting Limited	(51)	(32)	1,339	1,645
Philip Payne Limited	(813)	(981)	15	–
Solite Europe Limited	(510)	(146)	128	68
Portland Lighting Limited	(1,675)	(1,533)	10	–
TRT Lighting Limited	(216)	(53)	4,243	3,104
Thorlux Lighting LLC	–	–	1,101	500
Lightronics Participaties B.V.	–	–	1,708	–
Total	(3,265)	(2,745)	8,544	5,317

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

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

The key management personnel are the Group Board directors; their interests are disclosed in the directors' remuneration report on pages 41 to 43. There are 6 employees who are related parties (2015: 6). Total remuneration for the period was £252,000 (2015: £218,000).

Notes to the Financial Statements

For the year ended 30 June 2016

28 Related Party Transactions *continued*

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 £nil (2015: £3,000), purchased goods amounting to £1,453,000 (2015: £2,152,000), and sold services of £nil (2015: £nil). At the year end there were trade balances due to Mackwell Electronics Limited of £102,000 (2015: £332,000) and £12,000 due from Mackwell Electronics Limited (2015: £1,000). The company is owed £950,000 (2015: £950,000) in respect of the loan notes issued to the company as part of the sale agreement (note 29), plus accrued interest of £65,000 (2015: £51,000) at the balance sheet date. The company owns the premises occupied by Mackwell Electronics Limited and rent is charged of £102,000 per annum (2015: £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 2016 there was accrued interest due to the company of £10,000 (2015: £7,000).

29 Loan Notes

Mackwell Electronics Limited

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.

No repayment was received during the year, thus the balance due at 1% over the Bank of England base rate is £950,000 (2015: £950,000). The balance due at the higher interest rate of 4% above the Bank of England base rate is £nil (2015: £nil).

The outstanding loan note tranche at 1% over the Bank of England base rate of £950,000 has been subject to a fair value adjustment in respect of 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. With the loan notes due for repayment on 2 December 2016, the fair value adjustment has now fully unwound as the fair value of that tranche of loan notes is considered to be £950,000.

Sugg Lighting Limited

Following the disposal of Sugg Lighting Limited on 6 February 2015 the Group acquired loan notes of £1,634,000 secured on the freehold property. As at 30 June 2016, the outstanding value of these loan notes was £1,576,920 (2015: £1,588,336).

The loan notes to Sugg Lighting Limited are secured on the freehold property and repayable in monthly instalments to be fully repaid ten years from drawdown on 6 February 2015. The interest rate applied to these loan notes is 3% over Bank of England base rate.

Lightronics Participaties B.V.

Part of the acquisition of Lightronics Participaties B.V. included partial funding of the 35% share appreciation rights held by existing shareholders and management. This was achieved by the issue of a loan of €4,200,000, of which €1,000,000 were repaid immediately after the completion of the acquisition. At the date of the financial statements, the loan notes balance was €2,952,000 (2015: €3,200,000) equating to £2,453,000 (2015: £2,267,000) at the end of year exchange rate. The loan notes are repayable on or before the sixth anniversary (1 April 2021) and attract an interest rate of 4%.

30 Pension Scheme

The Group operates a funded hybrid pension scheme for employees in the UK. The scheme is approved by the Inland Revenue under Chapter 1 Part XIV of the Income and Corporation Taxes Act 1988. Membership is contracted in to the second state pension. The basis of the Group's hybrid pension scheme is to provide benefits to members based on the following:

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

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

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

The assets of the scheme are held separately from the assets of the Group, being invested in Managed Funds. Contributions by the Group to the scheme during the year ended 30 June 2016 amounted to £691,000 (2015: £705,000). 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 30 June 2015, and at that date the value of the fund was £31,704,000. This was sufficient to cover 102% of the value of the benefits accrued to members after allowing for future increases in earnings. In arriving at the actuarial valuation, the following assumptions were adopted:

Price inflation	3.40%
Salary increases	5.05%
Discount rate	3.60%
Revaluation for deferred pensioners	2.40%

The figures at 30 June 2015 have been updated as at the balance sheet dates in order to assess the additional disclosures required under IAS 19 as at 30 June 2016 by an independent qualified actuary using the following major assumptions:

	2016	2015	2014	2013	2012
Price inflation	3.00%	3.40%	3.50%	3.40%	2.80%
Salary increases	3.00%	3.40%	3.50%	3.50%	4.55%
Discount rate	2.90%	3.80%	4.30%	4.60%	4.40%
Revaluation for deferred pensioners	2.00%	2.40%	2.50%	2.50%	2.05%
Pension increases in payment of 5% pa or RPI if less	2.90%	3.30%	3.30%	3.30%	2.75%
Pension increases in payment of 2.55% pa or RPI if less	2.00%	2.20%	2.20%	2.25%	2.10%
Life expectancy at age 65 – men	23.0 years	23.0 years	22.9 years	24.2 years	22.5 years
Life expectancy at age 65 in 20 years – men	24.0 years	24.4 years	24.3 years	26.2 years	24.4 years
Life expectancy at age 65 – women	25.0 years	24.9 years	24.8 years	26.6 years	24.9 years
Life expectancy at age 65 in 20 years – women	26.0 years	26.4 years	26.3 years	28.5 years	26.8 years

Notes to the Financial Statements

For the year ended 30 June 2016

30 Pension Scheme continued

The statement of financial position figures required under IAS 19 are as follows:

	30 June 2016		30 June 2015		30 June 2014		30 June 2013		30 June 2012	
	Expected long-term rate of return £'000	Value £'000	Expected long-term rate of return £'000	Value £'000	Expected long-term rate of return £'000	Value £'000	Expected long-term rate of return £'000	Value £'000	Expected long-term rate of return £'000	Value £'000
Equities	2.90%	14,968	n/a	13,696	n/a	12,796	n/a	11,829	6.20%	9,744
Bonds	2.90%	19,311	3.80%	16,486	4.30%	14,707	4.60%	13,267	4.40%	12,484
Other	2.90%	1,237	n/a	1,522	n/a	1,448	0.50%	1,545	0.50%	1,596
Total market value of assets		35,516		31,704		28,951		26,641		23,824
Present value of scheme liabilities		(33,731)		(28,824)		(26,053)		(24,959)		(23,809)
Surplus in the scheme		1,785		2,880		2,898		1,682		15

Amounts recognised in statement of financial position

The amounts recognised in the statement of financial position are determined as follows:

	2016 £'000	2015 £'000
Present value of funded obligations	(33,731)	(28,824)
Fair value of plan assets	35,516	31,704
Surplus in the scheme	1,785	2,880
Less restriction of surplus recognised in the statement of financial position	(1,785)	(2,880)
Liability recognised in the statement of financial position	-	-

Movement in defined benefit obligation

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

	2016 £'000	2015 £'000
At 1 July	(28,824)	(26,053)
Current service cost	(501)	(476)
Interest cost	(1,092)	(1,105)
Contributions by plan participants	(342)	(340)
Actuarial losses	(4,010)	(1,695)
Benefits paid	1,038	845
At 30 June	(33,731)	(28,824)

Movement in the fair value of the plan assets

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

	2016 £'000	2015 £'000
At 1 July	31,704	28,951
Expected return in plan assets	1,205	1,249
Actuarial gains	2,612	1,304
Employer contributions	691	705
Employee contributions	342	340
Benefits paid	(1,038)	(845)
At 30 June	35,516	31,704

30 Pension Scheme continued

Amounts recognised in income statement

The amounts recognised in the income statement are as follows:

	2016 £'000	2015 £'000
Current service cost	501	476
Net interest cost	–	–
	501	476

Actuarial gain recognised in statement of comprehensive income for the year

	2016 £'000	2015 £'000
Actual return less expected return on pension scheme assets	2,612	1,304
Experience (losses)/gains arising on the scheme liabilities	(1,401)	(142)
Changes in assumptions underlying the present value on the scheme liabilities	(2,609)	(1,553)
Movement in recovery plan liability	–	–
Net interest income	113	144
Restriction of pension scheme surplus	1,095	18
Actuarial loss recognised in the statement of comprehensive income	(190)	(229)

	2016 £'000	2015 £'000
Cumulative actuarial loss recognised in the statement of comprehensive income at 1 July	(3,036)	(2,789)
Actuarial (loss)/gain recognised in the statement of comprehensive income for the year	(1,285)	(247)
Cumulative actuarial loss recognised in the statement of comprehensive income at 30 June	(4,321)	(3,036)

The restriction in the scheme surplus is excluded from the cumulative actuarial gain recognised in the statement of comprehensive income. As a result of the most recent valuation, and in light of the non-recognition of the pension scheme surplus, the recovery plan liability of £189,000 (2015: £189,000) 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 statement of financial position 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 2016 was £3,817,000 (2015: £2,553,000) or 12.0% (2015: 8.1%). The Group expects to pay £627,000 contributions (2015: £730,000) into the pension scheme during the forthcoming year.

Notes to the Financial Statements

For the year ended 30 June 2016

30 Pension Scheme continued

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

	2016		2015		2014		2013		2012	
	£'000	%	£'000	%	£'000	%	£'000	%	£'000	%
Difference between the expected and actual return on scheme assets	2,612		1,304		767		1,061		193	
Percentage of scheme assets		7%		4%		3%		4%		1%
Experience loss/(gain) on scheme liabilities	(1,401)		(142)		(99)		(438)		227	
Percentage of the present value of scheme liabilities		4%		0%		0%		2%		1%
Changes in assumptions underlying the present value of the scheme liabilities	(2,609)		(1,553)		58		191		(1,830)	
Percentage of the present value of scheme liabilities		8%		5%		0%		1%		8%
Movement in recovery plan liability	-		-		(189)		-		-	
Percentage of the present value of scheme liabilities		0%		0%		1%		0%		0%
Net interest income	113		144		87		47		-	
Percentage of the present value of scheme liabilities		0%		0%		0%		0%		0%
Restriction of pension scheme surplus	-		-		-		-		-	
Percentage of the present value of scheme liabilities		0%		0%		0%		0%		0%
Amount which has been recognised in the SOCI	(1,285)		(247)		624		861		(1,410)	
Percentage of the present value of the scheme liabilities		4%		1%		2%		3%		6%

31 Group Companies

The parent company has the following investments as at 30 June 2016 and 30 June 2015:

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%
Solite Europe Limited	England	Ordinary £1 shares	100%
Portland Lighting Limited	England	Ordinary £1 shares	100%
TRT Lighting Limited	England	Ordinary £1 shares	100%
Lightronics Participaties B.V.	Netherlands	Ordinary €0.01 shares	100%
Lightronics B.V.	Netherlands	Ordinary €454 shares	100%
Lightronics GmbH	Germany	Ordinary €1 shares	100%

31 Group Companies continued

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
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
Lightronics Participaties B.V.	– holding company
Lightronics B.V.	– design and manufacture of external and impact resistant lighting
Lightronics GmbH	– design and manufacture of external and impact resistant lighting

The cost of investment in subsidiaries is as follows:

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Investment in subsidiaries – cost	–	–	13,682	13,682

The movement in the investment and provisions is as follows:

	Costs £'000	Provision £'000
At 1 July 2015 and 30 June 2016	13,682	–

32 Equity Accounted Investments

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 Australasia 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. On the 1 July 2016, the Group increased its shareholding to 100%, by purchasing the 49% shareholding of LCA Holdings Pty Ltd for a nominal sum.

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. The Group has applied the proportionate consolidation method of accounting to recognise this interest.

The Group invested €1,200,000 for 40% of the share capital of Luxintec S.L., a company based in Spain. The Group has applied the equity method of accounting to recognise this interest.

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
At 1 July	–	57	–	141
Additions	936	–	936	–
Share of (loss)/profit	(1)	(50)	–	–
Exchange rate movement	1	(7)	–	–
Impairment provision	–	–	–	(141)
At 30 June	936	–	936	–

33 Events After The Statement Of Financial Position Date

There were no significant events between the statement of financial position date and the approval of these financial statements.

Notice of Meeting

Notice is hereby given that the eightieth Annual General Meeting of FW Thorpe Plc will be held at Merse Road, North Moons Moat, Redditch, Worcestershire, B98 9HH on 17 November 2016 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 2016.
2. To declare a final dividend.
3. To re-elect Mr I A Thorpe as a director.
4. To re-elect Mr C Muncaster as a director.
5. To re-elect Mr D Taylor 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 as an ordinary resolution and in the case of 8 as a special resolution.

7. That the directors' remuneration report (as set out on pages 41 to 43 of the Annual Report and Accounts) for the year ended 30 June 2016 be approved.
8. 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 2017; 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 6.30 pm on 15 November 2016 (or, in the event of any adjournment, 6.30 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 15 November 2016 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 15 November 2016 (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 12 October 2016 (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 12 October 2016 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

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

12 October 2016

Financial Calendar

2016

17 October	Posting of the Annual Report and Accounts
17 November	Annual General Meeting
24 November	Payment of final dividend

2017

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



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