FW Thorpe Plc

Annual Report and Accounts **2018**

Welcome to the 2018 Annual Report

Who We Are

We specialise in designing and manufacturing professional lighting systems.

We currently employ over 700 people and although each company works autonomously, our skills and markets are complementary.

Investment Case

- A well positioned portfolio of companies over seven different countries

Read more about **our portfolio of companies** on pages 02 to 05

- Innovative products with market-leading technology

Read more about our **innovative products** on pages 22 to 28

- Strong profit margins and robust balance sheet

Read more about our **Financial Performance** on pages 30 and 31

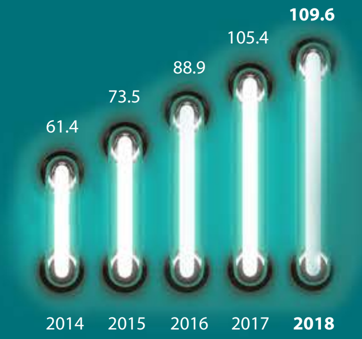
Operational Highlights

- Revenue and operating profit growth driven by acquisition of Famostar Emergency Lighting B.V.
- Strong performance from existing overseas sales offices
- Continued investment in the Group – development of high technology lighting, purchase of the Lightronics facility in the Netherlands and a new printed circuit board line at TRT Lighting

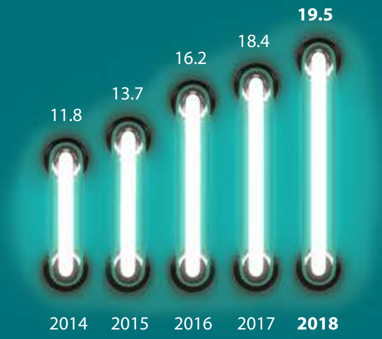
Visit us online at:
www.fwthorpe.co.uk

Financial Highlights

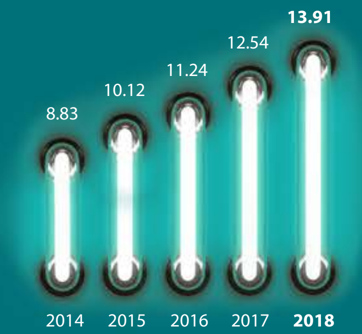
Revenue
(£m)



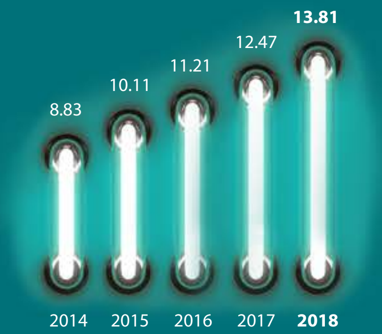
Operating Profit
(£m)



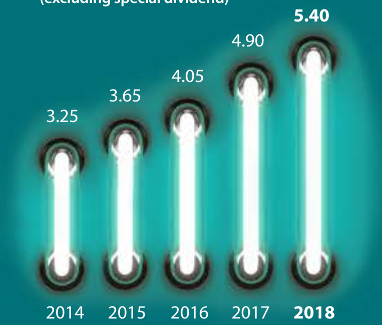
Basic Earnings per Share
(Pence)



Diluted Earnings per Share
(Pence)



Dividend per Share
(Pence)
(excluding special dividend)



Read more about our **Strategy** on pages 16 and 17 and **Operational Performance** on pages 22 to 28

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FW Thorpe at a Glance

Our Global Footprint

1 **United Kingdom**
Thorlux Lighting, Philip Payne, Solite Europe, Portland Lighting, TRT Lighting

2 **Netherlands**
Lightronics, Famostar

3 **Ireland**
Thorlux Lighting

4 **Germany**
Thorlux Lighting

5 **United Arab Emirates**
Thorlux Lighting

6 **Australia**
Thorlux Lighting Australasia

7 **Spain**
Luxintec

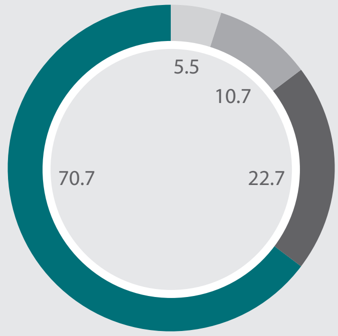
We focus on long-term growth and stability, achieved by delivering market-leading products, backed by excellent customer service.

FW Thorpe Timeline

1936	1940-1960	1965	1989	1990	1992	1996	2005
Established by Frederick William Thorpe and his son Ernest Thorpe. Spinning circular reflectors	Moved to larger premises twice to cope with the expansion into linear fluorescent luminaires, and to enter the exterior and hazardous markets	Floated on the London Stock Exchange	Moved to our Redditch headquarters	First acquisition – Mackwell Electronics	Start up in retail and display lighting	Acquired Philip Payne emergency exit signs	Transferred to AIM

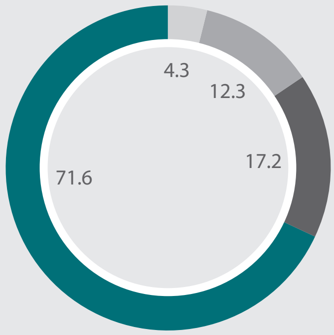
Revenue by region (£m)

2018



- UK
- Netherlands
- Europe
- Other Countries

2017



- UK
- Netherlands
- Europe
- Other Countries

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

2017
Acquired remaining share capital in Thorlux Australasia

Target Australian market, improve performance

2018
Acquired Famostar – Netherlands

Improved emergency lighting product offering

FW Thorpe at a Glance continued

Thorlux Lighting

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 16,882m^2 self-contained factory in Redditch, Worcestershire, central England.

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

Read more on page 23

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
- Retail, Display and Hospitality

Philip Payne

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.

Read more on page 24

Key products

- Emergency exit signage
- Emergency lighting systems

Market sectors

- Commercial
- Hospitality
- Healthcare

SOLITE

Description

Solite Europe is a leading manufacturer and supplier of clean room 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.

Read more on page 25

Key products

- Clean room luminaires

Market sectors

- Pharmaceutical
- Healthcare
- Education/Research

PORTLAND LIGHTING

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 1,300m^2 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 26

Key products

- Lighting for signs

Market sectors

- Retail
- Hospitality
- Advertising

TRT LIGHTING
ROAD & TUNNEL SYSTEMS

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. TRT produces quality, efficient, stylish, high performance LED products that are manufactured in the UK.

Key products
- Road and tunnel lighting
- Amenity lighting

Market sectors
- Infrastructure
- Facilities – car parking

Read more on page 27

LIGHTRONICS
WE ENLIGHTEN YOUR WORLD

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.

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

Market sectors
- Infrastructure
- Facilities – car parking
- Housing

Read more on page 28

Famostar

Description
Based in Velp, the Netherlands, Famostar specialises in the development, manufacture and supply of emergency lighting products. Revenue is derived from the Netherlands, where it is considered one of the foremost brands in the market.

Famostar was originally established in 1947, with each product being designed and manufactured at its own production facility. Famostar has a reputation for designing and manufacturing reliable luminaires offering solutions for sectors including commercial, industrial, education and retail applications.

Emergency lighting knowledge and expertise is key to the success of the business. Famostar offers both the correct technical solution and unique proposals to complement the needs of the customer.

Key products
- Emergency exit signage
- Emergency lighting systems

Market sectors
- Commercial
- Industrial
- Education
- Retail & Hospitality

Read more on page 20

LUXINTEC®

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.

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

Market sectors
- Architectural
- Retail
- Industrial
- Automotive

Focusing on long-term growth and stability

Read more about our **Strategy** on pages 16 and 17

STRATEGIC REPORT

Pictured: Shambrook Academy, Bedfordshire

Chairman's Statement

"I am pleased to report the continued success and profitability of all our remaining businesses, and especially our acquisitions."

FW Thorpe Plc achieved record revenue and profit levels in the 2017/18 financial year, even superseding last year's big stride forward in performance. This result was supported by growth from our operations overseas, including the addition of Famostar Emergency Lighting B.V.

Group results

In 2017/18, our revenue reached £109.6m, an increase of 4.0%, and operating profit was £19.5m, up 5.7%. This result is very credible, particularly against the backdrop of softer market conditions reported by some of our mainstream competitors.

Over the last few years, we have actively divested and re-organised those parts of the Group that have not contributed for many years, either financially or technically, and which we felt had no long-term future within the Group. We have also endeavoured to add businesses that give us access to new territories and the potential to share technology to develop market-leading products for our customers. I am pleased to report the continued success and profitability of all our remaining businesses, and especially our acquisitions.

I would like to make special mention of our colleagues at Lightronics, in the Netherlands, who have had another successful year, I would also like to welcome Famostar to our group; the company has certainly joined us in 'top gear' and has made a healthy contribution to this year's result.

General market conditions in the Netherlands seem good, and it is not an accident that we are enjoying some of that growth and helping to balance our risk in various markets. We have been actively working on this strategy over recent years, and this year saw some excellent growth in and a contribution from, various export markets, but with particularly good achievements by the UAE office and Australia.

There is a detailed summary of each company's performance later in our Annual Report and Accounts.

Performance as a whole for the year to 30 June 2018 allows your Board to recommend a final dividend of 4.00p per share (2017: 3.55p), which gives a total for the year of 5.40p (2017: 4.90p).

This year saw our products move further forwards into the high technology lighting arena, bringing to market further wireless and software systems making our products capable of providing enhanced services beyond our traditional main selling point of saving energy. Latest developments, using the SmartScan platform, provide users with a building's occupancy statistics by area and even provide data that analyses people movement, helping to improve a business's efficiency, for example in a warehouse picking application to optimise product locations. Our emergency lights now provide exact test records, even indicating the day and date when tests were completed and producing their own downloadable test certificates. Certain emergency lights are now capable of providing statistical data regarding their local environment, such as humidity, air temperature and CO_2 concentration levels; this is potentially going to save one local hospital hundreds of pounds per day in manual test and measurement costs. We can now also change the colour temperature of our lights (warmer to cooler white), which is claimed to alter our hormone levels, to provide customers with options regarding health and wellbeing – and, quite amazingly, this is achieved wirelessly, in addition to all the other benefits our Smart luminaire technology provides. No wonder sales of these high technology systems rocketed this year with new customers found and others switching to this new technology. In the field of lighting controls I genuinely believe we are inventive and leading the way, but more importantly we do not just talk about what is possible – we deliver it!

Each year I sit down and think about what is next. I wonder which products we will find to differentiate ourselves from the cheaper competition. In the last few years, all our companies switched to almost 100% LED technology, and most now offer wireless solutions.

There seems no end to our ideas and innovation, and I am really looking forward to the launch of a completely new range of luminaires this autumn, which will reinvigorate the workplace through lighting and make the work environment a place where people want to be. Importantly, these luminaires will find applications in all our main market segments and give our sales engineers creative ways to light spaces. We have applied for several patents to protect our ideas. It is an exciting, albeit challenging, time to be running a group of lighting companies. If we can bring these new products to market quickly, I am confident it will give us a much needed boost to UK orders.

There is a general malaise in the UK market caused by a reduction in business confidence to invest in the construction sector and elsewhere as the country awaits Brexit and the return of political stability. We have enjoyed ongoing buoyancy throughout the government austerity drive, mainly due to the introduction of the new technologies mentioned above, but we believe that the boost has peaked.

Every company in the Group has a set of objectives, each of which is chosen to see the Group successfully through turbulent times. At each Board meeting, these objectives are monitored and progressed. The Group's philosophy has not changed, and the Board continues to invest for the long term and work hard to ensure the businesses operate a professional and low risk ethos. However, there is an inevitable focus on costs and, to that end, the Board took the decision, in August, to close the production plant in Portsmouth, where demand has not been as high as originally anticipated.

Over the last 12 months, the previous Compact Lighting entity has been successfully integrated into the Thorlux Lighting UK operations, and all products have now been transferred to the Thorlux manufacturing systems. A small number of staff are likely to transfer to Thorlux headquarters in Redditch. I wish those seeking employment elsewhere success, and I would like to thank all employees affected for their understanding.

We continue to invest in the better performing areas of the Group and, in January, purchased the Lightronics building and adjoining buildings in Waalwijk in the Netherlands for €3.4m. A further £1.6m investment is being made in a new factory for Portland Lighting, close to its current rented accommodation in Walsall. Investments have also been made in electronic printed circuit board assembly equipment at TRT, to serve TRT's products locally and to provide risk mitigation for the Thorlux plant.

Dividend increase
(excluding special dividends)

Total for the year of 5.40p
(2017: 4.90p)

+10.2%

Chairman's Statement continued

"We are planning for the future uncertainty, and we have a strategy in place. We have great financial strength and excellent products that are in line with or ahead of latest trends, and we have a great team of focused people."

Personnel

I would like to thank my whole team for their continued support and diligence. The long service records of many in management positions and in our lower ranks are proving invaluable as we steer our ship through economically and technologically changing times.

Outlook

Whilst we have strengthened the position of the Group by restructuring loss making operations, diversifying the business through acquisitions and investing in product innovation, this year's excellent performance will be difficult to replicate as we contend with ongoing economic uncertainty, government instability and exchange rate volatility.

Whereas in recent years, we have worked hard to balance our risk by growing into new market sectors and territorial markets, the majority of our sales are still within the UK.

We are planning for the future uncertainty, and we have a strategy in place. We have great financial strength and excellent products that are in line with or ahead of latest trends, and we have a great team of focused people.

We are, however, to some extent, reliant on market conditions.

We intend to continue on the same path of steady, sustainable long-term growth.

Michael Allcock

Mike Allcock
Chairman and Joint Chief Executive

15 October 2018

Pictured: Sharnbrook Academy, Bedfordshire


FIRE EXIT
16:19
Thursday 9 November
16:19
Thursday 9 November
16:19
Thursday 9 November
A-LEVEL HISTORY
A-LEVEL SOCIOLOGY

Marketplace

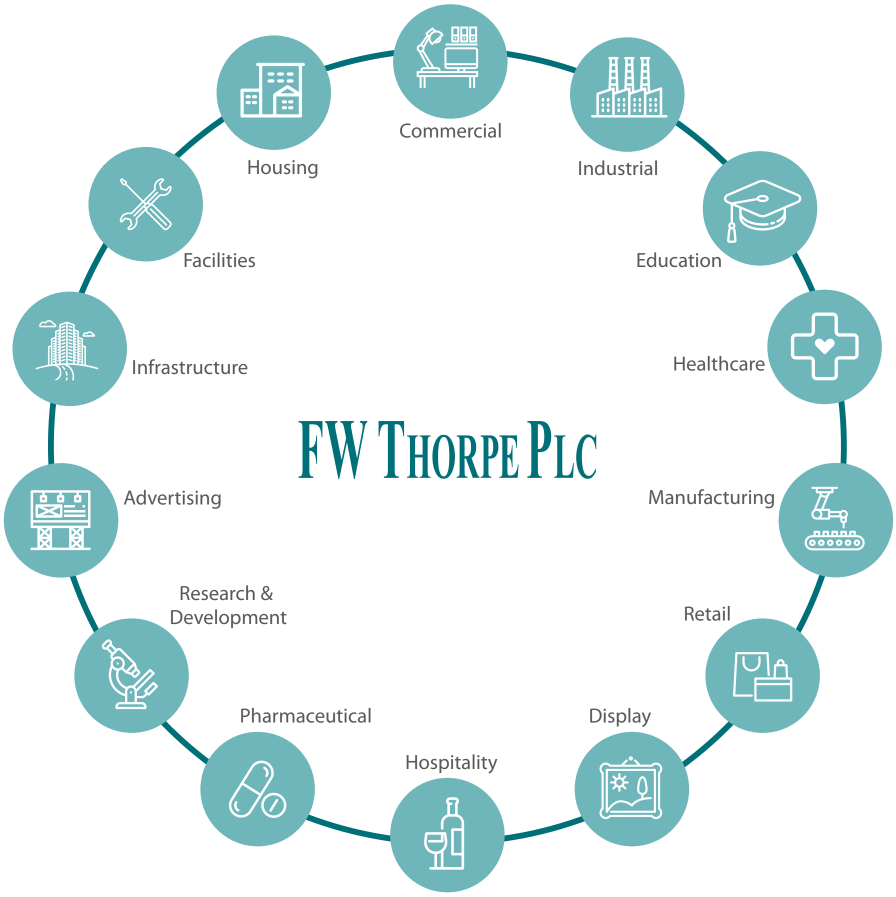
Across the Group we work in a number of different sectors and various geographical territories. This diversified market ensures we have mitigation against any sudden fluctuations in a particular sector or region. Below is an outline of some of the over-arching trends that affect us as a Group.

Q Which market sectors are growing?

A The main growth areas have been healthcare, logistics, retail and street lighting in the Netherlands. This is particularly pleasing as we have targeted these areas with products and selling presence and in the case of the Netherlands; this means the continued success of our acquisition back in 2015.

Q Which sectors are you focusing on?

A We have a wide portfolio of products and solutions that are suitable for a variety of different sectors. In the past few years, we have invested in business development resource in healthcare, logistics, education and retail – these investments are starting to pay off.



Pictured: Clarks showroom, Manchester

Increase in demand for technology

What this means:

- Evolution of controls technology – wireless
- Connectivity with the internet and other devices – the internet of things

Opportunity it provides:

- Improves ability to hold specification business with our own controls offering
- Potential to supply retrofit projects with wireless controls where wired controls were cost prohibitive

How we are responding:

- Well placed with introduction of SmartScan in 2016
- Further development of the SmartScan platform
- Occupancy profiling, air quality sensing, and the ability to change colour temperature are all features added this year.

Adoption of LED technology and decline of fluorescent lighting

What this means:

- During the last few years there has been a technology shift in the lighting industry toward LED solutions which has seen the decline of traditional solutions
- The Group has seen a shift in LED sales, moving from 3% to 85% of total revenue in recent years

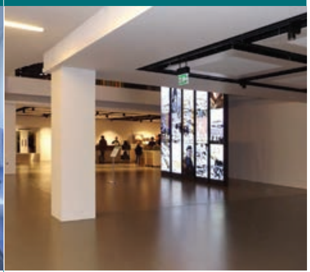
Opportunity it provides:

- Demand for retrofit installations replacing fluorescent lighting for LED – for example street lighting or education sector
- Continue to offer fluorescent solutions to customers where other competitors have discontinued

How we are responding:

- All new product developments are LED based
- Continual review of LED technology offerings to take advantage of the latest advances and ensure we are offering the best solutions to our customers

Globalisation



What this means:

- Responding to the demands of our traditional customers who are developing a global footprint
- Harmonisation of technology from the adoption of LED brings the threat of increased competition from both Far Eastern and Western economies

Opportunity it provides:

- Chance to establish ourselves in new territories with established customers in the countries we currently supply into
- New sourcing opportunities – pricing, quality, technology

How we are responding:

- Working with global customers
- Continual development of the supply chain outside of Europe
- Potential to establish new offices in chosen locations to support both customer and supply chain development in the future

Q **Do your competitors have an interest in each of these markets as well?**

A We have both domestic and international competition across all of these markets, from listed multinationals to solid private businesses. We continue to differentiate ourselves with product and systems innovation, combined with excellent customer service through the lifecycle of a project.

Q **Are you in each of these markets in all of the geographies you operate within?**

A We tend to focus on particular product ranges in new territories. We focus on our industrial products with controls technology as this has driven export success in the past. That does not preclude us from offering solutions in other sectors and we have won orders in education and facilities as examples.

Business Model

Customers come to us for peace of mind. They want 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.

Working in these key markets...

Commercial | Industrial | Education | Healthcare | Manufacturing | Retail | Display

Hospitality | Pharmaceutical | Research & Development | Advertising | Infrastructure | Facilities | Housing

We can provide solutions for our customers...

Target Customers

Those responsible for the whole life cycle cost of the products/services we supply

Through these brands...

FW Thorpe Plc

Thorlux Lighting · Philip Payne · Solite · Portland Lighting · TRT Lighting · Lightronics · Famostar · Luxintec

We can provide a complete service offering...

Design & Development

Key fact

Group spend on capitalised R&D **£1.6m** (2017: £1.7m)

Manufacturing

Key fact

PCB lines **3** (2017: 2)

Commissioning

Key fact

Revenue from this service **£0.7m** (2017: £0.5m)

Which are achieved using our key resources...

Design & Innovation
Products, software, lighting design
Continuous product development

Talented People
Continual development

Manufacturing Facilities
UK – multiple sites,
Europe – Netherlands, Spain
Continual investment

Financial & Environmental Sustainability
Financial stability, Carbon Offset Scheme

Strategy and KPIs

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.

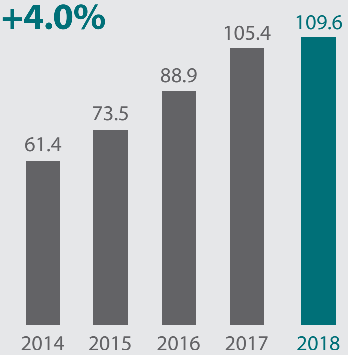
Our focus is for long term growth and stability, achieved through the following priorities:

Priority	Progress to date
1 Focus on high quality products and good leadership in technology 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.	• Continued enhancement of features for the SmartScan wireless system – occupancy profiling, air quality and colour changing capability • Introduction of new LED product ranges and existing ranges further enhanced • Integration of lens and optical technology into certain ranges using Luxintec
2 Continue to grow the customer base for Group companies 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.	• Targeted approach in the Netherlands with Thorlux industrial product portfolio • Luxintec adoption of Smart and SmartScan technology in existing product portfolio
3 Focus on manufacturing excellence Along with continued product development, the need to innovate the production process is essential.	• New TRT facility to improve capacity and disaster recovery for PCB and painting process at Thorlux • Acquired facilities for Lightronics with capacity for expansion
4 Continue to develop high quality people One of our main sources of competitive advantage, it is imperative we continually develop and retain talent within the business.	• Training and development • Apprentice scheme continues • Investment in management training

Measuring strategic performance (KPIs) for our shareholders:

Revenue (£m)

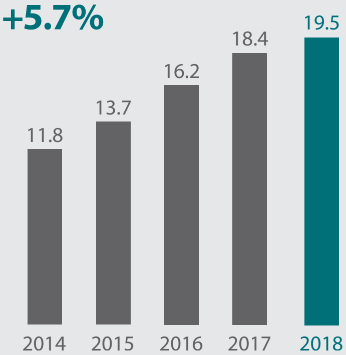
+4.0%



- Increase driven by the first time consolidation of Famostar (+£3.8m) for six months
- Revenue also increased from our sales offices in the UAE and Australia
- Thorlux and other subsidiary companies were similar to last year

Operating Profit (£m)

+5.7%



Risks key

- **A** Adverse economic conditions
- **B** Changes in government legislation or policy
- **C** Competitive environment
- **D** Price changes
- **E** Business continuity
- **F** Credit risk
- **G** Movements in currency exchange
- **H** Cyber security
- **I** Exit from the European Union

Read more about our **Principal Risks and Uncertainties** on pages 32 and 33

Future opportunities	Associated risks		Strategy in Action
• Further development of SmartScan • Continuous research and development • Targeted acquisition	C	• Product acceptance • Initial product introduction	Case Study: University of Warwick Read more on pages 18 and 19
• Consider further sales offices overseas • Potential business development investment • Investment in sales personnel in the UK and overseas • Targeted acquisition	A C D	• Short term cost increase without immediate return • Prolonged time required to establish FW Thorpe brands in new territories	Case Study: Introducing Famostar – The specialist in emergency lighting Read more on pages 20 and 21
• Development of Lightronics facilities – introduce Application Centre concept • Continued investment in manufacturing facilities • New facility for Portland Lighting	E C	• Reduced productivity while changes are implemented • Learning curve on introduction of new products and processes	
• Continued investment in training and personnel development	C I	• Ability to retain staff in competitive local job markets • Potential loss of UK personnel from the EU due to Brexit uncertainty	

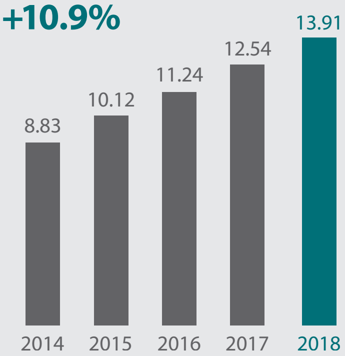
For more information read our **Chairman's Statement** on pages 08 to 10

Read more about our **Operational Performance** on pages 22 to 28

- Increased operating profit from the majority of Group companies
- First time consolidation of Famostar for six months added €0.7m (£0.6m)
- Thorlux and TRT lower than last year
- Increased provision for Lightronics earnout reduced operating profit by £0.6m compared to 2017

Basic Earnings per Share (Pence)

+10.9%



- Driven by operating results
- Increased number of shares due to exercise of executive share option for the first time
- Reduced corporation tax charge from first time adoption of patent box tax relief regime

Strategy in Action

Case Study: University of Warwick

Built over three phases between the mid 1990s and 2002, the International Manufacturing Centre is part of the Warwick Manufacturing Group (WMG), an academic department of the University of Warwick and one of the world's leading research and education groups. The centre's impressive Engineering Hall showcases some of WMG's cutting edge research activities.

Energy saving

69%

Running costs reduced per annum

£2,400

Light level increased

300 to 600 lux

The hall is used by a team of expert technicians and engineers who work with students and business partners on projects to develop new products or improve processes. It has dedicated areas for a range of industrial processes, including laser welding and joining, metal processing, injection moulding and other machining.

The Challenge

The university's Estates Department, in collaboration with WMG, undertook a review of the options for upgrading the lighting, with an important consideration being measurable energy and carbon savings in accordance with the Estates Office Engineering Design Standards and the 'low energy, low maintenance' strategy.

As an established supplier, Thorlux Lighting was asked to propose a new installation that would combine the necessary energy cost savings with a vastly improved quality of lighting in the building.

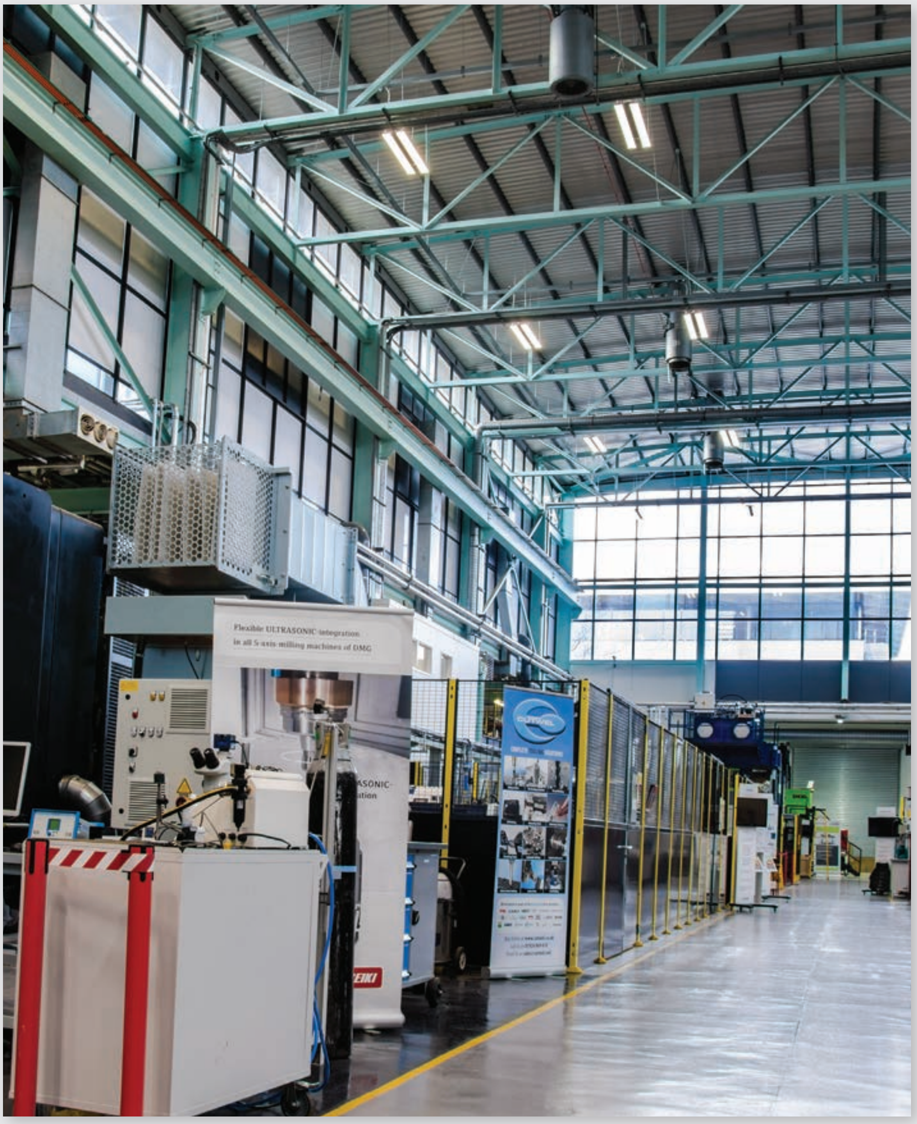
A lighting upgrade was required for the central section of the International Manufacturing Centre's Engineering Hall, a triple-height structure extending to 15m high over an area of approximately 1260m^2. The existing metal halide luminaires presented an opportunity to improve the original installation.

The Solution

The Thorlux recommendation was based on installing the Thorlux SmartScan monitoring and management system, which incorporates Smart intelligent lighting control.

Thorlux SmartScan luminaires can deliver energy savings in excess of 70% compared with conventional technology. Integral sensors monitor ambient light and presence, control output to the correct level, dim and switch when there is sufficient daylight, and illuminate only when the area is occupied. The Engineering Hall has high-level glazed panels around all four walls, so the system is able to take advantage of considerable levels of natural light.

The luminaires, selected by the university in consultation with Thorlux, are from the company's Solow XLED range. Designed for use in high-level applications, these luminaires provide a high output, with each LED having an individual lens to ensure the most efficient distribution of light from the LED chip. This provides excellent optical performance, making significant improvements to illumination levels and uniformity of light.



Luminaires used on this project:

Solow XLED

Slim profile superior performance LED luminaires

Systems and Services used on this project:

SmartScan

Commissioning

"SmartScan has achieved all of our objectives and more. We have received excellent service from Thorlux Lighting, and the ongoing customer relationship is very supportive. They have met the expectations of all of the stakeholders – from the users of the hall to the environmental team, who are looking for payback over a five-year period. From the point of view of the engineers at the university's Estates Department, they have helped us to improve the lighting quality in one of our key buildings with a system that was easy to install and will be easy to maintain."

Annette Ash
Electrical Design Engineer at the University's Estates Department

Strategy in Action

Case Study: Introducing Famostar – The specialist in emergency lighting

In December 2017, FW Thorpe Plc acquired Famostar Emergency Lighting B.V. in the Netherlands, a specialist in emergency lighting for a range of market sectors. Famostar is located in Velp near Arnhem and currently employs 37 people. Revenue is derived from the Netherlands, where it is considered one of the foremost brands in the market.

"Through its Competence Centre, Famostar contributes to a safe and responsible evacuation of a building in an emergency situation."

Originally established in 1947, Famostar is one of the Netherlands' leading manufacturers of emergency lighting. Building on more than sixty years of experience Famostar has developed deep know-how and a focused product range, which allows it to offer tailor-made solutions that meet all requirements in terms of safety and quality. Famostar primarily serves its customers through the wholesaler network, the dominant channel for emergency lighting in the Netherlands.

Famostar provides emergency lighting solutions for various sectors including industry, retail, education and healthcare. Its portfolio consists of a range of modern, robust and effective LED luminaires. Famostar has a strong research and development ethos; products are developed by the in-house Research & Development department. These products are also assembled and tested at its location in Velp, a similar philosophy to that of other companies within the Group.

Emergency lighting knowledge and expertise is key to the success of the business. Due to Famostar's comprehensive expertise in the field of lighting safety, and given the increasing market awareness of the need for emergency lighting, Famostar established its own Competence Centre in 2009. Here, installers, consultants and everyday people are trained and educated.

In the Unique Experience Room, one can experience first-hand an evacuation of an area during a simulated power failure with and without operational emergency lighting provision and take away recorded night vision sound and video footage of the event. Through the use of its Competence Centre, Famostar contributes to improving safety across the Netherlands by training attendees in providing safe and responsible evacuation of their buildings, via provision of reliable well-maintained emergency lighting.

The addition of Famostar to the Group will bring further expertise in emergency lighting, which can be utilised by Lightronics and other companies Group wide. Famostar can benefit from the Group's technical and commercial strengths, which will include the adoption of the SmartScan wireless emergency lighting test system into the Famostar range of products in the near future.

Pictured: Famostar Headquarters, Velp

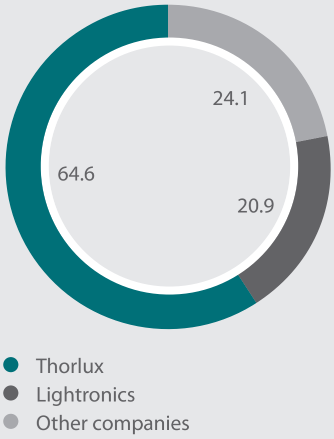
Pictured RH page :
Amsterdam Arena, Amsterdam
Famostar Factory, Velp
Praxis DIY Store, Netherlands

Operational Performance

FW Thorpe: Group Performance

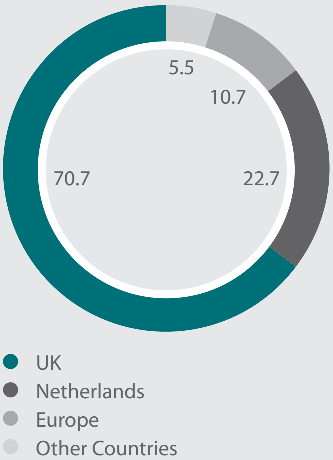
Group Total Revenue (£m)

Excluding Intercompany



Revenue by region (£m)

Excluding Intercompany



Pictured: Hyundai, Swansea

2018 Group Company Overview

FW Thorpe Plc encompasses individual companies that concentrate on particular market sectors and geographical locations. The companies are chosen to be complementary and non-competing, offering both diversity as well as risk mitigation.

The companies within the Group are affected differently by market trends and economic impacts within their respective markets. The continuing development and market adoption of LED and lighting controls technology means that the companies can share the benefits of product and technical expertise to differentiate themselves from the competition.

Overall Group performance was ahead of last year's, helped by the acquisition of Famostar midway through the year and because of continued new product introductions, investment in manufacturing facilities and sales 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 our companies, excluding the recently acquired Famostar business and for which revenue values include intercompany revenue.

Thorlux Lighting

Results are disappointing when compared with last year's; however, they need to be viewed in the context of the record results achieved in 2016/17. The integration of the Compact business bolstered revenue but affected operating costs, leading to revenue marginally below that of last year. On a positive note, SmartScan continued to deliver, supporting order income during the year.

Across the Group, Thorlux has the widest product portfolio, supplying a variety of markets and sectors. Demand increased in the healthcare, commercial and logistics sectors, but softened in automotive and industrial. We also need to consider that confidence in the construction sector was dented midway through 2017/18 with the demise of a major contractor; although we were not directly impacted, we believe this slowed demand.

Thorlux continues to be the focus of product development for the rest of the Group. Further enhancements of the SmartScan platform were delivered and will continue into the coming year, with additional functionality to measure certain conditions of the environment in order to monitor the performance of a space. Thorlux orders and sales may not have hit the heights of last year; however, SmartScan revenue exceeded £14.0m in its second year.

Group collaboration remains a key focus, combining the expertise of our outdoor lighting companies, TRT and Lightronics, lens development skills from Luxintec and decades of lighting product development experience from Thorlux. This has resulted in a number of new products being brought to the market, with a number in the pipeline for launch during 2018/19.

In another notable collaboration, a major project was secured by our sales office in the UAE and supplied by Thorlux, TRT, Philip Payne, and Luxintec in Spain.

Further energy saving projects with the NHS were delivered, and the retail business outperformed in its first full year under the Thorlux umbrella.

Overseas, both Ireland and Australia performed well. Germany was disappointing in spite of investment in personnel; however, the stand-out performance was that of the UAE.

Investment in Thorlux continues. Systems and processes have been a major focus this year, with investment in our main system to improve day-to-day activities that have not necessarily evolved with the business over the years. This will continue over the next few years. Manufacturing capacity has been increased: an additional printed circuit board line has been installed at our TRT facility, controlled by Thorlux but for use by the Group as a whole.

Our investment in selling resources has not grown orders this year, but we will continue this for the long term. Our product portfolio continues to evolve, as does our selling presence in different territories and market sectors. Further streamlining of our operational processes, which will include the closure of our Portsmouth facility, should improve profit margins in 2019. Thorlux will continue to aim for growth; this will be difficult in the current economic climate, but the business has the right building blocks to maintain its performance and move it forwards.

Revenue

£68.6m
–1%

(2017: £69.1m +22%)

"Thorlux continues to be the focus of product development for the rest of the Group."

Pictured: Girls High School, Sheffield

Operational Performance continued

Philip Payne

Revenue

£3.4m

+11%

(2017: £3.0m +19%)

"The strategy to increase focus on exports, adopted a few years ago, has proven successful."

Pictured: HM Treasury, London

The relationship between Philip Payne and its core client base continues to be the key unique selling point of the business. Philip Payne's ability to modify standard designs to meet architectural requirements differentiates its range from those of competitors, which are generally produced in higher volume and often imported. In another good set of results for the business, both revenue and operating profit increased over last year's.

Philip Payne's clients are quite discerning and often require more than the typical trade offerings, leading to distinctive market opportunities. The combination of this with the launch of a new wireless emergency lighting test system has led to exciting project work at a number of wireless sites, including the Scottish Parliament and HM Treasury. Where there is challenging architecture, SPECTO-XT (the new wireless emergency lighting system) improves safety for occupants and ensures regulatory compliance with minimal disruption and installation costs.

Alongside these projects, the business has continued its proud tradition of working with blue-chip clients, completing work with clients including Tag Heuer, Wempe, Hugo Boss and Tom Kerridge restaurants, plus a plethora of top hotels including Manhattan Loft Gardens, The Cadogan, Gleneagles and the five-star Adare Manor in County Limerick.

The strategy to increase focus on exports, adopted a few years ago, has proven successful. Continued growth in the UAE has been enjoyed, and processes are in place to secure the required accreditations to take SPECTO-XT to the Middle East region, where Philip Payne already enjoys success with the existing wired control system, SPECTO-Web.

This year has also seen considerable investment in digital printing, with Philip Payne migrating from traditional printing processes. Digital printing will permit the business to offer an unrivalled range of exit sign options along with custom-built general signage, which has historically added a welcome supplement to core activities.

Yet again, the challenge for the new financial year will be to replicate or improve on the success of this financial year.

Solite

2017/18 was another year of growth for Solite, albeit at a slower pace than during the last two years. Operating profit has also moved forward during the year; it has now achieved solid growth in the last three financial years.

Demand in the first part of the year was strong, driven again by a close working relationship with the Thorlux sales office in Dublin. Orders with major pharmaceutical companies in the UK were also secured during the year, continuing from the successes of previous years.

Solite also gained some momentum in the custodial sector, where investments in new products and selling resources were made last year. Further Ministry of Justice approval for products was achieved and resulted in a number of smaller projects being secured.

Investment in Solite continues, with further investment planned in the coming year. The growth in the last few years has put pressure on the factory to meet customer demand. Whilst Solite offers a comprehensive range of clean area products, the vast majority are bespoke variations of the portfolio. This puts extra demands on the manufacturing process, but at the same time gives Solite a competitive advantage.

Solite again has the challenge of maintaining and building on the performance for this year. Focus is required on improving the product portfolio to keep ahead of the competition and continuing to exceed customer expectations concerning service levels. The order book at the start of this new financial year is not as strong as in previous years; however, there are a number of good opportunities to pursue in 2018/19.

Revenue

£3.6m
+3%

(2017: £3.5m +33%)

"Solite also gained some momentum in the custodial sector, where investments in new products and selling resources were made last year. "

Pictured: Sheffield Royal

Operational Performance continued

Portland Lighting

Revenue

£3.3m

–4%

(2017: £3.4m –2%)

"Product development is also crucial in maintaining competitive advantage."

Portland is renowned within the Group for its unique route to market and its stellar return on sales. Revenue declined again this year, and whilst return on sales percentage is still the highest in the Group, profits have dipped slightly.

The focus remains on external sign lighting for the retail sector and brewery trade, as well as for advertising billboard companies. Projects this year included a retail site called Box Park Wembley, high street stores for Costa, Greggs and Gap, and brewery projects with Punch Taverns.

Next day delivery and customer service remain paramount at Portland.

Product development is also crucial in maintaining competitive advantage. 2018 witnessed the launch of Ecolux mini. Mini continues on the success of the existing Ecolux product range, having a slim line new design and improved performance, as well as being easier and quicker for contractors to install.

Gaining traction on international sales has again been challenging, but with some success: export sales are up 27% and now represent 5% of revenue. Focus continues on this part of the business.

Portland will target growth in 2018/19 to arrest the recent decline. Delivering increased market share domestically and using Group resources to develop overseas opportunities are primary objectives to achieve growth in the coming year.

Pictured: Miller and Carter, Solihull

TRT Lighting

TRTLIGHTING
ROAD & TUNNEL SYSTEMS

For the first time since its inception, TRT failed to grow this past year. Following a difficult finish to the 2016/17 financial year, the business responded positively to increased price competition and the commoditisation of the basic street light offering. Prices have dropped, which has necessitated a dramatic increase in volume to keep revenues close to those of the previous year, but has resulted in a lower operating profit for 2017/18.

Where TRT has been successful is in securing volume orders with local authorities, with the launch of products to compete at the value end of the sector. A focus on factory efficiency was required to improve output; this has taken time, but efficiency improved in the second half of the year.

Tunnel lighting business has been non-existent this year; however, these projects can be sporadic, and a number of opportunities in this sector remain active. TRT has developed a couple of new solutions for this market that include retrofit kits to replace lighting in a number of projects the business has supplied in the past.

Product development remains key, particularly in the current value driven market. In the next few months, TRT will launch a new product, named Optio, which will differentiate the business in the street lighting market. Key features include selectable light distributions and power settings as well as an adjustable column mounting that will result in a one-product-fits-all solution for the majority of customers.

The in-house printed circuit board assembly facility is now operational, supporting not only TRT but also other companies in the Group. The addition of new painting facilities were deferred to allow TRT to focus on its factory efficiency improvements, but will be revived during the new financial year.

TRT again starts the year with a good order book from a street lighting perspective. Improved margins and continued factory efficiency will be key to supporting improved operating performance in 2018/19.

Revenue

£8.6m

–2%

(2017: £8.8m +5%)

"Product development remains key, particularly in the current value driven market."

Pictured: Traffic Route, North and Mid Wales Trunk Road Agency, Wales

Operational Performance continued

Lightronics

LIGHTRONICS WE ENLIGHTEN YOUR WORLD

Revenue

£21.1m
+8%

(constant currency +7%)

(2017: £19.5m +25% (constant currency +9%))

"Industrial and emergency sectors remain a strategic ambition for both Lightronics and the Group."

This business delivered another good result as Lightronics builds on the success from previous years. Orders, sales and profit have all grown again this year, although at a slower rate. In addition, the Lightronics management discovered and supported the opportunity to acquire the Famostar business in December. Famostar will be reported on separately in future (see page 20) and is now managed by the Lightronics team.

The street lighting sector has driven growth this year, where last year growth was driven by the impact-proof lighting segment. Major projects included various city projects in the Netherlands and Germany, as well as the continued roll-out of the Woonstad Rotterdam project.

Industrial and emergency lighting sectors remain a strategic ambition for both Lightronics and the Group. The addition of the Famostar product portfolio will kick-start the overhaul of the Lightronics emergency offering and how the business complements Famostar in the local market.

The only disappointing note continues to be the strategic objective of developing the industrial and emergency lighting segments in the Netherlands utilising existing products available in the Group. There has been some progress with a number of small orders, but the management team is challenged to deliver better results through a closer working relationship with Thorlux, utilising that company's many decades of experience of selling into these sectors.

The Group made a significant commitment to the Lightronics business in 2018, securing the current and neighbouring buildings, which were previously leased. This gives Lightronics a stable base for further growth and an opportunity to establish the Group's European Applications Centre to demonstrate both Lightronics and Group product offerings.

As said last year, with continued growth comes the challenge of maintaining, let alone improving, the results for the next financial year. If Lightronics is to see growth in the coming year, focus is required on stimulating demand for Thorlux products in the Netherlands.

Pictured: Zorgcomplex, Tilburg

Pictured RH page :
Newman University, Birmingham

Financial Performance

"Revenue increased by 4.0% to £109.6m with operating profit showing an improvement of 5.7% to £19.5m, benefiting from the inclusion of six months of the Famostar business."

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 2018.

Results and dividends

Revenue increased by 4.0% to £109.6m with operating profit showing an improvement of 5.7% to £19.5m, benefiting from the inclusion of six months of the Famostar business.

Whilst we have seen an overall improvement in operating profit, this is impacted by the need to provide for further increases in expected payouts on the Lightronics earn out due to the success of that business. In 2018 we have provided a further £1.5m (2017: £0.9m), that has suppressed the Group's operating performance during the year.

Net finance expense became net finance income of £0.1m (2017: expense of £0.3m) with last year's expense being driven by loan note impairment. The net income has reduced from previous years due to the accounting treatment of the Lightronics acquisition and continued low interest rates on our cash deposits.

The taxation charge reflects an effective rate of 17.67% (2017: 20.99%). This is lower than the rate in the previous year due to the introduction of the patent box relief regime.

On 12 April 2018, the company paid an interim dividend of 1.40p per share (2017: 1.35p) amounting to £1,623,000 (2017: £1,561,000). A final dividend of 4.00p (2017: 3.55p) per ordinary share is proposed amounting to £4,639,000 (2017: £4,114,000) and, if approved, will be paid on 29 November 2018. Total dividends paid during the year amounted to £5,737,000 in aggregate (2017: £4,858,000). The final dividend for 2017 was paid on 30 November 2017.

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 2018 or 30 June 2017.

Pension scheme position and funding

The latest triennial actuarial valuation was completed as at 30 June 2015. 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 statement of financial position.

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 £1,605,000 (2017: £1,715,000) 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. While 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 20 years ago, management consider that undertaking formal valuation exercises would be costly for limited value and consequently no formal exercise has been undertaken.

Investment this year included freehold property in Waalwijk for Lightronics of €3.4m and increased printed circuit board capacity located at TRT Lighting.

Creditor payment policy

The Group's policy concerning the payment of its trade creditors is to accept and follow the normal terms of payment among 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 38 (2017: 48).

2018 saw the introduction of the duty to report on payment practices and performance. FW Thorpe has complied with this regulation but it is disappointing to see that a number of our competitors have decided against it somehow.

Internal financial control

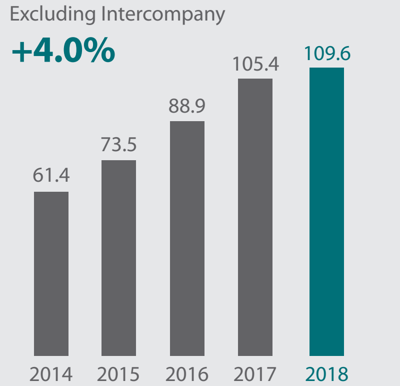
During the year, a member of the Group finance department has visited all operating sites to assess their compliance with a selection of key control procedures and any non-compliance reported to the Group Board. Any areas of non-compliance noted as part of this process have been addressed.

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.

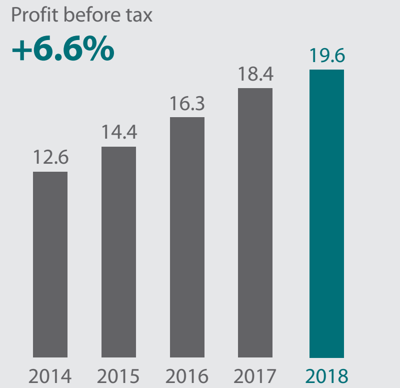
Craig Muncaster
Joint Chief Executive, Group Financial Director and Company Secretary

15 October 2018

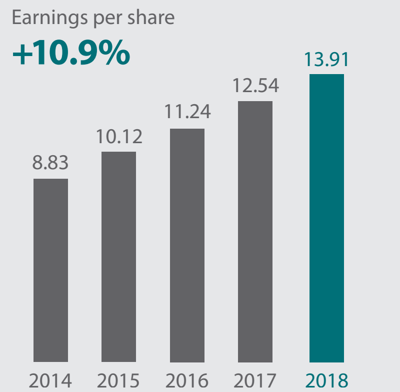
Group Total Revenue (£m)



Underlying Group PBT (£m)



Underlying Basic EPS (Pence)



Principal Risks and Uncertainties

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	• 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	• 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	• Existing competitors, powerful new entrants and continued evolution of technologies in the lighting industry eroding our revenue and profitability
D	**Price changes**	Operational	• Erosion of revenue and profitability
E	**Business continuity**	Operational	• The majority of the Group's revenues are from products manufactured in the Redditch facility
F	**Credit risk**	Financial	• The Group offers credit terms which carry risk of slow payment and default
G	**Movements in currency exchange**	Financial	• 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
H	**Cyber security**	Operational	• A breach of IT security could result in the inability to operate systems effectively and efficiently or the release of inappropriate information
I	**Exit from the European Union**	Strategic	• Significant uncertainty remains over how the economic landscape might be affected in the next few years

Strategic Priorities key

1. Focus on high quality products and good leadership in technology
2. Continue to grow the customer base for Group companies
3. Focus on manufacturing excellence
4. Continue to develop high quality people

Read more about our **Strategic Priorities** on pages 16 and 17

Risks 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
• 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**	1 2 4	▲
• 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**	2 4	▶
• 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**	1 2 3 4	▶
• 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**	1 2	▲
• 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 • Increased production flexibility with the ability to build products in more than one manufacturing facility	**High**	2 3	▶
• 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**	2	▶
• The Group has increased its sourcing of materials to maintain a natural hedge to offset its currency risk from EUR receivables, whilst at the same time buying EUR and USD when the exchange rate is favourable, compared to our operational rates, to minimise the risk	**Low**	2	▶
• Internal IT team strengthened • Implemented new firewall • Disaster recovery capabilities are under review with a view to further investment	**Low**	1 3 4	▶
• With the Group having a manufacturing presence in two EU countries, the Netherlands and Spain, this leaves us ideally placed to react to any negative trade barriers that may be imposed on the UK • Continue to develop closer working relationship with these entities, sharing product development, market knowledge and operational expertise to ensure we have the flexibility to adapt to any changes in the future • As more details emerge we will assess the impact, in the short term the Group will review the implications based on potential outcomes	**Medium**	2 4	▲

Sustainability

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

In 2009, FW Thorpe designed an ambitious carbon offsetting scheme to help compensate for these emissions. The scheme is now accredited under the Woodland Carbon Code and now has 149,849 trees planted. The Group requires some 8,000 or so plantings per annum to offset the CO_2 produced by our operations.

Why are LED's better for individuals and the environment?

Light does a lot more than enable humans to see. Daylight regulates various hormone levels within the body, which affect people physically, mentally and behaviourally.

Using modern LED light sources in our ColourActive luminaires and utilising controls, the natural daylight cycle can be replicated improving lighting conditions with potentially positive benefits.

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 company documents section.

Charitable Gifts

During the year the Group gave £26,310 (2017: £11,437) for charitable purposes. This is made up of donations to UK charities for children's welfare of £150, cancer care of £294, healthcare of £5,348, educational schemes of £2,650, and local causes of £17,868.

Case Study: Royal Welsh Show Success

Since 2009 FW Thorpe Plc has planted over 149,000 trees on 215 acres in Monmouthshire. The ambitious carbon offsetting scheme is accredited to the Woodland Carbon Code and has now been recognised at the prestigious woodland awards held at The Royal Welsh Show.

Twenty two estates were judged throughout South Wales with the FW Thorpe woodland (Cwm Fagor) winning three awards:

- The Milford Silver Medal for Best Broadleaf entry in Stand classes A, B and C
- Best Managed Woodland 51-200 hectares – Silver
- Broadleaf planting or restocking under 10 years old – Gold

Acknowledging the hard work of the silviculturist, the judges praised the quality and health of the woodland and commented on the overall conservation impact including the abundance of wild flowers, butterflies and birds.

Pictured: FW Thorpe Carbon Offsetting Project, Devauden

FW Thorpe, making a meaningful difference: our contributions in 2018

Economic – we generate value

Contribution to UK economy

Tax paid, collected

£17.7m

(2017: £18.6m)

We are investing in the future

Capitalised R&D expenditure

£1.6m

(2017: £1.7m)

We support the national wage bills

£30m

(2017: £28m)

Awards and recognition:

- Listed in London Stock Exchange 1000 Companies to Inspire Britain 2018
- Queens Award for innovation – application
- Forestry award – The Royal Welsh Show

Read more about The Royal Welsh Show Success on page 34

Community

Charitable donations

£26,310

(2017: £11,437)

Number of charities

38

(2017: 33)

Employee engagement

People employed

720

(2017: 639)

Apprentice employment

14

Last 5 years

Innovation

Patents	Granted	Pending
12	5	7

Environment

Total trees planted

149,849

(2017: 149,849)

CO_2 offset per annum 2016/17

3,287 tonnes

(2015/16: 2,984 tonnes)

Focus on high quality products and good leadership in technology

Read more about our **Strategy** on pages 16 and 17

OUR GOVERNANCE

Pictured: Millets Farm Centre, Oxfordshire

Board of Directors

Mike Allcock

Chairman, Joint Group Chief Executive and Managing Director, Thorlux Lighting

Appointment/Background: 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 and became Managing Director of Thorlux Lighting in 2003. 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. He became Joint Group Chief Executive of FW Thorpe in 2010 and Chairman in July 2017.

Keys Areas of Expertise/Responsibility:
Lighting & Controls Technology, Product Design/Management, Industry Knowledge, Marketing, Strategy

Craig Muncaster

Joint Group Chief Executive, Group Financial Director and Company Secretary

Appointment/Background: 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. He joined FW Thorpe in 2010 and was appointed Joint Group Chief Executive in July 2017.

Keys Areas of Expertise/Responsibility:
Financial Management, Commercial/Legal Risk, Investor Relations, Mergers & Acquisitions, Company Secretarial

Andrew Thorpe

Executive Director

Appointment/Background: 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, positions he held until July 2017.

Keys Areas of Expertise/Responsibility:
Manufacturing, Product Design/Management, Sales & Marketing, Industry Knowledge, Strategy

Tony Cooper

Manufacturing Director, Thorlux Lighting

Appointment/Background: 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.

Keys Areas of Expertise/Responsibility:
Manufacturing, Business Management, Industry Knowledge, Project Management

David Taylor

Managing Director, Philip Payne

Appointment/Background: David joined FW Thorpe 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.

Keys Areas of Expertise/Responsibility:
Manufacturing, Business Management, Financial Management, Industry Knowledge

James Thorpe
Business Development Director, Thorlux Lighting

Appointment/Background: James graduated from Swansea University with a BSc in 2000. He spent 13 years in the IT industry, involved in a variety of public and private sector contracts before joining FW Thorpe in 2013. During his time as Business Development Manager at Thorlux, he has been responsible for securing a number of high profile projects which have contributed to the growth of revenue derived from the healthcare sector. James is the great grandson of the company founder and was appointed as a director in July 2017.

Keys Areas of Expertise/Responsibility:
Sales & Marketing, Business Development, Digital Marketing

Peter Mason
Non-Executive Director

Appointment/Background: 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 in 1987 as Finance Director. He became Joint Chief Executive in July 2000. In June 2010 he became a non-executive director and Chairman of the remuneration committee following the appointment of his successor.

Keys Areas of Expertise/Responsibility:
R Financial Management, Governance, Company Secretarial, Industry Knowledge

Ian Thorpe
Non-Executive Director

Appointment/Background: 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.

Keys Areas of Expertise/Responsibility:
R Manufacturing, Human Resources, Governance, Industry Knowledge

Committee key
R Remuneration Committee

Independent Auditors
PricewaterhouseCoopers LLP
Donington Court
Pegasus Business Park
Castle Donington
DE74 2UZ

Bankers
Lloyds
Church Green East
Redditch
Worcestershire
B98 8BZ

Solicitors
Keystone Law
48 Chancery Lane
London
WC2A 1JF

Pinsent Masons LLP
19 Cornwall Street
Birmingham
B3 2FF

Nominated Adviser
N+1 Singer
12 Smithfield Street
London
EC1A 9BD

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

The directors present their Directors' report with the audited consolidated financial statements of the Group and the Company for the financial year ended 30 June 2018.

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 58 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 60. A review of the performance of the business during the financial year and expected future developments are contained in the Chairman's Statement, the Operational Performance section and the Financial 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 pages 16 and 17 (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 Risks and Uncertainties

The table on pages 32 and 33 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.

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.

Proposed Dividend

Details of the proposed dividend are disclosed in the Financial Performance section on pages 30 and 31.

Directors

The directors of the company during the year and at the date of this report are set out on pages 38 and 39.

The directors retiring by rotation are A B Thorpe, C Muncaster and A M Cooper who, being eligible, offer themselves for re-election. The contract for A B Thorpe is terminable on 24 months' notice. C Muncaster and A M Cooper have service contracts terminable on 12 months' notice.

Directors' Share Interests

The details of the directors' share interests are set out in the directors' remuneration report on page 48.

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 46 to 48.

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 15 October 2018, the company had received notification of the following interests in 3% or more of the issued share capital, excluding holdings of directors:

Liontrust Investment Partners LLP
6,892,138 (5.8%)

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

C M Brangwin
7,731,550 (6.5%)

Relations with Shareholders

Directors are kept informed of the views of shareholders by face-to-face contact at the company's premises on the day of the Annual General Meeting and, if appropriate, by meeting with major shareholders at other times during the year.

Directors' Authority to Issue Shares

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, there will be no resolution to grant these powers 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 15 October 2018 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 2019. 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

The company's shares are traded on the Alternative Investment Market (AIM) of the London Stock Exchange Plc. Previously the company was not required to comply with the Principles of Good Governance and Code of Best Practice ("The UK Corporate Governance Code", or the "Code").

Following a change to the AIM rules in 2018, from 28 September 2018, the company has now adopted the Quoted Companies Alliance's "Corporate Governance Guidelines for Smaller Quoted Companies" (the QCA Code) which the Board believes appropriate due to the size and complexity of the company.

There are ten principles of the QCA code and the following table sets out in broad terms how we comply at this point in time.

Directors' Report continued

Principle	Extent of current compliance	Commentary	Further disclosure
1. Establish a strategy and business model which promote long-term value for shareholders	Compliant	The Group's business strategy is detailed in our Annual Report & Accounts and focuses on delivering long term growth and stability, achieved through four key strategic priorities: • Focus on high quality products and good leadership in technology • Continue to grow the customer base for Group companies • Focus on manufacturing excellence • Continue to develop high quality people	Find out more in the **Strategic Report** on pages 08 to 35 Read about our **Strategy** on pages 16 and 17 Read about our **Business Model** on pages 14 and 15
2. Seek to understand and meet shareholders needs and expectations	Compliant	Meetings are held with shareholders as required, this includes visits to our various company locations being organised and encouraged where possible. In addition, all announcements include contact details for shareholders to contact the Company if they so choose. The AGM is another forum for dialogue with our shareholders. The Notice of Meeting is sent to shareholders at least 21 days before the meeting. Any feedback during these meetings is encouraged and acted upon where appropriate.	Find out more in the **Directors' Report** on page 41
3. Take into account wider stakeholder and social responsibilities and their implications for long-term success	Compliant	Feedback from employees, customers, suppliers and other stakeholders is actively encouraged. Our employees are an important stakeholder group and we actively encourage dialogue with the company via various employee committees within our companies. Reports from these meetings are distributed to the Board.	Find out more in the **Strategic Report** on pages 08 to 35 and in our **Sustainability** section on pages 34 and 35
4. Embed effective risk management, considering both opportunities and threats, throughout the organisation	Compliant	The Board operates a continuous risk identification and evaluation process. The results are utilised by the Board to manage any significant risks. In addition, the executive directors regularly visit all operating sites and review financial and commercial issues with an executive director responsible for each individual company. The Board has overall responsibility for the system of internal control and for reviewing its effectiveness throughout the Group. Internal financial control is driven by Group finance who visit each company to assess compliance against key controls. This includes regular financial reporting that is compared against plan and previous year's performance.	Find out more about our **Principal Risk and Uncertainties** on pages 32 and 33 and in the **Directors' Report** on page 40
5. Maintain the board as a well-functioning, balanced team led by the chair	Partially Compliant	Total of eight directors, six executive directors and two non-executive directors. The non-executives are not considered fully independent. The Board considers that the non-executive directors are appropriate as they bring significant experience and expertise in the sector. In addition, as the directors retire on a three-year rotation, shareholders have a regular opportunity to ensure that the composition of the board is in line with their interests. There is a Remuneration Committee but no Audit Committee, with matters that would normally be tabled at an Audit Committee put to the full Board.	Find out more in **Our Governance** on pages 38 to 55 Read about our **Board of Directors** on pages 38 and 39 Read our **Directors' Report** on pages 40 and 41

Principle	Extent of current compliance	Commentary	Further disclosure
6. Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities	Compliant	The current composition of the Board provides the necessary skills, experience and capabilities for the size and context of the Group. The composition and succession of the Board are subject to review, considering the future needs of the Group.	Find out more in **Our Governance** on pages 38 to 55 Read about our **Board of Directors** on pages 38 and 39 Read our **Directors' Report** on pages 40 to 44
7. Evaluate board performance based on clear and relevant objectives, seeking continuous improvement	Partially Compliant	There is no formal evaluation process, however, the Chairman is responsible for Board performance and accordingly actively encourages feedback on the content and function of board meetings. The composition and succession of the Board are subject to constant review, considering the ever-changing needs of the Group. In addition, the directors retire by rotation every three years giving shareholders the opportunity to ensure that the board is aligned with their interests.	
8. Promote a corporate culture that is based on ethical values and behaviours	Compliant	Our core aim is for long term growth and stability. The Group management team is passionate about developing the business for the benefit of the shareholders, employees and customers. With our focus on excellence, we ensure our Group's culture is consistent with the aim of long term growth and stability. In order to achieve and maintain such a culture, we invest in training our employees, as mentioned in the Annual Report & Accounts.	Find out more in the **Strategic Report** on pages 08 to 35 Read about our **Strategy** on pages 16 and 17
9. Maintain governance structures and processes that are fit for purpose and support good decision making by the board	Compliant	The Board as a whole is responsible for robust governance practices. The roles and responsibilities of each director are clear and responsibilities understood. The Board meets at least eight times each year, with additional meetings as required.	Find out more in the **Directors' Report** on pages 40 to 44 Read about our **Board of Directors** on pages 38 and 39
10. Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	Compliant	The Company communicates through the Annual Report & Accounts, full-year and interim announcements, the AGM and one-to-one meetings with existing or potential shareholders. A range of corporate information is also available on the Company's website. Meetings with shareholders, employee groups, management and other representative groups provide a platform for raising any concerns relating to corporate governance.	Find out more online at: **www.fwthorpe.co.uk**

Directors' Report continued

The Board 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 Board does not have a nominations committee.

The Board 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.

Statement on the Provision of Information to Independent 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 £28.7m cash and £15.3m 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 08 to 35 and the Directors' Report on pages 40 to 44 is an accurate representation of the Group's strategy and performance.

By order of the Board

Craig Muncaster
Joint Chief Executive, Group Financial Director and Company Secretary

15 October 2018

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

Company Registration Number: 317886

Statement of Directors' Responsibilities

in respect of the Financial Statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union 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 affairs of the group and company and of the profit or loss of the Group and Company for that period. In preparing the financial statements, the directors are required to:

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

The directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the group and company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Group and Company's auditors are aware of that information.

By order of the Board

Craig Muncaster
Joint Chief Executive, Group Financial Director and Company Secretary

15 October 2018

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.

3. Long term incentive scheme. This scheme consists of the "Executive Share Ownership Plan" (ESOP) details of which are shown on page 48.

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.

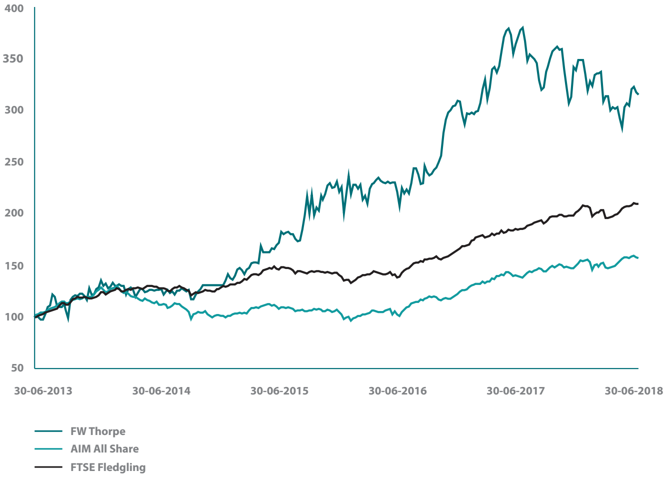
Directors' Service Contracts

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

Total shareholder return



Directors' Emoluments (Audited)

Executive directors	2018 Salary/fees £'000	2018 Bonus £'000	2018 Benefits £'000	2018 Total £'000	2017 Total £'000	2018 Share options £'000	2017 Share options £'000
A B Thorpe	92	93	28	213	419	72	–
M Allcock	256	201	17	474	436	76	–
D Taylor	135	110	17	262	223	98	–
A M Cooper	153	125	15	293	263	98	–
C Muncaster	230	188	16	434	291	44	–
J E Thorpe	102	101	8	211	–	–	–
Non-executive directors							
C M Brangwin	–	–	–	–	24	–	–
I A Thorpe	27	–	15	42	41	–	–
P D Mason	27	–	4	31	31	–	–
	1,022	**818**	**120**	**1,960**	1,728	**388**	–

The directors' emoluments exclude contributions to the pension scheme.

Directors' Pension Arrangements

M Allcock is a deferred member and D Taylor an active member of the defined contribution scheme of the FW Thorpe Retirement Benefits Scheme and have a final salary guarantee as they were previously members of the defined benefit section. A M Cooper is a deferred member and J E Thorpe an active member of the defined contribution section of the FW Thorpe Retirement Benefits Scheme. A M Cooper and C Muncaster have personal pension plans to which the company contributed.

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%.

M Allcock and A M Cooper ceased being active members of the FW Thorpe Retirement Benefits Scheme and C Muncaster has ceased being an active member of his personal pension scheme due to HMRC limits on lifetime allowances and annual contributions. Subsequently the company has entered into pension compensation arrangements with these three directors to compensate them for the loss of these employer pension contributions. During the financial year the company paid pension compensation to M Allcock of £78,716 (2017: £37,319), A M Cooper £2,335 (2017: £2,152) and to C Muncaster £11,062 (2017: £nil).

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 2018 £pa	Director's contributions during the year £	Change in value of accrued pension since 30 June 2017 £pa
D Taylor	56	65	82,178	8,590	9,359

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.

	2018 £'000	2017 £'000
J E Thorpe	**7,674**	–

Directors’ Remuneration Report continued

C Muncaster and A M Cooper have personal pensions which are not part of the company scheme, and the following contributions have been made during the year.

	2018 £’000	2017 £’000
C Muncaster	**3,399**	13,596
A M Cooper	**10,000**	10,000

Directors’ Shareholdings

The directors listed below were in office during the year. Directors’ interests in the share capital of the company at 30 June 2018 and 1 July 2017 were as follows:

	Ordinary shares of 1p Beneficial	
Executive directors	**2018**	2017
A B Thorpe	**27,642,700**	27,602,700
M Allcock	**144,000**	114,000
D Taylor	**84,913**	55,913
A M Cooper	**112,224**	84,000
C Muncaster	**20,000**	–
J E Thorpe	**1,371,450**	–
Non-executive directors		
I A Thorpe	**25,047,120**	25,047,120
P D Mason	**1,626,370**	1,626,370

The market price of the company’s shares at the beginning and end of the financial year was 390p and 332.5p respectively, and the range of market prices during the year was from 290p to 402.8p.

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	J Thorpe
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	–

During the year the first tranche of shares of this ESOP vested as the performance conditions were met in the financial year ended 30 June 2015, options vested and exercised in the year are shown in the table below:

	A B Thorpe	M Allcock	D Taylor	A M Cooper	C Muncaster	J Thorpe
Number at 1 July 2017	200,000	200,000	200,000	200,000	200,000	–
Awarded	–	–	–	–	–	–
Vested	40,000	40,000	40,000	40,000	40,000	–
Exercised	(40,000)	(40,000)	(40,000)	(40,000)	(20,000)	–
Lapsed	–	–	–	–	–	–
Number at 30 June 2018	160,000	160,000	160,000	160,000	180,000	–

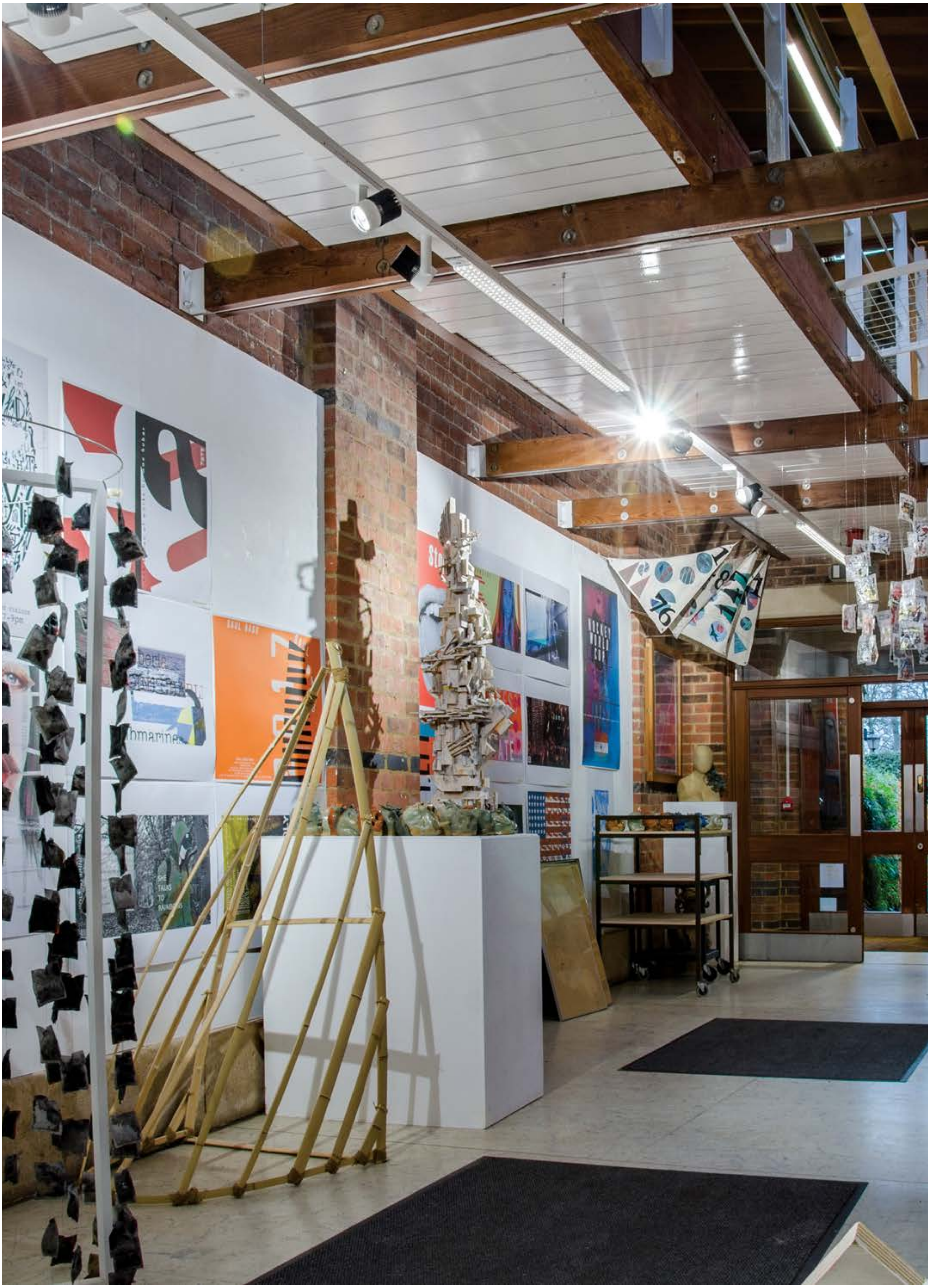
There have been no other changes in the interests of the directors in the share capital of any company in the Group during the period 1 July 2018 to 15 October 2018.

Approved by the Board and signed on its behalf by:

Craig Muncaster
Joint Chief Executive, Group Financial Director and Company Secretary

15 October 2018

Pictured: Rugby School, Warwickshire



Independent Auditors' Report

to the Members of FW Thorpe Plc

Report on the audit of the financial statements

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 2018 and of the Group's profit and the Group's and the Company's cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise: the Consolidated and Company Statements of Financial Position as at 30 June 2018; the Consolidated Income Statement and Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Cash Flows, and the Consolidated and Company Statements of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

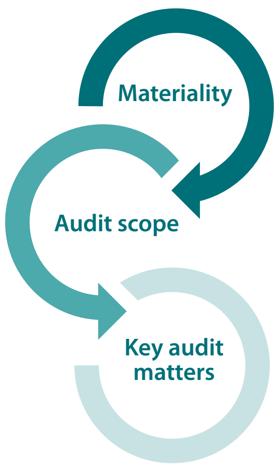
We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview



- Overall Group materiality: £900,000 (2017: £1,000,000), based on approximately 5% of profit before tax.
- Overall Company materiality: £800,000 (2017: £900,000), based on approximately 5% of profit before tax.

- We have conducted an audit of the complete financial information of the two financially significant reporting units; Thorlux Lighting and Lightronics, as well as conducting the full scope audits of four reporting units located in the UK such that the audit work was completed prior to finalisation of the Group financial statements.
- The audit work performed at these six reporting units, together with additional procedures performed on centralised functions at the group level, including audit procedures over the consolidation, gave us the evidence we needed for our opinion on the Group financial statements as a whole.

- Valuation of the Lightronics share appreciation rights repurchase obligation (Group and Company).
- Valuation of the Famostar share appreciation rights repurchase obligation (Group and Company).
- Valuation of the warranty provision (Group and Company).
- Valuation of the capitalised internal development costs (Group and Company).
- Appropriateness of the fair value of the assets and liabilities acquired on the acquisition of Famostar Emergency Lighting B.V. (Group).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Independent Auditors' Report continued

to the Members of FW Thorpe Plc

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Valuation of Lightronics share appreciation rights repurchase obligation Refer to the critical accounting estimates and judgements in note 1 to the Financial Statements and note 21 for trade and other payables. As part of the acquisition of Lightronics in FY15, share appreciation rights equivalent to 35% of the acquired business were sold back to the previous investors and management. The Group and Company are obliged to re-purchase these rights at an EBITDA (Earnings before interest, tax, depreciation and amortisation expense) multiple (based on an average of the previous two years) by FY21 with the option to exercise being held by the previous investors and management. Where the share appreciation rights are due to previous investors, this is accounted for as contingent consideration whereas for previous management who remain employed it is accounted for as a cash settled share based payment. Any re-valuation of the contingent consideration is recognised immediately whilst any re-valuation of the total share based payment charge is spread across the remaining option period, with both elements charged to administrative expenses. The valuation of the repurchase obligation involves judgement with respect to both the expected EBITDA at redemption and also the redemption date. **Group and Company**	We tested the key judgements within the repurchase obligation valuation being the annual revenue and EBITDA growth assumptions and the timing of when the option is likely to be exercised. With reference to the historical performance of Lightronics, the wider macro-economic conditions, review of forecast information and discussions with Lightronics management, these assumptions on growth and timing were considered to be reasonable. We recalculated and ensured there were no changes in the split in the share appreciation rights percentage holdings between previous investors and management through enquiries with management and review of board minutes. We considered the accounting for each tranche and ensured it was compliant with the requirements of IAS 39 – "Financial Instruments: Recognition and measurement" and IFRS 2 – "Share-based payment". We found that the valuation of the share appreciation rights repurchase obligation was consistent with the evidence obtained.
Valuation of Famostar share appreciation rights repurchase obligation Refer to the critical accounting estimates and judgements in note 1 to the Financial Statements and note 21 for trade and other payables. As part of the acquisition of Famostar in FY18, share appreciation rights equivalent to 35% of the acquired business were sold back to previous Lightronics shareholders. The Group and Company are obliged to re-purchase these rights at an EBITDA (Earnings before interest, tax, depreciation and amortisation expense) multiple (based on an average of the previous two years) by FY21 with the option to exercise being held by the previous investors and management. The share appreciation rights are treated as a cash settled share based payment with the initial liability and any re-valuation of the liability recognised immediately within administrative expenses as there are no ongoing performance conditions attached. The valuation of the repurchase obligation involves judgement with respect to both the expected EBITDA at redemption and also the redemption date. **Group and Company**	We tested the key judgements within the repurchase obligation valuation being the annual revenue and EBITDA growth assumptions and the timing of when the option is likely to be exercised. With reference to the historical performance of Famostar, the wider macro-economic conditions, review of forecast information and discussions with management, these assumptions on growth and timing were considered to be reasonable. We recalculated and considered the accounting for each tranche and ensured it was compliant with the requirements of IAS 39 – "Financial Instruments: Recognition and measurement" and IFRS 2 – "Share-based payment". We found that the valuation of the share appreciation rights repurchase obligation was consistent with the evidence obtained.

Independent Auditors' Report continued

to the Members of FW Thorpe Plc

Key audit matter	How our audit addressed the key audit matter
Valuation of warranty provision Refer to the critical accounting estimates and judgements in note 1 to the Financial Statements and note 23 for provisions. The Group and Company makes provisions for warranties where it is obliged to repair or replace faulty goods under the terms and conditions of sale. The typical warranty provision offered is for a period of five years although longer periods can be offered on certain product lines. Amounts have been provided based on known faults at the year-end date where rectification will be due and also based on expected failure rates as applied to sales made which are within the warranty period. The valuation of the warranty provision involves judgement with respect to the expected failure rate especially when applied to new products at the start of their warranty period. **Group and Company**	We have audited the specific provisions held at year-end by inspecting correspondence to confirm rectification is required and recalculating the provision amount based on material cost and estimated labour and installation expenditure. We have enquired with management and reviewed board minutes to ensure that no specific rectification issues have been identified which were not provided for at year-end. We have corroborated actual failure rates against the expected failure rate as used to calculate a provision where no known rectification issues have been identified. We have additionally reviewed the judgement management has made on those products where it would be too early in the sales cycle to extrapolate a failure rate across the remaining warranty term. We found that the valuation of the warranty provision was consistent with the evidence obtained and the estimates applied are not unreasonable.
Valuation of capitalised internal development costs Refer to the critical accounting estimates and judgements in note 1 to the Financial Statements and note 9 for intangibles. The Group undertakes development activities on new products and such internal development costs are capitalised where allowable under IAS 38 – "Intangible Assets." Judgement has been applied in considering whether the requirements for capitalising such internal development costs under IAS 38 have been met, the level and nature of costs which should be capitalised and also the period over which the capitalised costs should be amortised. **Group and Company**	We have assessed the development activities performed by the Group against the criteria for capitalising internal development costs under IAS 38. We have performed testing over the amounts capitalised in the year by agreeing payroll amounts to payslips and assessing the percentage of payroll costs capitalised with respect to the employee and their role in the development of products. We have assessed the amortisation period of three years across the Group with reference to the product launches and knowledge of the industry. We found that the valuation of capitalised development costs was consistent with the evidence obtained.
Appropriateness of the fair value of the assets and liabilities acquired on the acquisition of Famostar Emergency Lighting B.V. As disclosed in note 33, the Group acquired Famostar Emergency Lighting B.V. during the year. The Group have used the acquisition method of accounting to recognise the values of the acquired assets and liabilities in the Group's consolidated financial statements. These consolidated financial statements reflect the acquired business's results from the date that the acquisition has been completed. Using the acquisition method of accounting requires the acquired assets and assumed liabilities to be recorded as at the acquisition date at their respective fair values. Any excess of the purchase consideration over the estimated fair values of acquired identified net assets is recorded as goodwill in the balance sheet and is allocated to an appropriate business segment. **Group**	We have understood and agreed that the appropriate intangible assets have been identified. We have assessed the appropriateness of the valuation methodology and underlying assumptions used to value these intangible assets. We have also assessed the fair value of the consideration and the other acquired assets and liabilities to ensure that the calculation of goodwill arising on acquisition is appropriate.

Independent Auditors' Report continued

to the Members of FW Thorpe Plc

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

The Group financial statements are a consolidation of a number of reporting units, comprising the Group's businesses within its ten operating segments.

In establishing the overall approach to the Group audit, we identified two reporting units which, in our view, required an audit of their complete financial information both due to their size and risk characteristics: Thorlux Lighting (the Company) and Lightronics. Thorlux Lighting was audited by the Group engagement team whilst Lightronics was audited by a component audit team located in the Netherlands. The work performed by the component auditor was subject to review both remotely and in person by the group engagement team and the work performed over the valuation of the warranty provision and development costs has fed into our key audit matters.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Company financial statements
Overall materiality	£900,000 (2017: £1,000,000).	£800,000 (2017: £900,000).
How we determined it	Approximately 5% of profit before tax.	Approximately 5% of profit before tax.
Rationale for benchmark applied	We believe that profit before tax is the primary measure used by the shareholders in assessing the performance of the group, and is a generally accepted auditing benchmark.	We believe that profit before tax is the primary measure used by the shareholders in assessing the performance of the entity, and is a generally accepted auditing benchmark.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £40,000 and £800,000. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £45,000 (Group audit) (2017: £50,000) and £40,000 (Company audit) (2017: £50,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Company's ability to continue as a going concern.

Independent Auditors' Report continued

to the Members of FW Thorpe Plc

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 June 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 45, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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.

Independent Auditors' Report continued

to the Members of FW Thorpe Plc

Other required reporting

Companies Act 2006 exception reporting

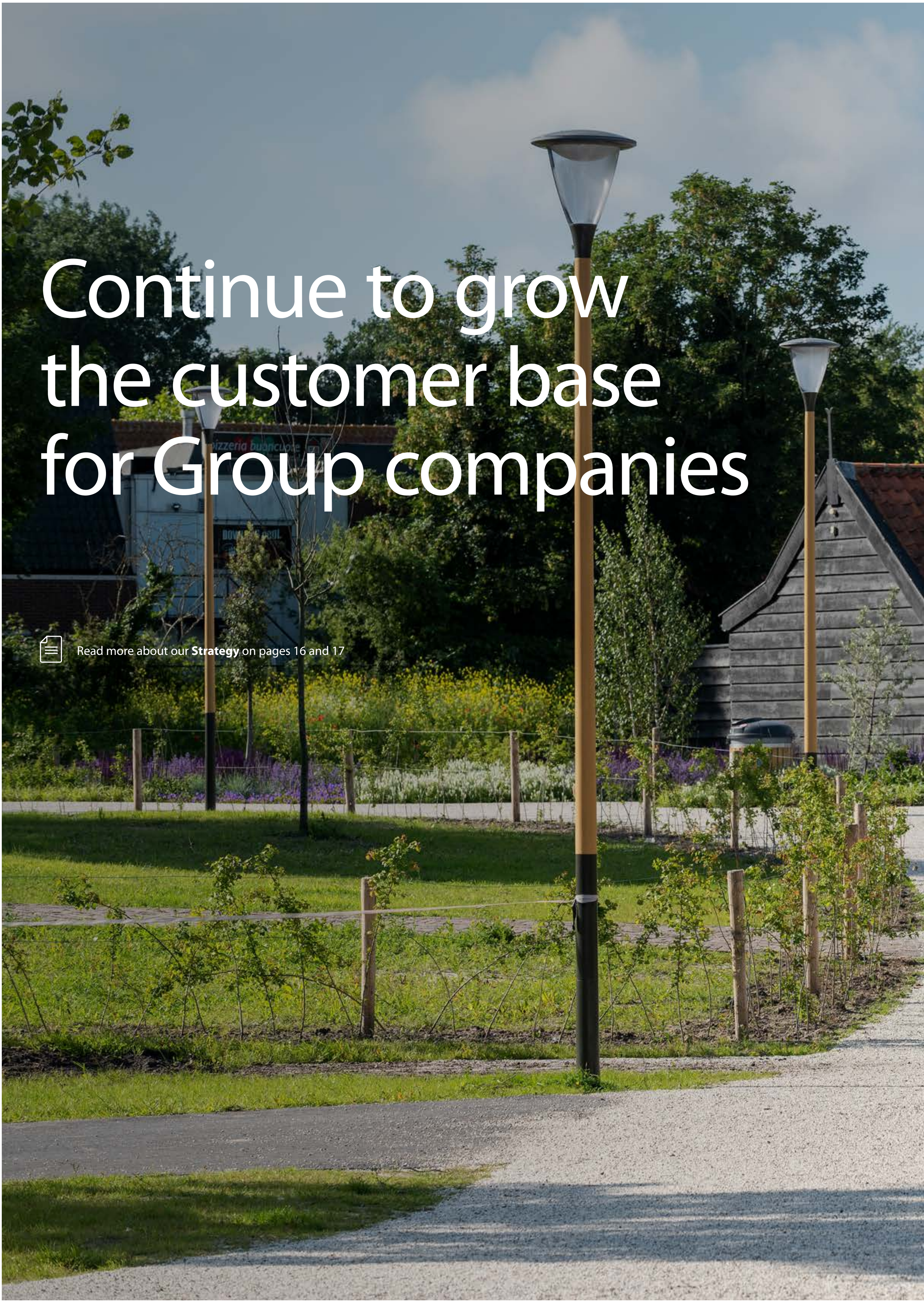
Under the Companies Act 2006 we are required to report to you if, in our opinion:

- 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
- certain disclosures of directors' remuneration specified by law are not made; 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.

David Teager
(Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
East Midlands

15 October 2018



Continue to grow the customer base for Group companies

Read more about our **Strategy** on pages 16 and 17

OUR FINANCIALS

Pictured: Renesse, Netherlands

Consolidated Income Statement

For the year ended 30 June 2018

	Notes	2018 £'000	2017 £'000
Revenue	2	**109,614**	105,448
Cost of sales		**(58,305)**	(59,025)
Gross profit		**51,309**	46,423
Distribution costs		**(11,823)**	(10,598)
Administrative expenses		**(20,261)**	(17,636)
Other operating income		**241**	233
Operating profit	3	**19,466**	18,422
Finance income	5	**819**	535
Finance costs	5	**(718)**	(784)
Share of profit of joint ventures		**–**	178
Profit before income tax		**19,567**	18,351
Income tax expense	6	**(3,457)**	(3,851)
Profit for the year		**16,110**	14,500

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	2018 pence	2017 pence
– Basic	7	**13.91**	12.54
– Diluted	7	**13.81**	12.47

The notes on pages 64 to 99 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.

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2018

	Notes	2018 £'000	2017 £'000
Profit for the year:		**16,110**	14,500
Other comprehensive income/(expenses)			
Items that may be reclassified to profit or loss			
Revaluation of available-for-sale financial assets	14	**189**	287
Exchange differences on translation of foreign operations		**119**	657
Taxation	15	**(32)**	18
		276	962
Items that will not be reclassified to profit or loss			
Actuarial gain/(loss) on pension scheme	22	**1,459**	(1,211)
Movement on unrecognised pension scheme surplus	22	**(1,615)**	1,071
		(156)	(140)
Other comprehensive income for the year, net of tax		**120**	822
Total comprehensive income for the year attributable to equity shareholders		**16,230**	15,322

The notes on pages 64 to 99 form part of these financial statements.

Consolidated and Company Statements of Financial Position

As at 30 June 2018

	Notes	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Assets					
Non-current assets					
Property, plant and equipment	8	**22,679**	18,837	**10,262**	9,547
Intangible assets	9	**21,596**	15,927	**3,601**	3,501
Investment in subsidiaries	10	**–**	–	**14,581**	13,682
Investment property	11	**2,076**	2,163	**9,215**	9,401
Loans and receivables	12	**6,139**	3,058	**13,482**	3,058
Equity accounted investments	13	**936**	936	**968**	968
Available-for-sale financial assets	14	**3,820**	3,630	**3,820**	3,630
Deferred tax assets	15	**8**	19	**–**	–
		57,254	44,570	**55,929**	43,787
Current assets					
Inventories	16	**21,489**	22,592	**14,124**	14,595
Trade and other receivables	17	**23,416**	18,995	**21,838**	21,456
Other financial assets at fair value through profit or loss	18	**389**	389	**389**	389
Loans and receivables	12	**–**	750	**–**	750
Short-term financial assets	19	**15,290**	16,981	**15,290**	16,981
Cash and cash equivalents	20	**28,668**	24,678	**24,333**	22,528
Total current assets		**89,252**	84,385	**75,974**	76,699
Total assets		**146,506**	128,955	**131,903**	120,486
Liabilities					
Current liabilities					
Trade and other payables	21	**(19,253)**	(17,826)	**(14,082)**	(14,438)
Current income tax liabilities		**(1,853)**	(1,606)	**(1,081)**	(866)
Total current liabilities		**(21,106)**	(19,432)	**(15,163)**	(15,304)
Net current assets		**68,146**	64,953	**60,811**	61,395
Non-current liabilities					
Other payables	21	**(10,329)**	(5,774)	**(7,958)**	(5,729)
Provisions for liabilities and charges	23	**(2,164)**	(1,537)	**(436)**	(548)
Deferred income tax liabilities	15	**(655)**	(920)	**(421)**	(666)
Total non-current liabilities		**(13,148)**	(8,231)	**(8,815)**	(6,943)
Total liabilities		**(34,254)**	(27,663)	**(23,978)**	(22,247)
Net assets		**112,252**	101,292	**107,925**	98,239
Equity					
Share capital	24	**1,189**	1,189	**1,189**	1,189
Share premium account	25	**1,017**	656	**1,017**	656
Capital redemption reserve	25	**137**	137	**137**	137
Foreign currency translation reserve	25	**2,382**	2,263	**–**	–
Retained earnings					
At 1 July		**97,047**	87,119	**96,257**	85,034
Profit for the year attributable to the owners		**16,110**	14,500	**14,955**	15,800
Other changes in retained earnings		**(5,630)**	(4,572)	**(5,630)**	(4,577)
		107,527	97,047	**105,582**	96,257
Total equity		**112,252**	101,292	**107,925**	98,239

The notes on pages 64 to 99 form part of these financial statements.

The financial statements on pages 58 to 99 were approved by the Board on 15 October 2018 and signed on its behalf by

Michael Allcock

Mike Allcock **Craig Muncaster** Company Registration Number: 317886

Consolidated Statement of Changes in Equity

For the year ended 30 June 2018

	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 2016		1,189	656	137	1,606	87,119	90,707
Comprehensive income							
Profit for the year to 30 June 2017		–	–	–	–	14,500	14,500
Actuarial loss on pension scheme	22	–	–	–	–	(1,211)	(1,211)
Movement on unrecognised pension scheme surplus	22	–	–	–	–	1,071	1,071
Revaluation of available-for-sale financial assets	14	–	–	–	–	287	287
Movement on associated deferred tax	15	–	–	–	–	18	18
Exchange differences on translation of foreign operations		–	–	–	657	–	657
Total comprehensive income		–	–	–	657	14,665	15,322
Transactions with owners							
Dividends paid to shareholders	26	–	–	–	–	(4,858)	(4,858)
Share based payment charge	27	–	–	–	–	121	121
Total transactions with owners		–	–	–	–	(4,737)	(4,737)
Balance at 30 June 2017		**1,189**	**656**	**137**	**2,263**	**97,047**	**101,292**
Comprehensive income/(expense)							
Profit for the year to 30 June 2018		–	–	–	–	16,110	16,110
Actuarial loss on pension scheme	22	–	–	–	–	1,459	1,459
Movement on unrecognised pension scheme surplus	22	–	–	–	–	(1,615)	(1,615)
Revaluation of available-for-sale financial assets	14	–	–	–	–	189	189
Movement on associated deferred tax	15	–	–	–	–	(32)	(32)
Exchange differences on translation of foreign operations		–	–	–	119	–	119
Total comprehensive income		–	–	–	119	16,111	16,230
Transactions with owners							
Shares issued from exercised options		–	361	–	–	–	361
Dividends paid to shareholders	26	–	–	–	–	(5,737)	(5,737)
Share based payment charge	27	–	–	–	–	106	106
Total transactions with owners		–	361	–	–	(5,631)	(5,270)
Balance at 30 June 2018		**1,189**	**1,017**	**137**	**2,382**	**107,527**	**112,252**

The notes on pages 64 to 99 form part of these financial statements.

Company Statement of Changes in Equity

For the year ended 30 June 2018

	Notes	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 July 2016		1,189	656	137	85,034	87,016
Comprehensive income						
Profit for the year to 30 June 2017		–	–	–	15,800	15,800
Actuarial loss on pension scheme	22	–	–	–	(1,211)	(1,211)
Movement on unrecognised pension scheme surplus	22	–	–	–	1,071	1,071
Revaluation of available-for-sale financial assets	14	–	–	–	287	287
Movement on associated deferred tax	15	–	–	–	13	13
Total comprehensive income		–	–	–	15,960	15,960
Transactions with owners						
Dividends paid to shareholders	26	–	–	–	(4,858)	(4,858)
Share based payment charge	27	–	–	–	121	121
Total transactions with owners		–	–	–	(4,737)	(4,737)
Balance at 30 June 2017		**1,189**	**656**	**137**	**96,257**	**98,239**
Comprehensive income/(expense)						
Profit for the year to 30 June 2018		–	–	–	14,955	14,955
Actuarial loss on pension scheme	22	–	–	–	1,459	1,459
Movement on unrecognised pension scheme surplus	22	–	–	–	(1,615)	(1,615)
Revaluation of available-for-sale financial assets	14	–	–	–	189	189
Movement on associated deferred tax	15	–	–	–	(32)	(32)
Total comprehensive income		–	–	–	14,956	14,956
Transactions with owners						
Shares issued from exercised options		–	361	–	–	361
Dividends paid to shareholders	26	–	–	–	(5,737)	(5,737)
Share based payment charge	27	–	–	–	106	106
Total transactions with owners		–	361	–	(5,631)	(5,270)
Balance at 30 June 2018		**1,189**	**1,017**	**137**	**105,582**	**107,925**

The notes on pages 64 to 99 form part of these financial statements.

Consolidated and Company Statements of Cash Flows

For the year ended 30 June 2018

	Notes	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Cash flows from operating activities					
Cash generated from operations	28	**23,998**	22,380	**16,658**	15,806
Tax paid		**(3,291)**	(3,840)	**(1,680)**	(3,044)
Net cash generated from operating activities		**20,707**	18,540	**14,978**	12,762
Cash flows from investing activities					
Purchases of property, plant and equipment		**(6,049)**	(5,400)	**(2,220)**	(2,131)
Proceeds from sale of property, plant and equipment		**197**	262	**151**	169
Purchase of intangibles		**(1,967)**	(2,148)	**(1,636)**	(1,570)
Purchase of subsidiary (net of cash acquired)		**(6,313)**	240	**(237)**	–
Purchase of investment property		**–**	(100)	**(108)**	(2,651)
Disposal of investment property		**67**	–	**67**	–
Sale of available-for-sale financial assets		**–**	5	**–**	5
Property rental and similar income		**190**	31	**389**	315
Dividend income		**190**	210	**3,077**	4,524
Net sales/(purchases) of short-term financial assets		**1,691**	(2,071)	**1,691**	(2,071)
Interest received		**388**	393	**434**	396
Net (issue)/receipt of loan notes		**(2,022)**	1,090	**(9,371)**	1,090
Net cash used in investing activities		**(13,628)**	(7,488)	**(7,763)**	(1,924)
Cash flows from financing activities					
Net proceeds from the issuance of ordinary shares		**361**	–	**361**	–
Proceeds from loans		**2,337**	–	**–**	–
Dividends paid to company's shareholders	26	**(5,737)**	(4,858)	**(5,737)**	(4,858)
Net cash used in financing activities		**(3,039)**	(4,858)	**(5,376)**	(4,858)
Effects of exchange rate changes on cash		**(50)**	189	**(34)**	77
Net increase in cash in the year		**3,990**	6,383	**1,805**	6,057
Cash and cash equivalents at beginning of year		**24,678**	18,295	**22,528**	16,471
Cash and cash equivalents at end of year		**28,668**	24,678	**24,333**	22,528

The notes on pages 64 to 99 form part of these financial statements.

Notes to the Financial Statements

For the year ended 30 June 2018

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, limited by shares, 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 the Companies reporting under IFRS. The financial statements have been prepared on a going concern basis, under the historical cost convention other than available for sale and other financial assets held at fair value per the provisions of IAS 39.

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.

New or amended standards adopted for the year ending 30 June 2018 are:

- Amendment to IAS 7, "Statement of cash flows" on disclosure initiative (effective 1 January 2017)
- Amendment to IAS 12, "Income taxes" on recognition of deferred tax assets for unrealised losses (effective 1 January 2017)

The above new and amended standards had an immaterial impact on the financial statements and as such, the impact of adoption has not been separately disclosed.

The Group has not yet adopted certain new standards, amendments and interpretations to existing standards, which have been published but are only effective for accounting periods beginning on or after 1 January 2018 or later periods. The new pronouncements that may have an effect on the Group are listed below:

IFRS 9 "Financial Instruments" (effective 1 January 2018)

IFRS 15 "Revenue from contracts with customers" (effective 1 January 2018)

Amendments to IFRS 2, 'Share based payments' - Classification and measurement (effective 1 January 2018)

Amendments to IFRS 4, Amendments regarding implementation of IFRS 9 (effective 1 January 2018)

Amendment to IFRS 9, 'Financial instruments', on general hedge accounting (effective date 1 January 2018)

IFRS 16 "Leases" (effective 1 January 2019)

IFRS 9 'Financial Instruments' is effective for accounting periods beginning on or after 1 January 2018, and will be adopted by the Group for the accounting period beginning 1 July 2018. The new standard replaces IAS 39 'Financial Instruments: Recognition & Measurement' and the changes introduced by the new standard can be grouped into the following three categories – Classification & Measurement, Impairment and Hedging. The Group are performing an impact assessment of the new standard and notes the following:

- Classification and measurement: IFRS 9 contains three principal classification categories for financial assets which are amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL"). The standard eliminates the existing IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale financial assets. No material changes to net assets are expected from changes in the measurement basis of financial assets.
- Impairment: IFRS 9 introduces an expected credit loss model which requires expected credit losses and changes to expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. Financial assets measured at amortised cost or FVOCI will be subject to the impairment provisions of IFRS 9. The Group has a low level of write-offs and strong credit control policies, and does not anticipate any material changes in the level of provision for financial assets.
- Hedging: IFRS 9 introduces new hedge accounting requirements. IFRS 9 will align hedge accounting relationships with the Group's risk management objectives and strategy. The Group does not apply hedge accounting, therefore no changes are anticipated arising from the new standard.

IFRS15 is effective for accounting periods beginning on or after 1 January 2018, and will be adopted by the Group for the accounting period beginning 1 July 2018. The standard requires entities to apportion revenue earned from contracts to individual performance obligations based on a five-step model. An impact assessment has been carried out and the following areas of potential differences were identified:

- Determination of performance obligations and the timing of revenue recognition for supply and install arrangements;
- Warranty arrangements

Subsequent to the impact assessment the directors do not expect IFRS15 to have a material impact on reported profits.

The directors are currently evaluating the impact of the adoption of the other standards, amendments and interpretations in future periods, although it is anticipated that these will have an immaterial impact on reported profits.

1 Accounting Policies continued

Basis of preparation (continued)

The financial statements are presented in Pounds Sterling, rounded to the nearest thousand.

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.

The company has elected to take the exemption under section 408 of the Companies Act 2006 from presenting the company income statement.

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 either the proportionate consolidation method where joint control is exercised, or 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 statement of financial position.

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 continued

For the year ended 30 June 2018

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 ten 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 eight remaining operating segments have been aggregated into the "other companies" reportable segment based upon their size, comprising the entities Philip Payne Limited, Solite Europe Limited, Portland Lighting Limited, TRT Lighting Limited, Thorlux Lighting LLC, Thorlux Australasia Pty Ltd, Thorlux Lighting GmbH and Famostar Emergency Lighting B.V.

Pension costs

The Group operates a hybrid defined benefit and defined contribution pension scheme. 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 statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the statement of financial position 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 statement of financial position 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 statement of financial position 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 statement of financial position 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%–50%

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each statement of financial position 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 continued

For the year ended 30 June 2018

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 at 33.33% per annum commencing when the asset is available for use within the business. Development costs 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 statement of financial position 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. The rates generally applicable are:

Technology	14%
Brand name	14%–20%

1 Accounting Policies continued

Investment properties

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

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 continued

For the year ended 30 June 2018

1 Accounting Policies continued

Provisions

Provisions are recognised in the statement of financial position 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 statement of financial position 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

The presentation of the annual financial statements in conformity with IFRS as adopted by the EU requires the Directors to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. The key estimates and judgements used in the financial statements are as follows:

Estimates	**Warranty** The Group provides for expected warranty costs covering both specific known warranty claims and calculating expected future warranty claims. The expected future warranty claims provision is calculated by assessing historical data, industry failure rates and the Group's knowledge of products to determine the percentage of sales that should be provided for to cover future associated warranty costs. **Lightronics share appreciation rights** The Group has an obligation to purchase the share appreciation rights from the management and former shareholders of the Lightronics business. To calculate the expected share appreciation repurchase value the Group have considered the recent and budgeted future performance of the Lightronics business analysing forecasted EBITDA, revenue and costs upon which the obligation is based. This analysis is reviewed and updated each year and, if necessary, adjustments are made to ensure that the provision value reflects the best current estimate of settlement with movements recognised as a share based payment charge. **Famostar share appreciation rights** The Group has an obligation to purchase the share appreciation rights from the same rights holders as for the Lightronics business. To calculate the expected share appreciation repurchase value the Group have considered the recent and budgeted future performance of the Famostar business analysing forecasted EBITDA, revenue and costs upon which the obligation is based. This analysis is reviewed and updated each year and, if necessary, adjustments are made to ensure that the provision value reflects the best current estimate of settlement with movements recognised as a share based payment charge. **Famostar fair value acquisition adjustments** The Group acquired Famostar Emergency Lighting B.V. during the year; as part of the acquisition the Group have performed a purchase price allocation review and have assessed the fair value of the assets acquired. Acquired non-current intangible assets are recognised when separately identifiable and the fair value measurable based on historical cost or with reference to common industry valuation methods. The fair value of finished goods inventory and requirement for warranty provision is assessed with reference to the historical data, industry practice and saleability of similar products. **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.

1 Accounting Policies continued

Judgements	
	Development costs The Group undertakes development activities and the commercial viability of these activities is assessed on a continual basis; as such the Group assess each new project to determine whether development costs incurred should be capitalised within intangible assets or recognised as an expense within administrative expenses. The Group determines this classification based on 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.
	Retirement benefit obligations The Group recognises its obligations to employee retirement benefits. Where the fair value of the pension plan assets exceeds the present value of the defined benefit obligation the Group consider the amount which can be recognised as an asset within the statement of financial position in line with the requirements of IAS 19; as a result the Group have decided not to recognise an net retirement benefit asset.
	Lightronics share appreciation rights The Group has an obligation to purchase the share appreciation rights from the management and former shareholders of the Lightronics business over the period to 2021. In determining the expected purchase price the Group have assumed the repurchase will be made in 2021 thereby assessing the expected purchase price at this date.
	Famostar share appreciation rights The Group has an obligation to purchase the share appreciation rights from the management and former shareholders of the Lightronics business over the period to 2021. In determining the expected purchase price the Group have assumed the repurchase will be made in 2021 thereby assessing the expected purchase price at this date.

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, commodity price risk and security price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group may use derivative financial instruments to hedge certain risk exposures.

(a) Market risk

(i) Foreign exchange risk
The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the euro, US dollar, 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 and net investments in foreign operations. 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 statement of financial position 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.

The Group holds money market funds which are designated at short term investments and also a range of quoted securities which are designated as available for sale financial assets. Management have performed an analysis and do not believe there to be a material sensitivity to changes in underlying price indices arising from these holdings.

(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.

Notes to the Financial Statements continued

For the year ended 30 June 2018

1 Accounting Policies continued

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the ability to close out market positions. Management monitors rolling forecasts of the Group's liquidity reserve, which comprises cash and cash equivalents together with short-term financial assets (note 19) on the basis of expected cash flow. All external current liabilities are expected to mature within four months.

Capital risk management

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

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

The Group has a long-standing policy not to utilise debt within the business, providing a robust capital structure even within the toughest economic conditions. The Group's significant cash resources allow such a position, but also require close management to ensure that sufficient returns are being generated from these resources. The Group's policy with 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 through the executive share ownership plan and other employees through a "SAYE" scheme. 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.

Cash-settled share based payments

The Group has cash-settled share based payments for holders of share appreciation rights holders. A liability is recognised equal to the calculated future fair value as at the date of the statement of financial position.

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 ten 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. During the period, Compact Lighting Limited has been incorporated into the Thorlux segment further to previous announcements. The Lightronics business is a material subsidiary, and is therefore disclosed separately.

The eight remaining operating segments have been aggregated into the "other companies" reportable segment based upon their size, comprising the entities Philip Payne Limited, Solite Europe Limited, Portland Lighting Limited, TRT Lighting Limited, Thorlux Lighting LLC, Thorlux Australasia Pty Ltd, Thorlux Lighting GmbH and Famostar Emergency Lighting B.V.

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 2018					
Revenue to external customers	**64,645**	**20,860**	**24,109**	**–**	**109,614**
Revenue to other group companies	**3,930**	**196**	**2,956**	**(7,082)**	**–**
Total revenue	**68,575**	**21,056**	**27,065**	**(7,082)**	**109,614**
Operating profit	**13,611**	**2,050**	**3,407**	**398**	**19,466**
Net finance income					**101**
Share of profit of joint venture					**–**
Profit before income tax					**19,567**
Year to 30 June 2017					
Revenue to external customers	65,323	19,243	20,882	–	105,448
Revenue to other group companies	3,794	304	4,364	(8,462)	–
Total revenue	69,117	19,547	25,246	(8,462)	105,448
Operating profit/(loss)	14,162	2,372	2,163	(275)	18,422
Net finance expense					(249)
Share of profit of joint venture					178
Profit before income tax					18,351

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.

	2018 £'000	2017 £'000
UK	**70,652**	71,547
Netherlands	**22,713**	17,243
Europe	**10,726**	12,348
Other countries	**5,523**	4,310
	109,614	105,448

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 continued

For the year ended 30 June 2018

3 Operating Profit

	2018 £'000	2017 £'000
Profit on sale of Property, Plant & Equipment	**(86)**	(119)
Profit on sale of investment property	**(39)**	–
Depreciation of investment property	**59**	68
Depreciation of Property, Plant & Equipment		
– owned property	**2,136**	1,629
Operating lease rentals		
– land and buildings	**282**	272
– other	**397**	320
Amortisation of intangible assets and impairment	**2,400**	2,302
Research and development expenditure credit	**(237)**	(233)
Currency losses recognised in income statement	**247**	9

Services provided by the company's auditors	2018 £'000	2017 £'000
Fees payable to company's auditors for audit of financial statement	**112**	85
Fees payable to the company's auditors and its associates for other services		
Audit of company's subsidiaries	**42**	48
Taxation advisory services	**–**	6
Other services	**41**	–
	195	139

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

4 Employee Information

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

	Group		Company	
Average headcount	**2018 Number**	2017 Number	**2018 Number**	2017 Number
Production	**302**	288	**206**	173
Sales and distribution	**187**	153	**108**	99
Administration	**231**	198	**162**	144
Total average headcount	**720**	639	**476**	416

	Group		Company	
Employment costs of all employees (including executive directors)	**2018 £'000**	2017 £'000	**2018 £'000**	2017 £'000
Wages & salaries	**25,988**	24,319	**16,978**	16,362
Social security costs	**2,891**	2,544	**1,894**	1,748
Other pension costs	**1,326**	1,226	**890**	833
	30,205	28,089	**19,762**	18,943

Included in wages and salaries are £1,606,000 (2017: £2,095,000) of temporary employees costs.

Other pension costs include contributions to pension schemes and other employer's pension related charges comprising life assurance of £105,000 (2017: £98,000), pension administration and professional charges of £113,000 (2017: £77,000) and private pension schemes amounting to £19,000 (2017: £56,000).

Contributions to the defined contribution section amounted to £247,000 (2017: £248,000) and contributions to other schemes administered independently of the FW Thorpe pension schemes amounted to £614,000 (2017: £460,000).

	Group		Company	
Directors' Emoluments	**2018 £'000**	2017 £'000	**2018 £'000**	2017 £'000
Aggregate emoluments	**2,348**	1,728	**1,988**	1,505
Contributions to money purchase schemes	**21**	24	**21**	24
	2,369	1,752	**2,009**	1,529

At 30 June 2018 retirement benefits were accruing to D Taylor (2017: M Allcock and D Taylor) under the defined benefit scheme and to J E Thorpe (2017: A M Cooper) under the defined contribution scheme. Additionally compensation payments for the loss of pension contributions totalling £92,000 (2017: £39,000) were made to 3 (2017: 2) directors.

	Group		Company	
Highest paid director	**2018 £'000**	2017 £'000	**2018 £'000**	2017 £'000
Total of emoluments and amounts receivable	**550**	436	**550**	436

Compensation payments for the loss of pension contributions for the highest paid director were £79,000 (2017: £37,000).

The key management personnel are the Group Board directors.

Further details are provided in the directors' remuneration report on pages 46 to 48.

Notes to the Financial Statements continued

For the year ended 30 June 2018

5 Net finance income/expense

	2018 £'000	2017 £'000
Finance income		
Current assets		
Interest receivable	**241**	266
Non-current assets		
Dividend income on available-for-sale financial assets	**190**	210
Net rental income	**161**	59
Loan interest	**227**	–
	819	535
Finance cost		
Current liabilities		
Interest payable	**–**	2
Share appreciation right distribution	**657**	582
Non-current assets		
Impairment charge on loan notes	**–**	200
Loan interest	**61**	–
	718	784
Net finance income	**101**	(249)

The share appreciation rights distribution is the dividend from Lightronics Participaties B.V. due to the former management of Lightronics Participaties B.V.

6 Income Tax Expense

Analysis of income tax expense in the year:

	2018 £'000	2017 £'000
Current tax		
Current tax on profits for the year	**3,930**	4,374
Adjustments in respect of prior years	**(170)**	(662)
Total current tax	**3,760**	3,712
Deferred tax		
Origination and reversal of temporary differences	**(303)**	139
Total deferred tax	**(303)**	139
Income tax expense	**3,457**	3,851

The tax assessed for the year is lower (2017: higher) than the standard rate of corporation tax in the UK of 19.00% (2017: 19.75%). The differences are explained below:

	2018 £'000	2017 £'000
Profit before income tax	**19,567**	18,351
Profit on ordinary activities multiplied by the standard rate in the UK of 19.00% (2017: 19.75%)	**3,718**	3,624
Effects of:		
Expenses not deductible for tax purposes	**648**	498
Accelerated tax allowances and other timing differences	**(383)**	241
Adjustments in respect of prior years	**(170)**	(662)
Foreign profit taxed at higher rate	**285**	150
Patent box relief	**(641)**	–
Tax charge	**3,457**	3,851

The effective tax rate was 17.67% (2017: 20.99%).

The change to the UK corporation tax rate from 19% to 17% from 1 April 2020 was substantively enacted on 6 September 2016 with the appropriate rate reflected within these financial statements.

7 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.

Basic	2018	2017
Weighted average number of ordinary shares in issue	115,834,897	115,675,590
Profit attributable to equity holders of the company (£'000)	16,110	14,500
Basic earnings per share (pence per share) total	13.91	12.54

Diluted 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, plus the number of shares earnt for share options where performance conditions have been achieved.

Diluted	2018	2017
Weighted average number of ordinary shares in issue (diluted)	116,692,591	116,303,503
Profit attributable to equity holders of the company (£'000)	16,110	14,500
Diluted earnings per share (pence per share) total	13.81	12.47

Notes to the Financial Statements continued

For the year ended 30 June 2018

8 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 2017	14,556	18,990	33,546	6,192	14,648	20,840
Acquisition of a subsidiary	528	1,323	1,851	–	–	–
Additions	3,301	2,558	5,859	68	2,107	2,175
Disposals	–	(1,247)	(1,247)	–	(469)	(469)
Transfers	294	(294)	–	–	–	–
Currency translation	(3)	(2)	(5)	–	–	–
At 30 June 2018	**18,676**	**21,328**	**40,004**	**6,260**	**16,286**	**22,546**
Accumulated depreciation						
At 1 July 2017	2,789	11,920	14,709	1,830	9,463	11,293
Acquisition of a subsidiary	435	1,188	1,623	–	–	–
Charge for the year	464	1,672	2,136	128	1,246	1,374
Disposals	–	(1,139)	(1,139)	–	(383)	(383)
Transfers	141	(141)	–	–	–	–
Currency translation	–	(4)	(4)	–	–	–
At 30 June 2018	**3,829**	**13,496**	**17,325**	**1,958**	**10,326**	**12,284**
Net book amount						
At 30 June 2018	**14,847**	**7,832**	**22,679**	**4,302**	**5,960**	**10,262**
Cost						
At 1 July 2016	11,541	18,410	29,951	5,867	14,614	20,481
Acquisition of a subsidiary	–	44	44	–	–	–
Additions	2,935	2,715	5,650	325	1,909	2,234
Disposals	–	(2,131)	(2,131)	–	(1,875)	(1,875)
Transfers	80	(80)	–	–	–	–
Currency translation	–	32	32	–	–	–
At 30 June 2017	14,556	18,990	33,546	6,192	14,648	20,840
Accumulated depreciation						
At 1 July 2016	2,567	12,484	15,051	1,718	10,238	11,956
Acquisition of a subsidiary	–	9	9	–	–	–
Charge for the year	222	1,407	1,629	112	994	1,106
Disposals	–	(1,988)	(1,988)	–	(1,769)	(1,769)
Currency translation	–	8	8	–	–	–
At 30 June 2017	2,789	11,920	14,709	1,830	9,463	11,293
Net book amount						
At 30 June 2017	11,767	7,070	18,837	4,362	5,185	9,547

Freehold land which was not depreciated at 30 June 2018 amounted to £1,033,000 (2017: £1,033,000) (Group and Company).

9 Intangible Assets

Group 2018	Goodwill £'000	Development costs £'000	Technology £'000	Brand name £'000	Software £'000	Patents £'000	Fishing rights £'000	Total £'000
Cost								
At 1 July 2017	10,282	6,448	1,875	768	1,528	150	182	21,233
Acquisition of a subsidiary	4,490	–	1,040	520	–	–	–	6,050
Additions	–	1,605	–	–	376	–	–	1,981
Write-offs and transfers	–	(1,281)	–	–	(116)	–	–	(1,397)
Currency translation	14	7	9	3	1	–	–	34
At 30 June 2018	**14,786**	**6,779**	**2,924**	**1,291**	**1,789**	**150**	**182**	**27,901**
Accumulated amortisation								
At 1 July 2017	262	2,588	814	442	1,050	150	–	5,306
Charge for the year	–	1,753	299	157	191	–	–	2,400
Write-offs and transfers	–	(1,281)	–	–	(113)	–	–	(1,394)
Currency translation	(13)	2	4	–	–	–	–	(7)
At 30 June 2018	**249**	**3,062**	**1,117**	**599**	**1,128**	**150**	**–**	**6,305**
Net book amount								
At 30 June 2018	**14,537**	**3,717**	**1,807**	**692**	**661**	**–**	**182**	**21,596**

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

Group 2017	Goodwill £'000	Development costs £'000	Technology £'000	Brand name £'000	Software £'000	Patents £'000	Fishing rights £'000	Total £'000
Cost								
At 1 July 2016	9,972	6,454	1,791	736	1,195	150	182	20,480
Acquisition of a subsidiary	524	–	–	–	–	–	–	524
Additions	–	1,715	–	–	306	–	–	2,021
Write-offs and transfers	(600)	(1,757)	–	–	23	–	–	(2,334)
Currency translation	386	36	84	32	4	–	–	542
At 30 June 2017	10,282	6,448	1,875	768	1,528	150	182	21,233
Accumulated amortisation								
At 1 July 2016	600	2,778	575	315	879	150	–	5,297
Charge for the year	–	1,560	218	116	146	–	–	2,040
Impairment for the year	262	–	–	–	–	–	–	262
Write-offs and transfers	(600)	(1,757)	–	–	23	–	–	(2,334)
Currency translation	–	7	21	11	2	–	–	41
At 30 June 2017	262	2,588	814	442	1,050	150	–	5,306
Net book amount								
At 30 June 2017	10,020	3,860	1,061	326	478	–	182	15,927

Amortisation and impairment of £2,400,000 (2017: £2,302,000) is included in the administrative expenses. Included in goodwill are amounts of £2,618,000 (2017: £2,618,000) arising from the acquisition of Portland Lighting in 2011, €7,784,000 (£6,890,000) (2017: €7,784,000; £6,835,000) arising from the acquisition of Lightronics in 2015 and €5,057,000 (£4,490,000) arising from the acquisition of Famostar in December 2017. This goodwill is not amortised. The goodwill for Lightronics, Famostar and Thorlux Australasia is revalued annually to the closing exchange rate, as it is denominated in euros and Australian dollars respectively, with the movement recorded in exchange differences on translation of foreign operations in the Statement of Changes in Equity.

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.

Due to the timing of of the acquisitions that gave rise to the majority of our goodwill held, our assessment also considers business performance and likely net realisable value, which must be assessed as part of settlement of related share appreciation rights. At expected levels of EBITDA and considering reasonable multiple for the sector we consider that our goodwill is fully recoverable based on the higher of discounted cash flows or net realisable values.

Notes to the Financial Statements continued

For the year ended 30 June 2018

9 Intangible Assets continued

Company 2018	Development costs £'000	Software £'000	Patents £'000	Fishing rights £'000	Total £'000
Cost					
At 1 July 2017	5,104	1,241	150	182	6,677
Additions	1,275	360	–	–	1,635
Write-offs and transfers	(1,281)	–	–	–	(1,281)
At 30 June 2018	**5,098**	**1,601**	**150**	**182**	**7,031**
Accumulated amortisation					
At 1 July 2017	2,197	829	150	–	3,176
Charge for the year	1,379	156	–	–	1,535
Write-offs and transfers	(1,281)	–	–	–	(1,281)
At 30 June 2018	**2,295**	**985**	**150**	**–**	**3,430**
Net book amount					
At 30 June 2018	**2,803**	**616**	**–**	**182**	**3,601**

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

Company 2017	Goodwill £'000	Development costs £'000	Software £'000	Patents £'000	Fishing rights £'000	Total £'000
Cost						
At 1 July 2016	600	5,374	943	150	182	7,249
Additions	–	1,145	298	–	–	1,443
Write-offs and transfers	(600)	(1,415)	–	–	–	(2,015)
At 30 June 2017	–	5,104	1,241	150	182	6,677
Accumulated amortisation						
At 1 July 2016	600	2,399	719	150	–	3,868
Charge for the year	–	1,213	110	–	–	1,323
Write-offs and transfers	(600)	(1,415)	–	–	–	(2,015)
At 30 June 2017	–	2,197	829	150	–	3,176
Net book amount						
At 30 June 2017	–	2,907	412	–	182	3,501

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

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

10 Investments in Subsidiaries

The cost of investment in subsidiaries is as follows:

	Company 2018 £'000	Company 2017 £'000
Investment in subsidiaries – cost	**14,581**	13,682

The movement in the investment and provisions is as follows:

	Costs £'000	Provision £'000
At 1 July 2017	13,682	–
Additions in year	899	–
At 30 June 2018	**14,581**	**–**

The additions in the year are the transfer in ownership of the Group's subsidiary in Germany from Lightronics Participaties B.V. to FW Thorpe Plc of £237,000, and £662,000 relating to share appreciation rights given by the Company to Lightronics former management and therefore is considered a capital contribution in Lightronics Participaties B.V..

11 Investment Property

	Group		Company	
	2018	2017	**2018**	2017
	£'000	£'000	**£'000**	£'000
Cost				
At 1 July	2,299	2,199	10,513	7,862
Additions	–	100	108	2,651
Disposals	(28)	–	(28)	–
At 30 June	**2,271**	2,299	**10,593**	10,513
Accumulated depreciation				
At 1 July	136	68	1,112	936
Charge for the year	59	68	266	176
Disposals	–	–	–	–
At 30 June	**195**	136	**1,378**	1,112
Net book amount				
At 30 June	**2,076**	2,163	**9,215**	9,401

The following amounts have been recognised in the income statement:

	Group		Company	
	2018	2017	**2018**	2017
	£'000	£'000	**£'000**	£'000
Rental income	**131**	131	**365**	410
Direct operating expenses arising from investment properties that generate rental income	**(103)**	(135)	**(310)**	(243)

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. The associated fishing rights for the property by the River Wye are included in intangible assets.

Investment property of £1,307,000 (2017: £1,335,000) is freehold land and therefore not depreciated; the property element includes accumulated depreciation of £195,000 (2017: £136,000) which relates to the property occupied by Mackwell Electronics Ltd. This investment property has been independently valued and has a market value that is not materially higher than its cost.

An external fair value exercise was undertaken in June 2017 of the land by the River Wye and the land in Monmouthshire which has resulted in a value of £1.65m, which is greater than the carrying value of those specific investment properties. The directors' valuation of this investment property for the year ended 30 June 2018 shows no material change.

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.

Notes to the Financial Statements continued

For the year ended 30 June 2018

12 Loans and receivables

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. £550,000 was repaid during the year and £77,000 interest was capitalised, leaving a balance due at 1% over the Bank of England base rate of £477,000 (2017: £950,000).

During the year £1,500,000 in new loans were provided to Mr N Brangwin, a director and main shareholder in Mackwell Electronics Limited, making a total of £1,800,000, with interest payable at 4% over the Bank of England exchange rate. This loan is secured against Mr Brangwin's shareholding in FW Thorpe Plc. No repayment was received during the year. Therefore the total balance due from Mackwell and its directors is £2,077,000 after provisions.

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 2018, the outstanding value of these loan notes was £1,417,000 (2017: £1,472,720).

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.

A third party valuation which was performed in the prior year showing that the valuation was in excess of the outstanding loan note balance. Management have confirmed they have utilised the fixed charge as a mechanism to recover the outstanding amounts due from Sugg with the property being marketed in line with the recently valued amount.

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. At the date of the financial statements, the loan notes balance was €1,349,000 (2017: €1,805,000) equating to £1,192,000 (2017: £1,585,000) 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%.

Famostar Emergency Lighting B.V.

Part of the acquisition of Famostar B.V. included partial funding of the 35% share appreciation rights held by the existing rights holders in Lightronics Participaties B.V. This was achieved by the issue of a loan of €1,640,000. At the date of the financial statements, the loan notes balance was €1,640,000 (2017: €nil) equating to £1,451,000 (2017: £nil) at the end of year exchange rate. The loan notes are repayable on or before the 30 June 2021 and attract an interest rate of 5%.

The Group's maximum exposure to credit risk in respect of loans and receivables from Famostar and Lightronics is £2,643,000 which represents their carrying value at 30 June 2018. Of this balance, the Group exposure to credit risk on these receivables is £2,643,000. No provision is required as management consider there to be no risk over recoverability of these balances.

We assess the credit risk of our loan note receivables based on the creditworthiness of the counterparty, history of repayment and security in place, and where required provisions are made. As at the date of these financial statements, the Group and Company have made a provision of £200,000 (2017: £200,000) for loan notes.

	Group		Company	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
At 1 July	**3,808**	4,980	**3,808**	4,980
Issued	**2,951**	–	**10,300**	–
Repaid	**(1,006)**	(1,090)	**(1,005)**	(1,090)
Reclassification	**377**	–	**377**	–
Fair value adjustment	**–**	(200)	**–**	(200)
Currency translation	**9**	118	**2**	118
At 30 June	**6,139**	3,808	**13,482**	3,808

	Group		Company	
Analysis of total loans and receivables	**2018 £'000**	2017 £'000	**2018 £'000**	2017 £'000
Non-current loans and receivables	**6,139**	3,058	**13,482**	3,058
Current loans and receivables	**–**	750	**–**	750
	6,139	3,808	**13,482**	3,808

The £10,300,000 loans issued by the company are £1,500,000 issued to Mr N Brangwin, £5,900,000 for the purchase of Famostar Emergency Lighting B.V., £2,900,000 for the purchase of the property occupied by Lightronics B.V.

13 Equity Accounted Investments

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. Additions of £nil (2017: £32,000) reflects the 49% of the share capital the Company owns of this joint venture.

The Group invested €1,200,000 for 40% of the share capital of Luxintec S.L., a company based in Spain in 2016. The Group has applied the equity method of accounting to recognise this interest.

	Group		Company	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
At 1 July	**936**	936	**968**	936
Additions	**–**	–	**–**	32
Disposals	**–**	(178)	**–**	–
Share of profit	**–**	178	**–**	–
At 30 June	**936**	936	**968**	968

14 Available-for-sale Financial Assets

Group and company	**30 June 2018 £'000**	30 June 2017 £'000
Beginning of year	**3,630**	3,348
Net disposals	**–**	(5)
Revaluation	**189**	287
Currency translation	**1**	–
	3,820	3,630

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 2018 or 2017.

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 year 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.

Notes to the Financial Statements continued

For the year ended 30 June 2018

15 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	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
Deferred tax assets	**8**	19	**–**	–
Deferred tax liabilities	**(655)**	(920)	**(421)**	(666)
Net deferred tax liabilities	**(647)**	(901)	**(421)**	(666)

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

	Group		Company	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
Beginning of year	**(901)**	(772)	**(666)**	(600)
Income statement credit/(charge)	**303**	(139)	**277**	(79)
Tax credited directly to equity	**(32)**	18	**(32)**	13
Acquired due to purchase of subsidiary	**(15)**	–	**–**	–
Currency translation	**(2)**	(8)	**–**	–
End of year	**(647)**	(901)	**(421)**	(666)

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

Deferred tax asset	**Accelerated tax depreciation £'000**	**Total £'000**
At 1 July 2016	27	27
Credited to the income statement	(5)	(5)
Charged directly to equity	(3)	(3)
At 30 June 2017	19	19
Charged to the income statement	(11)	(11)
Charged directly to equity	–	–
At 30 June 2018	**8**	**8**

Deferred tax liabilities	**Accelerated tax depreciation £'000**	**Research & development £'000**	**Fair value & other timing differences £'000**	**Total £'000**
At 1 July 2016	72	701	26	799
Charged/(credited) to the income statement	267	50	(183)	134
Charged/(credited) directly to equity	(5)	(64)	48	(21)
Currency translation	2	6	–	8
At 30 June 2017	336	693	(109)	920
Acquisition of a subsidiary	15	–	–	15
(Credited)/charged to the income statement	(275)	(41)	2	(314)
Charged to equity	–	–	32	32
Currency translation	–	2	–	2
At 30 June 2018	**76**	**654**	**(75)**	**655**

15 Deferred Income Tax continued

The movement in the Company deferred income tax liabilities during the year is as follows:

Deferred tax liabilities	Accelerated tax depreciation £'000	Research & development £'000	Fair value & other timing differences £'000	Total £'000
At 1 July 2016	30	544	26	600
Charged/(credited) to the income statement	268	(7)	(182)	79
Charged/(credited) directly to equity	(3)	(57)	47	(13)
At 1 July 2017	295	480	(109)	666
Charged/(credited) to the income statement	(260)	(18)	1	(277)
Charged directly to equity	–	–	32	32
At 30 June 2018	**35**	**462**	**(76)**	**421**

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

	Group		Company	
Deferred tax (charged)/credited to equity	**2018 £'000**	2017 £'000	**2018 £'000**	2017 £'000
Tax on revaluation for sale of financial assets	**(32)**	(50)	**(32)**	(50)
Impact of deferred tax rate change	**–**	68	**–**	63
	(32)	18	**(32)**	13

16 Inventories

	Group		Company	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
Raw materials	**14,486**	14,840	**6,791**	7,412
Work in progress	**2,311**	1,735	**1,898**	1,495
Finished goods	**4,692**	6,017	**5,435**	5,688
	21,489	22,592	**14,124**	14,595

The cost of inventories recognised as an expense and included in cost of sales amounted to £45,052,000 (2017: £44,503,000). The value of inventory adjusted to net realisable value is £2,838,000 (2017: £3,179,000).

Notes to the Financial Statements continued

For the year ended 30 June 2018

17 Trade and Other Receivables

	Group		Company	
Current	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Trade receivables	**21,711**	17,216	**12,757**	11,063
Other receivables	**204**	528	**122**	497
Prepayments and accrued income	**1,501**	1,251	**1,097**	929
Amounts owed by subsidiaries	**–**	–	**7,862**	8,967
Total	**23,416**	18,995	**21,838**	21,456

Amounts owed by subsidiaries, except cash balances, are unsecured, interest free and have no fixed date for repayment. Amounts owed in relation to cash balances generate interest in line with the Group's deposit facilities.

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Trade receivables past due date not provided	**1,489**	1,849	**657**	866

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 2018 the bad debt provision for the Group amounted to £64,000 (2017: £128,000) and for the company £1,000 (2017: £nil).

No provision is held against trade receivables that are not yet due, due to the good credit history and expected financial performance of customers and the overall exposure is considered low due to levels of credit insurance in place.

During the year the following amounts were written off:

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Bad debts written off	**21**	10	**7**	8
Bad debts recovered	**–**	(14)	**–**	–
Net bad debt expense/(credit)	**21**	(4)	**7**	8

At 30 June 2018, trade receivables were due to the Group and Company in the following currency denominations:

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Due in £ sterling	**15,478**	13,131	**11,851**	10,132
Due in € euro	**5,656**	3,550	**906**	931
Due in UAE dirham	**345**	386	**–**	–
Due in Australian dollars	**232**	139	**–**	–
Due in $ United States dollars	**–**	10	**–**	–
	21,711	17,216	**12,757**	11,063

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.

18 Other Financial Assets at Fair Value Through Profit and Loss

The Group and Company have units in a sterling cash fund. At 30 June 2018 this amounted to £389,000 (2017: £389,000).

	30 June 2018 £'000	30 June 2017 £'000
Sterling cash fund	389	389

19 Short-term Financial Assets

Group and company	2018 £'000	2017 £'000
Beginning of year	16,981	14,910
Net (sales)/purchases	(1,691)	2,071
End of year	15,290	16,981

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.

20 Cash and Cash Equivalents

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Cash at bank and in hand	28,668	24,678	24,333	22,528

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

21 Trade and Other Payables

	Group		Company	
Current liabilities	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Trade payables	7,928	9,147	4,562	5,948
Other payables	1,569	849	253	249
Social security and other taxes	2,224	1,220	900	411
Accruals and deferred income	7,532	6,610	4,991	4,593
Amounts owed to subsidiaries	–	–	3,376	3,237
	19,253	17,826	14,082	14,438
Non-current liabilities				
Other payables	10,329	5,774	7,958	5,729
	10,329	5,774	7,958	5,729

Amounts owed to subsidiaries, except cash balances, are unsecured, interest free and have no fixed date of repayment. Amounts owed in relation to cash balances generate interest in line with the Group's deposit facilities. Non-current liabilities is a commitment to purchase the outstanding share appreciation rights (deferred consideration) in the subsidiaries Lightronics Participaties B.V. and Famostar Emergency Lighting B.V., £2,336,000 (2017: nil) loan from Spuiweg Holding B.V. and post employment benefits at Thorlux Australasia Pty Ltd and Thorlux Lighting LLC.

Notes to the Financial Statements continued

For the year ended 30 June 2018

22 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 2018 amounted to £633,000 (2017: £675,000). 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 Statement of Financial Position dates in order to assess the additional disclosures required under IAS 19 as at 30 June 2018 by an independent qualified actuary using the following major assumptions:

	2018	2017	2016	2015	2014
Price inflation	**3.40%**	3.50%	3.00%	3.40%	3.50%
Salary increases	**3.40%**	3.50%	3.00%	3.40%	3.50%
Discount rate	**2.70%**	2.60%	2.90%	3.80%	4.30%
Revaluation for deferred pensioners	**2.40%**	2.50%	2.00%	2.40%	2.50%
Pension increases in payment of 5% pa or RPI if less	**3.20%**	3.30%	2.90%	3.30%	3.30%
Pension increases in payment of 2.55% pa or RPI if less	**2.10%**	2.20%	2.00%	2.20%	2.20%
Life expectancy at age 65 – men	**23.1 years**	23.0 years	23.0 years	23.0 years	22.9 years
Life expectancy at age 65 in 20 years – men	**24.8 years**	24.7 years	24.0 years	24.4 years	24.3 years
Life expectancy at age 65 – women	**25.4 years**	25.3 years	25.0 years	24.9 years	24.8 years
Life expectancy at age 65 in 20 years – women	**27.2 years**	27.1 years	26.0 years	26.4 years	26.3 years

22 Pension Scheme continued

The Statement of Financial Position figures required under IAS 19 are as follows:

	30 June 2018		30 June 2017		30 June 2016		30 June 2015		30 June 2014	
	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	2.70%	13,154	2.60%	12,152	2.90%	14,968	n/a	13,696	n/a	12,796
Bonds	2.70%	24,769	2.60%	25,859	2.90%	19,311	3.80%	16,486	4.30%	14,707
Other	2.70%	1,665	2.60%	413	2.90%	1,237	n/a	1,522	n/a	1,448
Total market value of assets		39,588		38,424		35,516		31,704		28,951
Present value of scheme liabilities		(37,259)		(37,710)		(33,731)		(28,824)		(26,053)
Surplus in the scheme		2,329		714		1,785		2,880		2,898

Amounts recognised in Statement of Financial Position

The amounts recognised in the Statement of Financial Position are determined as follows:

	2018 £'000	2017 £'000
Present value of funded obligations	(37,259)	(37,710)
Fair value of plan assets	39,588	38,424
Surplus in the scheme	2,329	714
Less restriction of surplus recognised in the Statement of Financial Position	(2,329)	(714)
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:

	2018 £'000	2017 £'000
At 1 July	(37,710)	(33,731)
Current service cost	(477)	(535)
Interest cost	(973)	(975)
Contributions by plan participants	(307)	(327)
Actuarial loss/(gain)	846	(3,383)
Benefits paid	1,362	1,241
At 30 June	(37,259)	(37,710)

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:

	2018 £'000	2017 £'000
At 1 July	38,424	35,516
Expected return in plan assets	994	1,026
Actuarial gains	592	2,121
Employer contributions	633	675
Employee contributions	307	327
Benefits paid	(1,362)	(1,241)
At 30 June	39,588	38,424

Notes to the Financial Statements continued

For the year ended 30 June 2018

22 Pension Scheme continued

Amounts recognised in Income Statement

The amounts recognised in the Income Statement are as follows:

	2018 £'000	2017 £'000
Current service cost	477	535
Net interest cost	–	–
	477	535

Actuarial gain recognised in Statement of Comprehensive Income for the year

	2018 £'000	2017 £'000
Actual return less expected return on pension scheme assets	592	2,121
Experience gains/(losses) arising on the scheme liabilities	214	(1,129)
Changes in assumptions underlying the present value on the scheme liabilities	632	(2,254)
Movement in recovery plan liability	–	–
Net interest income	21	51
Restriction of (increase)/decrease in pension scheme surplus	(1,615)	1,071
Actuarial loss recognised in the Statement of Comprehensive Income	(156)	(140)

	2018 £'000	2017 £'000
Cumulative actuarial loss recognised in the Statement of Comprehensive Income at 1 July	(5,532)	(4,321)
Actuarial gain/(loss) recognised in the Statement of Comprehensive Income for the year	1,459	(1,211)
Cumulative actuarial loss recognised in the Statement of Comprehensive Income at 30 June	(4,073)	(5,532)

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 (2017: £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 2018 was £1,586,000 (2017: £3,147,000) or 4.1% (2017: 8.9%). The Group expects to pay £680,000 contributions (2017: £647,000) into the pension scheme during the forthcoming year.

History of experience gains and losses recognised in the Statement of Comprehensive Income

	2018		2017		2016		2015		2014	
	£'000	%	£'000	%	£'000	%	£'000	%	£'000	%
Difference between the expected and actual return on scheme assets	592		2,121		2,612		1,304		767	
Percentage of scheme assets		1.5%		6%		7%		4%		3%
Experience loss/(gain) on scheme liabilities	214		(1,129)		(1,401)		(142)		(99)	
Percentage of the present value of scheme liabilities		(0.6%)		3%		4%		0%		0%
Changes in assumptions underlying the present value of the scheme liabilities	632		(2,254)		(2,609)		(1,553)		58	
Percentage of the present value of scheme liabilities		(1.7%)		6%		8%		5%		0%
Movement in recovery plan liability	–		–		–		–		(189)	
Percentage of the present value of scheme liabilities		0%		0%		0%		0%		1%
Net interest income	21		51		113		144		87	
Percentage of the present value of scheme liabilities		0%		0%		0%		0%		0%
Amount which has been recognised in the SOCI	1,459		(1,211)		(1,285)		(247)		624	
		4%		3%		4%		1%		2%

23 Provision for Liabilities & Charges

	Group			Company		
	WEEE provision £'000	Warranty provision £'000	Total £'000	WEEE provision £'000	Warranty provision £'000	Total £'000
At 1 July 2017	102	1,435	1,537	102	446	548
Acquisition of a subsidiary	–	526	526	–	–	–
Additions	–	375	375	–	75	75
Utilisation	–	(228)	(228)	–	(187)	(187)
Surplus	–	(51)	(51)	–	–	–
Currency translation	–	5	5	–	–	–
At 30 June 2018	**102**	**2,062**	**2,164**	**102**	**334**	**436**

	Group		Company	
Analysis of total provisions	**2018 £'000**	2017 £'000	**2018 £'000**	2017 £'000
Non-current	**2,164**	1,537	**436**	548
Total	**2,164**	1,537	**436**	548

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 2019.

Warranty provision

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

24 Share Capital

	Group and Company	
	2018 £'000	2017 £'000
Allotted and fully paid		
118,935,590 ordinary shares of 1p each (2017: 118,935,590 ordinary shares of 1p each)	**1,189**	1,189

The ordinary shareholders each have one vote per share.

	Group and Company		Group and Company	
Movements in treasury shares included in share capital	**2018 £'000**	2017 £'000	**2018 No. of shares**	2017 No. of shares
At the start of the financial year	**33**	33	**3,260,000**	3,260,000
Shares issued from treasury	**(3)**	–	**(290,454)**	–
At the end of the financial year	**30**	33	**2,969,546**	3,260,000

There were no new shares issued during the year (2017: nil). 290,454 shares were issued from treasury for the exercise of share options. There are 1,852,622 (2017: 2,159,126) share options outstanding at the year end.

Notes to the Financial Statements continued

For the year ended 30 June 2018

25 Other Reserves

	Group		Company	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
Share premium account	**1,017**	656	**1,017**	656
Capital redemption reserves	**137**	137	**137**	137
Foreign currency translation reserve	**2,382**	2,263	**–**	–
	3,536	3,056	**1,154**	793

26 Dividends

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

Dividends paid (pence per share)	2018	2017
Final dividend	**3.55**	2.85
Interim dividend	**1.40**	1.35
Total	**4.95**	4.20

A final dividend in respect of the year ended 30 June 2018 of 4.00p per share, amounting to £4,639,000 (2017: £4,106,000) is to be proposed at the Annual General Meeting on 22 November 2018 and, if approved, will be paid on 29 November 2018 to shareholders on the register on 2 November 2018. The ex-dividend date is 1 November 2018. These financial statements do not reflect this dividend payable.

Dividends proposed (pence per share)	2018	2017
Final dividend	**4.00**	3.55

Dividends paid	2018 £'000	2017 £'000
Final dividend	**4,114**	3,297
Interim dividend	**1,623**	1,561
Total	**5,737**	4,858

Dividends proposed	2018 £'000	2017 £'000
Final dividend	**4,639**	4,106

27 Share Based Payment Charge

Equity settled scheme

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. The Group also operates a Save As You Earn (SAYE) scheme for UK based employees that matures in October 2021. 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 settlement date. The application of IFRS 2 gave rise to a charge of £106,000 (2017: £121,000) for the year.

At 30 June 2018, there were 50,000 options exercisable (2017: nil) under the ESOP or SAYE schemes.

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

	ESOP Scheme		SAYE Scheme		Total
	Options	Exercise price (p/s)	Options	Exercise price (p/s)	Options
Outstanding at 1 July 2017	1,700,000	124	459,126	209	2,159,126
Granted during the year	–	–	–	–	–
Exercised during the year	(290,000)	124	(454)	209	(290,454)
Forfeited during the year	–	–	(16,050)	–	(16,050)
Lapsed during the year	–	–	–	–	–
Outstanding at 30 June 2018	**1,410,000**	**124**	**442,622**	**209**	**1,852,622**

The weighted average contractual life of the share based payments outstanding at the end of the year is 6.3 years for the ESOP scheme and 3.8 years for the SAYE scheme.

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:

	ESOP Scheme	SAYE Scheme
Method used	Black–Scholes	Black–Scholes
Date of grant	24 October 2014	15 July 2016
Share price at date of grant (p/s)	124	233
Exercise price (p/s)	124	209
Expected option life (years)	3 – 7	5
Vesting period (years)	3 – 7	5
Expected volatility	23% – 28%	27%
Expected dividend yield	3.02%	1.90%
Risk free rate	1.06% – 1.90%	0.91%
Fair value per share (p/s)	18.61 – 21.07	54.84

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 settlement date. The application of IFRS 2 gave rise to a charge of £429,000 (2017: £234,000) for the year. The total liability at 30 June 2018 was £811,000 (2017: £382,000).

The fair value of the share based payment was calculated by estimating the additional payment due to the relevant employees, was reviewed during the year based on current performance. This review resulted in an annual increase in the share based payment charge of £211,000 (2017: £92,000).

Notes to the Financial Statements continued

For the year ended 30 June 2018

28 Cash Generated from Operations

Cash generated from continuing operations	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Profit before income tax	**19,567**	18,351	**16,762**	18,360
Depreciation charge	**2,195**	1,697	**1,640**	1,282
Amortisation/impairment of intangibles	**2,400**	2,302	**1,535**	1,323
Profit on disposal of property, plant and equipment	**(125)**	(119)	**(104)**	(63)
Finance income	**(101)**	249	**(5,046)**	(4,198)
Retirement benefit contributions in excess of current and past service charge	**(156)**	(140)	**(156)**	(140)
Share of (profit)/loss from joint venture	**–**	(178)	**–**	–
Share based payment charge	**533**	337	**535**	121
Research and development expenditure credit	**(237)**	(233)	**(188)**	(170)
Effects of exchange rate movements	**163**	113	**71**	33
Changes in working capital				
– Inventories	**1,954**	(3,646)	**471**	(3,284)
– Trade and other receivables	**(3,610)**	2,156	**464**	3,511
– Payables and provisions	**1,415**	1,491	**674**	(969)
Total cash generated from continuing operations	**23,998**	22,380	**16,658**	15,806

29 Commitments

(a) Capital commitments

Capital expenditure contracted for at the statement of financial position date but not yet incurred is as follows:

	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Property, plant and equipment	**234**	477	**154**	462

(b) Operating lease commitments

The Group leases premises under non-cancellable operating lease agreements. The lease terms are between one and ten years (2017: 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	Land and buildings 2018 £'000	Other 2018 £'000	Total 2018 £'000	Land and buildings 2017 £'000	Other 2017 £'000	Total 2017 £'000
Within one year	**262**	**244**	**506**	298	144	442
Within two to five years	**765**	**309**	**1,074**	36	240	276
Over five years	**463**	**–**	**463**	–	–	–
	1,490	**553**	**2,043**	334	384	718

Company	Land and buildings 2018 £'000	Other 2018 £'000	Total 2018 £'000	Land and buildings 2017 £'000	Other 2017 £'000	Total 2017 £'000
Within one year	**4**	**4**	**8**	10	5	15
Within two to five years	**–**	**4**	**4**	–	8	8
Over five years	**–**	**–**	**–**	–	–	–
	4	**8**	**12**	10	13	23

30 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 £4,209,000 (2017: £4,019,000) 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 2018				
Assets as per balance sheet				
Loans and receivables	**6,139**	**–**	**–**	**6,139**
Available-for-sale financial assets	**–**	**3,820**	**–**	**3,820**
Other financial assets at fair value through the profit and loss	**–**	**–**	**389**	**389**
Trade and other receivables	**21,915**	**–**	**–**	**21,915**
Short-term financial assets	**15,290**	**–**	**–**	**15,290**
Cash and cash equivalents	**28,668**	**–**	**–**	**28,668**
Total	**72,012**	**3,820**	**389**	**76,221**

Group	Loans and receivables £'000	Available-for-sale £'000	Assets at fair value through the profit and loss £'000	Total £'000
30 June 2017				
Assets as per statement of financial position				
Loans and receivables	3,808	–	–	3,808
Available-for-sale financial assets	–	3,630	–	3,630
Other financial assets at fair value through the profit and loss	–	–	389	389
Trade and other receivables	17,745	–	–	17,745
Short-term financial assets	16,981	–	–	16,981
Cash and cash equivalents	24,678	–	–	24,678
Total	63,212	3,630	389	67,231

Notes to the Financial Statements continued

For the year ended 30 June 2018

30 Financial Instruments by Category continued

Company	Loans and receivables £'000	Available-for-sale £'000	Assets at fair value through the profit and loss £'000	Total £'000
30 June 2018				
Assets as per balance sheet				
Loans and receivables	**13,482**	**–**	**–**	**13,482**
Available-for-sale financial assets	**–**	**3,820**	**–**	**3,820**
Other financial assets at fair value through the profit and loss	**–**	**–**	**389**	**389**
Trade and other receivables	**20,741**	**–**	**–**	**20,741**
Short-term financial assets	**15,290**	**–**	**–**	**15,290**
Cash and cash equivalents	**24,333**	**–**	**–**	**24,333**
Total	**73,846**	**3,820**	**389**	**78,055**

Company	Loans and receivables £'000	Available-for-sale £'000	Assets at fair value through the profit and loss £'000	Total £'000
30 June 2017				
Assets as per statement of financial position				
Loans and receivables	3,808	–	–	3,808
Available-for-sale financial assets	–	3,630	–	3,630
Other financial assets at fair value through the profit and loss	–	–	389	389
Trade and other receivables	20,528	–	–	20,528
Short-term financial assets	16,981	–	–	16,981
Cash and cash equivalents	22,528	–	–	22,528
Total	63,845	3,630	389	67,864

The above analysis excludes prepayments.

	Group		Company	
Liabilities as per balance sheet	**30 June 2018 £'000**	30 June 2017 £'000	**30 June 2018 £'000**	30 June 2017 £'000
Trade and other payables (excluding statutory liabilities)	**17,029**	16,608	**13,182**	14,027
Post employment benefits	**34**	45	**–**	–
Deferred consideration	**10,295**	5,729	**7,958**	5,729

Financial liabilities are measured at amortised cost.

Contractual cash flows relating to current financial liabilities are all due within one year, and are equal to their carrying value. Non-current financial liabilities consist of an interest bearing loan included in non-current other payables (deferred consideration), of which the principal amount of €2.6m (£2.3m) is due for repayment in 2021. Interest is contractually due to be paid annually until maturity, and is estimated at current rates to be €130,000 (£115,000) per year. Furthermore liabilities arising to repurchase share appreciation rights are non-interest bearing and expected to be repaid in 2021.

The Group and company did not have derivative financial instruments at 30 June 2018 or 30 June 2017. All assets and liabilities above are considered to be at fair value.

31 Related Party Transactions

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

2018	Purchases of goods £'000	Sales of goods £'000	Sales of services £'000	Purchase of services £'000	Dividends paid to company £'000
Compact Lighting Limited	**2,126**	**30**	**131**	**–**	**–**
Philip Payne Limited	**790**	**166**	**84**	**3**	**600**
Solite Europe Limited	**485**	**291**	**176**	**–**	**250**
Portland Lighting Limited	**6**	**10**	**24**	**–**	**1,000**
TRT Lighting Limited	**1,057**	**1,193**	**259**	**–**	**–**
Thorlux Lighting LLC	**–**	**1,043**	**–**	**–**	**–**
Lightronics Participaties B.V.	**161**	**168**	**–**	**–**	**2,130**
Thorlux Australasia PTY Limited	**–**	**1,023**	**–**	**–**	**–**
Thorlux Lighting GmbH	**–**	**–**	**–**	**277**	**–**
Famostar Emergency Lighting B.V.	**–**	**–**	**–**	**–**	**–**

2017	Purchases of goods £'000	Sales of goods £'000	Sales of services £'000	Dividends paid to company £'000
Compact Lighting Limited	857	253	49	–
Philip Payne Limited	633	130	48	450
Solite Europe Limited	632	444	99	250
Portland Lighting Limited	1	–	24	1,000
TRT Lighting Limited	1,699	1,344	64	–
Thorlux Lighting LLC	–	474	–	–
Lightronics Participaties B.V.	129	139	–	1,839
Thorlux Australasia PTY Limited	1,009	–	–	–

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	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
Compact Lighting Limited	**(55)**	(35)	**–**	1,309
Philip Payne Limited	**(878)**	(909)	**27**	10
Solite Europe Limited	**(935)**	(574)	**45**	7
Portland Lighting Limited	**(1,127)**	(1,527)	**10**	2
TRT Lighting Limited	**(132)**	(175)	**2,115**	2,851
Thorlux Lighting LLC	**–**	–	**789**	1,105
Lightronics Participaties B.V.	**(16)**	(17)	**3,128**	2,095
Thorlux Australasia PTY Limited	**–**	–	**1,748**	1,588
Thorlux Lighting GmbH	**(233)**	–	**–**	–
Famostar Emergency Lighting B.V.	**–**	–	**–**	–
Total	**(3,376)**	(3,237)	**7,862**	8,967

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 46 to 48. There are 4 employees who are related parties (2017: 4). Total remuneration for the year was £77,000 (2017: £195,000).

The Company owns 40% of the share capital of Luxintec S.L., a company registered in Spain. During the year the Company sold goods to Luxintec S.L. amounting to £28,000 (2017: £5,000), purchased goods amounting to £65,000 (2017: £84,000), and sold services of £nil (2017: £nil). At the year end there were trade balances due to Luxintec S.L. of £1,000 (2017: £2,000) and £1,000 due from Luxintec S.L. (2017: £5,000).

Notes to the Financial Statements continued

For the year ended 30 June 2018

32 Group Companies

The parent company has the following investments as at 30 June 2018 and 30 June 2017:

Name of undertaking	Country of incorporation	Description of shares held	Proportion of nominal value of issued shares held by Group and Company 30 June 2018	30 June 2017
Compact Lighting Limited	England	Ordinary £1 shares	100%	100%
Philip Payne Limited	England	Ordinary £1 shares	100%	100%
Solite Europe Limited	England	Ordinary £1 shares	100%	100%
Portland Lighting Limited	England	Ordinary £1 shares	100%	100%
TRT Lighting Limited	England	Ordinary £1 shares	100%	100%
Lightronics Participaties B.V.	Netherlands	Ordinary €0.01 shares	100%	100%
Lightronics B.V.	Netherlands	Ordinary €454 shares	100%	100%
Thorlux Lighting GmbH	Germany	Ordinary €1 shares	100%	100%
Thorlux Australasia PTY Limited	Australia	Ordinary $1 shares	100%	100%
Thorlux Lighting L.L.C.	United Arab Emirates	Ordinary AED 1,000 shares	49%	49%
Famostar Emergency Lighting B.V. (investment held by Lightronics Participaties B.V.)	Netherlands	Ordinary €100 shares	100%	–
Luxintec S.L.	Spain	Ordinary €1 shares	40%	40%

The registered office addresses of these Group companies are:

Compact Lighting Limited	Merse Road, North Moons Moat, Redditch, Worcestershire, B98 9HH, England
Philip Payne Limited	Merse Road, North Moons Moat, Redditch, Worcestershire, B98 9HH, England
Solite Europe Limited	Merse Road, North Moons Moat, Redditch, Worcestershire, B98 9HH, England
Portland Lighting Limited	Merse Road, North Moons Moat, Redditch, Worcestershire, B98 9HH, England
TRT Lighting Limited	Merse Road, North Moons Moat, Redditch, Worcestershire, B98 9HH, England
Lightronics Participaties B.V.	Spuiweg 19, 5145 NE Waalwijk, Netherlands
Lightronics B.V.	Spuiweg 19, 5145 NE Waalwijk, Netherlands
Thorlux Lighting GmbH	Bahnhofstrasse 72, 27404 Zeven, Germany
Thorlux Australasia PTY Limited	31 Cross Street, Brookvale, NSW 2100, Australia
Thorlux Lighting L.L.C.	Office No. 2, Ghantoot International Building, Plot No: M.14-26, Musaffah Industrial Area, PO Box 108168, Abu Dhabi, United Arab Emirates
Famostar Emergency Lighting B.V.	Florijnweg 8 6883JP Velp, Netherlands
Luxintec S.L.	Polígono Industrial La Encomienda, C/ Atlas 12-14, 47195 Arroyo de la Encomienda, Valladolid, Spain

The principal activities of these Group companies 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 clean room 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
Thorlux Lighting GmbH	– sales support function
Thorlux Australasia PTY Limited	– sale of lighting equipment to industrial and commercial markets
Thorlux Lighting L.L.C.	– sale of lighting equipment to industrial and commercial markets
Famostar Emergency Lighting B.V.	– design and manufacture of illuminated signs
Luxintec S.L.	– design and manufacture of LED luminaires and lenses

For the year ended 30 June 2018, Compact Lighting Limited, is exempt from the requirements of the Companies Act 2006 relating to the audit of individual financial statements by virtue of section 479A. As a result, the Group guarantees all outstanding liabilities to which the subsidiary company is subject. The company registration number for Compact Lighting Limited is 02649528.

33 Acquisition Of Subsidiary

In December 2017, the Group acquired 100% of the share capital of Famostar Emergency Lighting B.V., an emergency lighting specialist in the Netherlands. The company was acquired by Lightronics Participaties B.V. for the initial consideration of €7.5m (£6.7m) with an estimated additional €0.5m (£0.4m) payable, subject to performance conditions relating to EBITDA in 2017 and 2018.

Share appreciation rights were granted for 35% of the share capital to the holders of share appreciation rights in Lightronics Participaties B.V. This equated to an investment of €2.7m (£2.4m) by the holders of these rights. Of this €2.7m, €1.7m (£1.5m) was provided in the form of a loan from FW Thorpe and a €1m (£0.9m) loan from the rights holders themselves. The loan notes are repayable on or before the end the 30 June 2021 and attract an interest rate of 5%.

The share appreciation rights are subject to future performance conditions linked to an increase in EBITDA over the next three years. This has been calculated by a pre-determined earnings multiple used to value the initial investment. An assessment has been made on the future increase in value of the 35% shareholding and €0.7m (£0.7m) is included as contingent consideration and disclosed in Other payables in the Consolidated Financial Position.

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

	£'000
Intangible assets	1,560
Property, plant and equipment	228
Inventories	851
Trade and other receivables	1,125
Cash	827
Trade and other payables	(736)
Provisions	(543)
Total identifiable assets	**3,312**
Goodwill	4,490
Total purchase consideration	**7,802**

Total purchase consideration satisfied by:	
Cash	6,696
Contingent consideration: Famostar	444
Contingent consideration: Share appreciation rights	662
Total consideration	**7,802**

Net cash outflow arising on acquisition	
Cash consideration	7,140
Less cash in subsidiary acquired	(827)
Cash outflow on acquisition	**6,313**

A fair value exercise has been performed; the book value of all assets and liabilities except for inventories and warranties are considered to represent fair value. For inventories and provisions for warranties, reductions of €0.1m (£0.1m) and €0.6m (£0.5m) were applied to reflect slow moving stock lines and potential customer claims, respectively.

Fair value of intangible assets was assessed and determined on the basis of the technology and brand name acquired. Both the technology and brand name elements were determined using an industry typical royalty rate over a seven year period, discounted to the present day.

The goodwill relates to the ongoing level of profitability of the business model, opportunity to sell existing Group products into the Dutch market and potential sourcing benefits for other Group companies.

Results for the year ended 31st December 2017 showed revenues of €7.7m, and profit before tax of €1.3m. For the six months to 30 June 2018, Famostar contributed €0.7m to Group profit before tax for the current financial year.

Share appreciation rights are the right to receive an amount equal to the excess, if any, of the fair market value of Famostar Emergency Lighting B.V. at 30 June 2021 compared to the fair market value at the date of acquisition. These rights will be cash settled.

34 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 Annual General Meeting of FW Thorpe Plc will be held at Merse Road, North Moons Moat, Redditch, Worcestershire, B98 9HH on 22 November 2018 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 2018.
2. To declare a final dividend.
3. To re-elect Mr A B Thorpe as a director.
4. To re-elect Mr C Muncaster as a director.
5. To re-elect Mr A M Cooper 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 46 to 48 of the Annual Report and Accounts) for the year ended 30 June 2018 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 2019; 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 20 November 2018 (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 20 November 2018 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 20 November 2018 (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 15 October 2018 (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 2,969,546 shares held in treasury, the total voting rights in the company as at 15 October 2018 are 115,966,044.

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

Craig Muncaster
Joint Chief Executive, Group Financial Director
and Company Secretary

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

15 October 2018

Financial Calendar

2018

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

2019

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

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FW Thorpe Plc

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