



Annual Report
and Accounts
2021

FW THORPE PLC

Welcome to the 2021 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.

OUR PURPOSE

Provide technically advanced lighting solutions that deliver long-term lowest cost of ownership.

OUR VISION

Maintain a consistently respected and profitable organisation with an environmental conscience.

INVESTMENT CASE

01

A well-positioned portfolio of companies across seven different countries

➤ Read more on pages 28 to 37

02

Innovative products with market-leading technology

➤ Read more on pages 20 to 24

03

Strong profit margins and robust balance sheet

➤ Read more on pages 80 to 85

OUR VALUES



Integrity



Honesty



Longevity

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

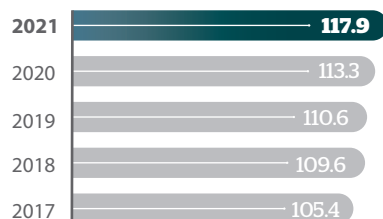


Highlights

FINANCIAL HIGHLIGHTS

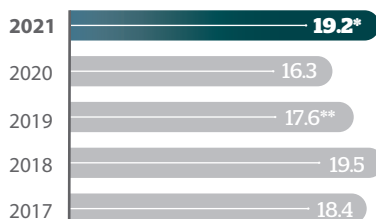
Revenue (£m)

+4.0%



Operating Profit (£m)

+17.7%

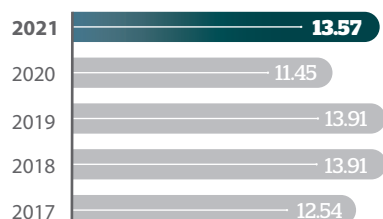


* 2021 excludes the exceptional item in respect of Lightronics fire £1.6m

** 2019 excludes the profit on disposal of property of £1.9m

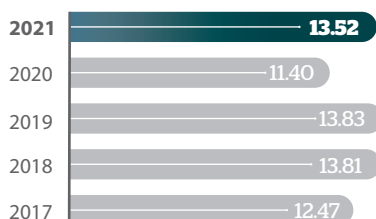
Basic Earnings Per Share (Pence)

+18.5%



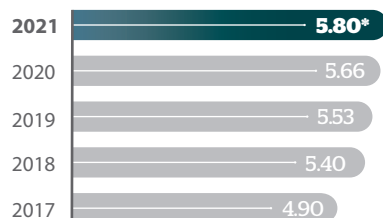
Diluted Earnings Per Share (Pence)

+18.6%



Dividend Per Share (Pence)

+2.5%



* 2021 dividend excludes the special dividend

➤ Read more about our financial performance on pages 40 to 41

OPERATIONAL HIGHLIGHTS

- Revenue continued to move forward, supported by large scale orders and Services
- Operating profit recovered strongly from prior year, no impact from fire at Lightronics
- Results suppressed by some smaller companies, overseas sales offices
- Operating cash generated remained robust at £21.9m

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Resilience for the Future

01

Our improved **financial performance** ...

- We have had a improved financial performance over this year despite challenging economic conditions, with revenue of £117.9m and operating profit of £19.2m. In addition, we had net cash generated from operating activities of £21.9m.
- We have a strong balance sheet and profit margins with sufficient reserves.
- We have had a strong order performance, mainly attributed to our largest division, Thorlux Lighting with support from the Netherlands companies.
- Our Netherlands companies – there has been a strong recovery following the fire at Lightronics back in September 2020.

➤ Read more about our financial performance on pages 40 to 41

➤ Read more about our operating performance on pages 28 to 37

02

along with a focus on **sustainability** ...

- Environmental issues are also a significant focus for us: We carry the LSE Green Mark; we continue to plant trees (149,849 trees planted to date); we invest in installing solar panels at our UK factories; and we monitor CO₂ emissions.
- Energy saving products are a substantial part of the business, as well as our carbon offset, we continue to invest in solar to reduce our emissions.
- We have family principles and a supportive culture. Our employees are fundamental to our success; we provide them with development and training, and we have a well-being policy. We also have an apprentice scheme, and we invest in management training.
- We support local communities by giving to charities - this year, we gave £23,000.

➤ Read more about our environmental initiatives on pages 48 to 53

03

and strong product innovation ...

- Product design and development is fundamental to our operations. We maintain a competitive advantage with market-leading products, utilising technology to attract new customers and retain them.
- We engage in continuous product development – products, software/controls, and lighting design. We have also focused on the further development of our SmartScan wireless system.
- In addition, our diversified product portfolio gives us the ability to supply a complete project – from “boiler room to boardroom, and beyond”.
- Our Group spend on capitalised R&D this year was £1.5m.

➤ Read more about our operating performance on pages 28 to 37

➤ Read more about our products on pages 6 to 7

04

... means that we have resilience for the future. This results in long-term value for us and for our stakeholders.

- A well-positioned portfolio of companies across seven different countries, along with serving many market sectors with a variety of products, means that we have resilience in the current economic climate and for the future.

➤ Read more about our investment case on pages 20 to 21

FW Thorpe at a Glance

THE COMPLETE SERVICE OFFERING WE PROVIDE...

 **Design & Development**

£1.5m

(2020: £1.3m)

 **Manufacturing**

£0.3m

Investment in solar at Group facilities

 **Services**

£4.4m

Revenue from this service

(2020: £3.0m)

[➤ Read more about our service offering on pages 18 to 19](#)

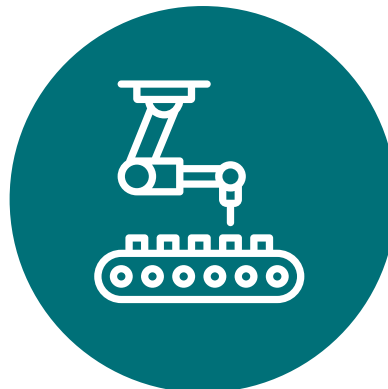
OUR STRATEGIC PILLARS...



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

[➤ Read about our strategic pillars on pages 20 to 21](#)

FW THORPE TIMELINE

1936	1940-1960	1965	1989	1990-1996	2005	2009-2011	2013
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	Acquired Solite Europe Lighting for clean rooms Acquisition of Portland Lighting Mackwell Electronics disposal	Start-up company TRT Lighting Entered the street lighting market

OUR GLOBAL FOOTPRINT

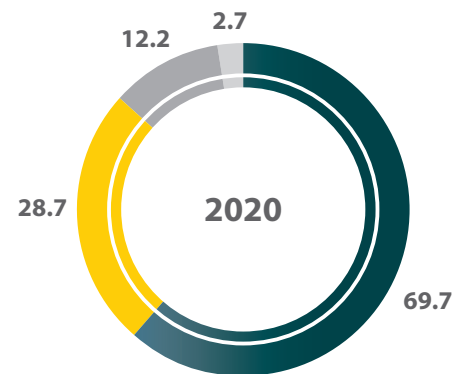
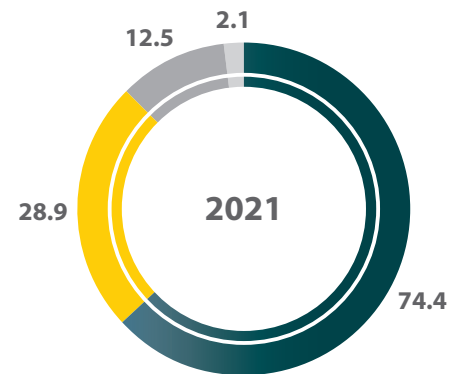


- 01 UNITED KINGDOM**
Thorlux Lighting, Philip Payne, Solite Europe, Portland Lighting, TRT Lighting
- 02 NETHERLANDS**
Lightronics, Famostar
- 03 IRELAND**
Thorlux Lighting

- 04 GERMANY**
Thorlux Lighting
- 05 UNITED ARAB EMIRATES**
Thorlux Lighting
- 06 AUSTRALIA**
Thorlux Lighting Australasia
- 07 SPAIN**
Luxintec

➤ [Read about our marketplace on pages 14 to 17](#)

Revenue by region (£m)



- UK
- Netherlands
- Rest of Europe
- Rest of the World

➤ [Read about our performance on page 28](#)

2014	2015	2016	2017	2018	2019	2020	2021
Creation of an in-house LED printed circuit board production line Ability to place 400,000 components per day	Acquisition of Lightronics – Netherlands Develop European market Sugg Lighting disposal	Minority investment in Luxintec – Spain Target Spanish market and acquire lens specialism	Acquired remaining share capital in Thorlux Australasia Target Australian market, improve performance	Acquired Famostar – Netherlands Improved emergency lighting product offering	Compact Lighting business successfully merged with Thorlux Lighting Portsmouth facility sold	All operating businesses housed in Group-owned property Maintained operations during COVID-19 pandemic	Lightronics recovers from factory fire with improved results Sustainability focus

FW Thorpe at a Glance continued



DESCRIPTION

The Thorlux range of luminaires is designed, manufactured and distributed by Thorlux Lighting, a division of FW Thorpe Plc.

Thorlux luminaires have been manufactured continuously since 1936, the year Frederick William Thorpe founded the company.

The company now operates from the Group's modern 16,882m² self-contained factory in Redditch, Worcestershire, central England.

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

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

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.

KEY PRODUCTS

- Emergency exit signage
- Emergency lighting systems

MARKET SECTORS

- Commercial
- Hospitality
- Healthcare

➤ Read more on pages 30 to 31

➤ Read more on page 32



DESCRIPTION

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

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

KEY PRODUCTS

- Clean room luminaires

MARKET SECTORS

- Pharmaceutical
- Healthcare
- Education/Research and Development

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 1,394m² 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.

KEY PRODUCTS

- Lighting for signs

MARKET SECTORS

- Retail
- Hospitality
- Advertising

➤ Read more on page 33

➤ Read more on page 34



DESCRIPTION

TRT (Thorlux Road and Tunnel) Lighting is an independent specialist company 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



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 35

➤ Read more on page 36



DESCRIPTION

Based in Velp, 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 and Hospitality

➤ Read more on page 37



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Strategic Report

Chairman's Statement

Mike Allcock



Whilst I am pleased with the improved performance under such circumstances, there is an element of wondering what could have been, for a second year running. In the coming months there are significant challenges to deal with, especially related to component shortages affecting everyone in the Group.”

Mike Allcock

Chairman and Joint Chief Executive



After a year of very difficult trading conditions for many companies, I would like to start by thanking the management and workforce across FW Thorpe Plc for their total commitment to Group operations in the last 12 months. Without their dedication, I would not be able to report the improved operating results below.

Whilst I am pleased with the improved performance under such circumstances, there is an element of wondering what could have been, for a second year running, had the Group not encountered, and continued to encounter, difficulties associated with the COVID-19 pandemic, the ongoing fallout from Brexit in the UK, and worldwide supply shortages.

On a positive note, within the Group we have once again started the new financial year with a very strong order book, exceeding our expectations in most companies, especially Thorlux Lighting, and we look forward to more normal trading conditions returning soon.

The Annual Report and Accounts contains a more detailed overview of the COVID situation and how it is being dealt with across the Group, together with a closer appraisal of the performance of each Group company.

GROUP RESULTS

Year-end revenue grew again in the year, despite various operational difficulties, culminating in an overall increase of 4.0%, at £118m. A high proportion of the growth is attributed to Thorlux Lighting, but there were notable performances too from TRT Lighting, exceeding £10m revenue for the first time, and Solite and Portland Lighting, recovering well from reduced levels last year, and truly solid performances from the Dutch contingent, especially Lightronics, having to cope with the near-total destruction



Morgan Cars

of its manufacturing facility early in autumn 2020. More on this later.

Philip Payne's market, of high-end hospitality venues and central London offices, was adversely affected the most in the Group by the pandemic, with no traditional large scale orders materialising. A solid year of battening down the hatches and controlling costs resulted in a subdued but profitable year overall.

Final Group operating profit (before exceptional item) for the year ended up 17.7% at £19m – another creditable result, all things considered.

The Group's continued robust balance sheet and strong cashflow performance allows the Board to recommend a final dividend of 4.31p per share (2020: 4.20p) for the year to 30 June 2021, which gives a total of 5.80p (2020: 5.66p) and an increase of 2.5%. It has been a number of years since the Group paid a special dividend, so I am pleased to recommend a special dividend of 2.20p per share (2020: nil).



GENERAL OVERVIEW

All businesses have targeted further growth this year, and early signs are positive, with order intake overall for the Group at record levels. The Group has found it particularly hard to forecast the ongoing stability of orders, given the uncertainty of the general economic situation. Orders have certainly held up better than expected; within the Group, we believe that during uncertainty customers have been less inclined to take chances with lesser known brands and have stuck with tried and tested and more local manufacturers. Certain export markets have improved, such as Germany and Norway, but generally export projects have been harder to win, reinforcing the point made above. Nevertheless, Group companies' overall resilience to various adverse trading conditions has again been proven throughout the financial year.

The Group's use of technology has been good, rolling out new up to date systems such as Office 365 just before the pandemic. For sales people,

however, there is nothing like a face to face meeting, and it is only recently that these have restarted on a gradual basis. This has, for example, made it harder for general new starters in the sales team, and specifically for a new venture for Philip Payne attempting to increase, with new recruits, its sales efforts into end users.

In coming months there are significant challenges to deal with, especially related to component shortages affecting everyone in the Group. All companies are dealing with severe shortages and rising costs for many of the basic components necessary for making Group luminaires, such as steel, plastics, cardboard, electronic components and microchips. Although the Group has a strong cash position and can afford to stock up, the reality is that this has not been possible

and stocks have reduced. Not receiving reliable delivery dates from suppliers, even for goods planned months in advance, is making day to day operations tense and frustrating. Individual companies' service levels have declined – particularly at Thorlux Lighting, which is now quoting significantly longer lead times than are normal or desirable.

To add to these difficulties, Brexit has resulted in a number of workers from Group factories returning home to mainland Europe. There is a reduced pool of labour in the UK to replace them, which is not helpful during a period in which the Group is recruiting heavily to support its requirement to ramp up production output. Various improvement plans are in place, but there may be some disruption in output and service levels until later in the autumn.



COLIN MICHAEL BRANGWIN

**22 November 1937 –
7 June 2021**

The only son of Kenneth and Marjorie Brangwin, Colin grew up in Sutton Coldfield. Educated at Oundle School, where he excelled at maths and physics, he later went on to graduate in electrical engineering at university.

Following his father into the business, Colin joined FW Thorpe in 1963, becoming a Director in 1969 before being appointed Managing Director and then Chairman of the Group in 1995. Colin was instrumental in some of the senior appointments still within the Group today, and as a well-respected electrical engineer he

mentored many of those employees during their earlier careers with the company.

Colin married Rosemary Timings in October 1963 at Holy Trinity in Sutton Coldfield and they went on to have three children Stephanie, Joanna and Nicholas. New Quay, Wales, was the focus of a large part of family life for the Brangwins. Colin was a proficient sailor and rose through the ranks of the yacht club to become commodore in 1992. Once the children had left home, sailing cruises formed many holidays for Colin and his wife Rosemary, visiting places such as South America and Egypt. Colin stayed deeply involved with the yacht club throughout his life, either racing his boat Sarissa or helping behind the scenes.

Colin retired from FW Thorpe in 2016. In his later life, Colin took great pleasure in supporting and photographing his grandchildren at dancing shows, athletics, football, school shows and much more.

Colin is survived by his wife Rosemary, two daughters, Stephanie and Joanna, son Nicholas and seven grandchildren.

Chairman's Statement continued

Brexit also created operational difficulties in the early part of the calendar year, with finished goods for delivery to the EU extensively stuck in ports for long periods, and inbound component supplies hampered in a similar way. Some customers in Germany have actively moved away from the Group as a result, although within the Group we have managed to successfully route some orders through Lightronics to mitigate some of the trading impacts.

I am pleased to report that the Group has successfully completed the earn-out period with the investors and management team in the Netherlands. I am also delighted to report that the Group has successfully secured the ongoing services of the management team. I take this opportunity to thank all the Group's Dutch colleagues for their excellent work in recent years – a successful example of just what can be achieved, working collaboratively, that the Group aspires to with all its companies and future investments.

As mentioned in my interim statement, Lightronics suffered a devastating fire in September 2020. It is of credit to the local management that, on the morning following the fire, new temporary premises were secured and a recovery plan codenamed Project Restart commenced. Production output soon recovered and overall, incredibly, Lightronics managed to achieve similar performance to that of the prior year, even improving margins slightly through material cost reductions. Plans for the new building, which will have around 75% more manufacturing space than the previous unit, have received planning consent, and construction will commence shortly. Insurance claims have been recovered, as expected. Famostar, too, is actively developing its site for future expansion, with a greater warehouse area planned and plans generally for a larger operation in the future.

Indeed, all companies have developed individual plans for growth. For example, Portland Lighting, whose customer base has been in steady decline for the last few

years, has developed new products into two completely new market sectors to strengthen its own resilience to market movements in a similar way to the Group as whole.

On the sustainability front, within the Group we continue to develop and implement strategies to improve our credentials even further – an activity first started in earnest with an improvement programme back in 2010. A few months ago, I visited the Group's tree planting scheme in Devauden, Monmouthshire, some 10 years on from when I ceremonially planted the first tree there with the government minister for the environment and sustainable development. Currently 149,849 saplings have been planted, with many well on their way to reaching maturity, with the scheme winning independent awards in the process. Fewer trees will be planted in future, as the Group will have less grid supplied energy to offset, having completed a project during the year to fit solar PV panels to most Group company factory roofs, with a target of self-generating around 40 to 50% of the Group's energy. Many Group directors, me included, have switched to fully electric vehicles; of course, during the daytime, whilst we are sitting at our desks working, our cars are charging, pollution free, in front of the building. Apart from the obvious green benefits, the Group's solar investments are expected to pay

back in as little as five years, so it is good news for lowering our cost base too.

All Group companies, on the product front, are taking circularity seriously, further minimising the use of plastics and environmentally damaging materials, targeting even longer lifetimes, and making products simpler to upgrade or recycle at the end of their lifetime. More and more of the Group's customers demand solutions that are kind to the environment – good news for local manufacturing wherever possible.

The Group is undergoing a three year improvement programme, using an external third party assessor, to better measure and improve its green credentials and certify them to appropriate standards in an independent and reliable way. The Board feels this is important, because the credibility of some claims in the market is generally questionable.

Throughout the pandemic, FW Thorpe has continued its policy of independence and has not claimed government assistance such as furlough monies at any stage. Even during periods of layoff and during COVID-related absences, employees have been paid in full. I am proud of what has been achieved by everyone concerned – those working diligently from home, and those arriving daily at the Group's busy and COVID-secure factories.



Alphen and Rijn, the Netherlands

Investments in lighting controls technology, and in particular in the ability of those systems to co-communicate with other systems, continues at pace. Later in the year, Thorlux will release the second generation of SmartScan, building on the reliable and successful SmartScan system first launched in 2016, which won the 2019 Queen's Award for Enterprise in the Innovation category. The system, now being used extensively by many companies across the Group, will be faster and smarter, and importantly will provide more data and analytics for customers to use in new ways to help streamline their operations, using the Group's luminaires as a method of collecting and transporting information. Investments this year in new improved electronics, especially but not limited to those for outdoor areas, have brought cost downs, enabling customers to achieve paybacks in shorter times.

ACQUISITION

I mentioned last year that the Group remained acquisitive but was waiting until business again stabilised to some extent. I am pleased to report that, having put acquisition projects on hold last spring and following further discussions, on 5 October 2021 F W Thorpe acquired a majority stake in Electrozemper S.A., trading as Zemper, which has manufactured emergency lighting luminaires in Ciudad Real, Spain, since 1967.

Zemper has a complete range of emergency lighting, an area of business well liked by F W Thorpe for being somewhat niche and specialised. The factory is self-contained, with its own plastic moulding production, electronic printed circuit board assembly lines, robotic assembly techniques and end of line testing.

Generally, Zemper operates in markets where the Group currently only has a very small market share. Zemper's largest revenue is derived from Spain, France and Belgium. Zemper's annual revenue is €20m, with EBITDA over €4m. The deal structure is similar to that agreed for the Dutch acquisitions, and management is part of the ongoing project.

The Board sees long term synergies and collaboration possibilities with other companies in the Group whilst further penetrating wider geographical markets.

I welcome to F W Thorpe Plc the employees of Zemper and wish them long and successful careers as part of the team.

PERSONNEL

I would like to thank my whole team for their continued support and diligence through such challenging times. I hope that some stability will return in this financial year, and I look forward to being able more regularly to visit Group operating sites again soon.

OUTLOOK

Whilst still carrying some increased manufacturing costs, all companies are capable of producing increased revenue in the coming year. As mentioned earlier, the Group as a whole commenced the new year with a good order book, especially at Thorlux Lighting.

There remain some difficulties, though, caused by component supply shortages, some capacity restraints and ongoing COVID-related disruption.

Michael Allcock

Mike Allcock

Chairman and Joint Chief Executive

5 October 2021



MICHAEL DAVID LIPPOLD OBE

3 May 1930 – 11 August 2021

Born in London in 1930, Mike Lippold was the son of Fred, Chief Electrical Engineer at Argus Press in the City of London, and Winifred, a travelling salesperson selling hats to fashion boutiques.

Mike began his working life in the stock market, but his love of international travel soon saw him move into sales, progressing from selling packet soup at a local market to becoming Sales Director of Benjamin Electrical.

After joining F W Thorpe in 1970, Mike advanced to become Joint Managing Director of Thorlux

Lighting and then Chairman of the Group. During his career at F W Thorpe, Mike was responsible for UK and export sales. He retired in 2002.

Mike became President of the UK Lighting Industry Federation (now the Lighting Industry Association; LIA), was Master of the livery company the Worshipful Company of Lightmongers and chaired the Church Floodlighting Trust. Mike's charitable efforts were rewarded in 2001 when he was honoured with the OBE for his role in floodlighting 400 churches across the UK as part of the millennium celebrations.

As hobbies, Mike enjoyed social tennis, bridge and fishing, but his passion was sailing, which he continued late into his 80s with his amphibious boat Mr Toad. After retiring from F W Thorpe, Mike moved to Portscatho, in Cornwall, where he lived a long and peaceful retirement.

Michael is survived by his wife Judy, daughter Jane, son David and four grandchildren.

Marketplace



HOUSING



COMMERCIAL



INDUSTRIAL



EDUCATION



HEALTHCARE



MANUFACTURING



RETAIL





—
DISPLAY



—
HOSPITALITY



—
PHARMACEUTICAL



—
RESEARCH &
DEVELOPMENT



—
ADVERTISING



—
INFRASTRUCTURE



—
FACILITIES



Marketplace continued

UK

+7%

Revenue

- Increased business from target sectors
- Services revenue increased with improved gross contribution

Europe

+2%

Revenue

- Additional business in Germany

Netherlands

+1%

Revenue

- Fall in Lightronics revenue offset by Famostar growth
- Improved operating profit at both businesses

Other countries

-22%

Revenue

- Dampened demand in both Australia and the UAE

Q How did you continue to navigate through the impact of COVID on your day to day operations?

A Our priority remained the health and wellbeing of our employees whilst balancing the requirements of our customers. We separated the business in to distinct “bubbles” and introduced lateral flow testing on a weekly basis in an attempt to avoid an outbreak in any of our facilities. Detailed risk assessments were updated on a regular basis to enable us to continue operating at our manufacturing sites. See page 39.

Q Which market sectors are growing?

A There is growth in a number of areas that continues to justify our investment in business development.

Reduction in some sectors was offset by growth in certain target areas.

We will consider how we deploy our existing selling resources over the next few years in order to target specific sectors and territories.

Q Which sectors are you focusing on?

A Our product and solution portfolio continues to evolve and can cater for a variety of different sectors. We continue to focus on specific sectors that are investing but with some renewed endeavour on those that have reduced in previous years.

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 life cycle 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 and technologies in new territories. We continue to work with existing partners and our Group presence in certain countries to drive export sales growth. We continue to focus on building our reputation by targeting certain sectors in these territories.



Increase in demand for technology

What this means

- Evolution of controls technology – wireless
- Connectivity with the internet and other devices – the Internet of Things
- Ability to offer customers additional functionality by adding different sensor technology and presenting data
- The Group has seen a shift in LED sales, moving from 3% to 90% of total revenue in recent years



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
- Offer solutions to provide additional data specific to the market sector
- Demand for retrofit installations replacing fluorescent lighting for LED, replacing product with wirelessly controlled technology driving energy saving



How we are responding

- SmartScan was introduced in 2016 and continues to evolve with the latest generation due for launch late 2021
- Further development of the SmartScan platform, bringing other non-lighting devices into the web portal
- Occupancy profiling, air quality sensing, and the ability to change colour temperature are all features
- 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



International economic conditions

What this means

- Countries are recovering from COVID-19 at varying pace
- Certain sectors and businesses starting to recover but could take time
- Pressure on global supply chains – raw material price pressure, component shortages



Opportunity it provides

- Certain sectors will continue or potentially increase investment
- Governments have indicated the intention to invest to support economies
- Potential to win market share from competitors who struggle to recover



How we are responding

- Ensure our businesses are not reliant on any one sector in particular
- Continue to develop innovative product solutions in all our businesses
- Target sectors where demand is stable or increasing
- Redirect sales focus as appropriate



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
- Recent global pandemic highlights the need for resilience in the supply chain



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
- Potential for customers to reconsider sourcing strategies and buy “local”



How we are responding

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

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 provide support during a product's warrantable life and beyond.

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

THE KEY RESOURCES WE UTILISE...

Design & Innovation

Continuous product development – products, software/controls, lighting design

Talented People

Continual development

Manufacturing Facilities

UK – multiple sites,
Europe – Netherlands, Spain
Continual Investment

Financial & Environmental Sustainability

Financial stability, Carbon Offset Scheme

THE SERVICE OFFERING WE PROVIDE...

Design & Development

£1.5m

Group spend on capitalised R&D

(2020: £1.3m)

Manufacturing

£0.3m

Investment in solar at Group facilities

Services

£4.4m

Revenue from this service

(2020: £3.0m)

THE KEY MARKETS WE SERVE...



Commercial



Industrial



Hospitality



Pharmaceutical



Education



Healthcare



Research & Development



Advertising



Manufacturing



Retail



Infrastructure



Facilities



Display



Housing



SOLUTIONS PROVIDED FOR CUSTOMERS...



Target Customers

THOSE RESPONSIBLE FOR THE WHOLE LIFE CYCLE COST OF THE PRODUCTS/ SERVICES SUPPLIED

Solutions Provided

- Energy efficiency
- Low maintenance
- Rapid installation
- Longevity of product
- Low total cost of ownership

THE VALUE GENERATED...

Customers

Short-term

Replacement of ageing technology with improved lighting systems

Long-term

Innovative lighting that delivers cost savings and additional benefits, such as data capture and presentation

Shareholders

Short-term

Opportunity to invest in a company that pays a progressive dividend and with a robust balance sheet

Long-term

Sustainable profit growth drives future shareholder returns

Employees

Short-term

Opportunity to work with an innovative market leading company within the lighting industry

Long-term

Continual development with a variety of Group companies in a number of different territories

Environment

Short-term

Build on the work of many years, delivering energy saving products and continuing our carbon offset programme

Long-term

Develop and implement our sustainability strategy

Communities

Short-term

Employment opportunities and supporting local charities

Long-term

Providing sustainable employment in the local areas where our businesses are located

OUR REVENUE DRIVERS

Specification – renovations, new build, energy saving, compliance, technology adoption

Diversified product portfolio gives the ability to supply a complete project – “boiler room to board room, and beyond”

Cross-selling opportunities with other Group companies to offer a complete solution to a wide variety of sectors

Strategy

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

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

OVERVIEW OF STRATEGY

- Strategy was designed to build on the values that have been at the core of the company since its inception. FW Thorpe has been built on product innovation – design and product development is fundamental.
- The Group is product led. This enables us to maintain competitive advantage with marketing leading products, utilising technology to retain and attract new customers.
- Sustainable growth is key to our stakeholders – targeting new customers in existing or new territories, using our product portfolio to drive into new sectors.
- Control of the manufacturing processes is of utmost importance – key processes are kept in-house with targeted investment in new machinery as required.
- Family principles for example how we treat our people fundamental to our success – internal development, training and experience. The Group prides itself on the development of people from within the organisation – maintaining our values.

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.

Progress to date

- Continued enhancement of features for the SmartScan wireless system
- Integration of lens and optical technology into certain ranges

Future opportunities

- Further development of SmartScan
- Continuous research and development
- Targeted acquisition

Associated risks

C

- Product acceptance
- Initial product introduction

Strategy in Action

Case Study:
Smartscan Radar
Flexbeam

[➤ Read more on page 54](#)

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.

Progress to date

- Targeted approach in the Netherlands with Thorlux industrial product portfolio
- Introduce Famostar product portfolio to territories where the Group has a presence
- Introduce selected Luxintec product to the UK via Thorlux

Future opportunities

- Consider further sales offices overseas
- Potential business development investment
- Investment in sales personnel in the UK and overseas
- Targeted acquisition

Associated risks

A C D J

- Short-term cost increase without immediate return
- Prolonged time required to establish FW Thorpe brands in new territories

Strategy in Action

Case Study:
IBRB, University of Warwick
United Lincolnshire Hospitals NHS Trust

[➤ Read more on page 25 and 27](#)

FOCUS ON MANUFACTURING EXCELLENCE

Along with continued product development, the need to innovate the production process is essential.

Progress to date

- Rebuild of Lightronics factory following fire in 2020, due for completion spring 2022 – increase capacity by 75% to plan for future expansion
- Famostar facility to be extended in 2022
- Solar on all factory roofs to reduce electricity demand and improve carbon footprint
- Continue to utilise former TRT facility

Future opportunities

- Continued investment in manufacturing facilities

Associated risks

C E

- Reduced productivity while changes are implemented
- Learning curve on introduction of new products and processes

CONTINUE TO DEVELOP HIGH QUALITY PEOPLE

Talent is one of our main sources of competitive advantage and it is imperative we continually develop and retain it within the business.

Progress to date

- Training and development
- Apprentice scheme continues
- Investment in management training

Future opportunities

- Continued investment in training and personnel development

Associated risks

C I

- Ability to retain staff in competitive local job markets
- Potential loss of UK personnel from the EU due to Brexit

Our Values



Integrity Honesty Longevity

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
- J** Global pandemic

 [Read more on page 22](#)

Strategy in Action

Lightronics Fire: 'From the ashes'

In the Chairman's statement last year, he reported that Lightronics experienced a fire on 23 September 2020 at its facility in the Netherlands.

Thanks to the swift action of the fire service, no one was injured and the fire was prevented from spreading to the warehouse and offices. However, damage to the assembly area and the European Application Centre was significant. The Centre, which had been nominated for the Sign + Award, has had to be completely dismantled and will be rebuilt in due course.

Fortunately, there was a limited impact on stock, which enabled the rapid resumption of production. With the support of the Group, Lightronics secured a temporary facility and assembly began within 24 hours of

the fire, with production lines set up for street and area luminaires as well as tunnel lighting. The sales team contacted customers regarding the status of current orders, the majority of which were still delivered on time.

The site is now cleared and ready for the reconstruction of the new improved facility, which will begin in September with completion planned for spring 2022. The construction of the new Application Centre will follow. Insurance claims are now settled, and production output and efficiency are recovering to near normal levels.

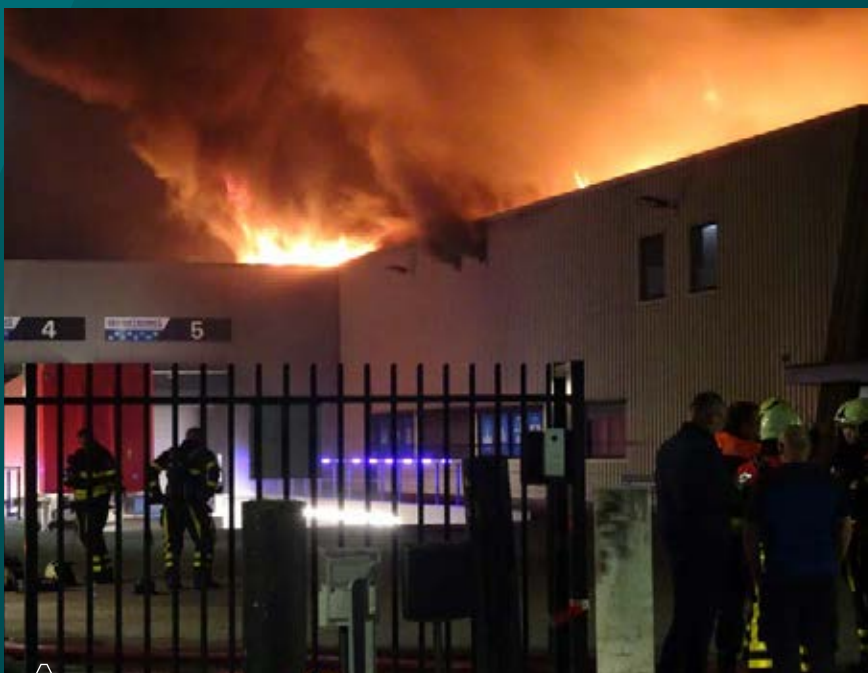
Following the fire, the Board completed an independent enhanced fire risk review of all its operations, and actions are continuing to do everything possible to manage and mitigate risks of this nature.



The fire at Lightronics on 23 September was, of course, a terrible disaster. At that moment we could have done one of two things: either sat down and done nothing or put our shoulders to the wheel and given it 100%. We did the latter. We no longer looked back at what had been, but forward to the future. Thanks to this spirit from the entire team we were back to full production by the beginning of November and all the backlog was cleared by the end of November. We did all this during a coronavirus crisis, and I am incredibly proud of my team."

Jos Spapens

Managing Director – Lightronics



Lightronics factory in Waalwijk, the Netherlands

Case Study

Worcester's Big Parade for St Richard's Hospice, Worcester

As part of this year's charitable contribution, the directors of Thorlux Lighting have chosen to donate to St Richard's Hospice in Worcester, a local hospice that cares for adults with a serious progressive illness, improving their quality of life from diagnosis, during treatment and to their last days.

This year the hospice has organised an elephant sculpture trail, with a minimum of 30 individually designed elephants displayed throughout the streets and public spaces of Worcester city from Monday 12 July to Sunday 5 September 2021. At the end of the period, the sculptures will be auctioned to raise funds for the hospice's care of patients, loved ones and bereaved people across Worcestershire.

Each elephant is sponsored by a company and designed by an artist. The artists, both well known and undiscovered, submitted their designs, and after much deliberation Thorlux chose 'The Elephant Tree' by local artist Marnie Maurri. The theme connects with the Company's environmental initiatives, particularly the FW Thorpe carbon offsetting scheme.



We're very aware of the care St Richard's provides to patients and families locally. It's a charity that strikes a chord with the team here.

When we heard about the elephant parade, we thought it was a great way to support our hospice heroes."

Craig Muncaster

Joint Chief Executive, Group
Financial Director

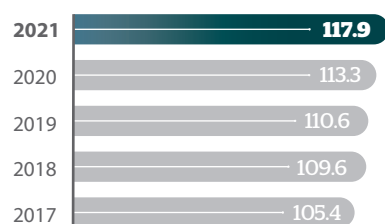


Key Performance Indicators

The following key performance indicators are considered to be the most appropriate for measuring how successful the Group has been in meeting its strategic objectives.

Revenue (£m)

+4.0%

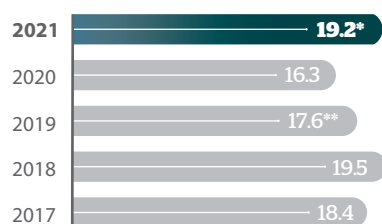


Performance in 2021

- Built on 2020 performance
- Revenue growth across the Group, driven by Thorlux, TRT and Famostar
- Suppressed by overseas sales offices

Operating Profit (£m)

+17.7%



Performance in 2021

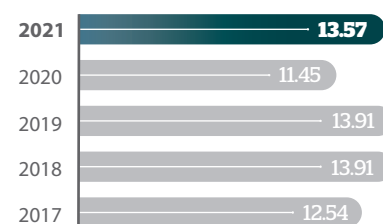
- Impacted by Services and larger scale projects at Thorlux
- Growth in the Netherlands and TRT improvement
- Other companies recovered but not to pre-COVID levels

* 2021 excludes the exceptional item in respect of Lightronics fire £1.6m

** 2019 excludes the profit on disposal of property of £1.9m

Basic Earnings Per Share (Pence)

+18.5%

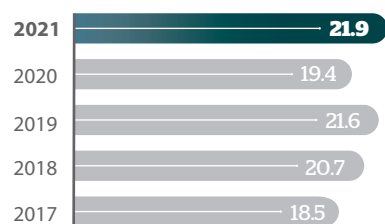


Performance in 2021

- Driven by operating results and exceptional profit from Lightronics fire
- Increased number of shares due to exercise of executive share options

Operating Cash (£m)

+12.9%

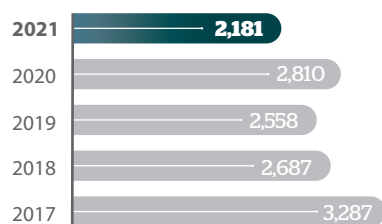


Performance in 2021

- Increased due to operating results
- Reduction in stock as Brexit protection unwound, mainly at Thorlux

Co₂ Offset (tonnes)

-22.4%



Performance in 2021

- Investment in solar energy generating capacity at factories in UK and Netherlands
- Further investment in solar and carbon offset capacity planned in the future

Renewable Energy Usage (kWh)

+145.9%



Performance in 2021

- Solar generation, renewable sources
- Solar panels installed between autumn 2019 and spring 2021

Strategy in Action

IBRB, University of Warwick

The new Interdisciplinary Biomedical Research Building (IBRB) includes state-of-the-art laboratory space where researchers investigate how cells and tissues perform mechanical functions. The IBRB is the university's most environmentally sustainable space on campus so far. It demonstrates real progress towards the university's aim of reaching net zero carbon from direct emissions and the energy it buys by 2030.

As an established supplier, Thorlux Lighting was asked to design an installation that would both complement the architecture of the building while providing a low energy and low maintenance lighting solution.

High performance LED luminaires combined with the SmartScan wireless management system were selected for all areas within the IBRB. The SmartScan luminaires have in-built energy usage monitoring and users have instant access to energy performance data via the SmartScan website. The information displayed

on the website can be accessed from anywhere using a computer, laptop, tablet or smart-phone.

The SmartScan system also has the ability to provide occupancy profiling information. The data collected from the SmartScan Sensor, incorporated into the luminaire, can be used to monitor room occupancy even when the lamp is turned off. SmartScan interactive drawings provide a simple and effective method of viewing system information. The occupancy profile for each sensor is displayed by a range of colours from grey (no occupancy) through to red (occupied continuously throughout the selected hour).

Within the laboratory areas Colour Active luminaires have been installed. The daily ColourActive cycle is configured via the SmartScan website. Preset regimes follow the natural daylight rhythm, or specific settings can be set and tailored as required. This gives the user complete freedom to set a colour temperature regime that suits the building's usage pattern. Colour temperatures are set at hourly intervals on the website, where they are processed and transmitted to the building's ColourActive Gateway.



As one of the university's approved suppliers, Thorlux was set the challenge of creating an energy efficient, smart building lighting solution which complements the building's architecture whilst also being low maintenance. I believe Thorlux has excelled in this and also brought innovation in the form of smart lighting controls and circadian rhythm simulation to meet user requirements."

Paul Holland

Electrical Design Engineer at the University of Warwick.



Strategy in Action

United Lincolnshire Hospitals NHS Trust

Lincolnshire, United Kingdom

United Lincolnshire Hospitals NHS Trust (ULHT) is one of the biggest acute hospital trusts in England, serving a local population of 720,000. The Trust worked with sustainability consultant ETL on an Energy Performance Contract (EPC) to procure and appoint an energy supplier, and installed Thorlux SmartScan standard and emergency luminaires across its main hospital sites – Lincoln County, Grantham Hospital, and Pilgrim Hospital in Boston.

The programme aims to build long term energy resilience and make lasting enhancements to the patient care environment at the three hospitals.

The primary aims of the new lighting scheme are to improve lighting levels and minimise energy usage, through the use of Smart controls, while providing a safe and comfortable environment for the public and staff. The ULHT expects to cut annual carbon emissions by 7,712 tonnes across the three key hospitals.

Claire Hall, Associate Director of Strategic Business Planning at ULHT, says: "Sustainability, energy efficiency, and carbon reduction are at the heart of our management policy. We have already made great strides in reducing our carbon footprint. By upgrading and investing in sustainable technologies, it's our ambition to reduce this by 28% by the end of 2021."

Thorlux Lighting proposed a new installation that would combine the necessary energy savings with an improved quality of lighting

throughout the buildings. This recommendation was based on installing the Thorlux SmartScan monitoring and management system, which incorporates Smart intelligent lighting control. Integral Smart sensors monitor ambient light and presence, and control output to the correct level; they dim and switch when there is sufficient daylight, and illuminate only when the area is occupied. Thorlux SmartScan luminaires have delivered a 91% energy saving compared with the previous lighting installation, resulting in electrical operating savings of £398,570 per annum.

Claire Hall says, "The Trust received a grant from the National Energy Efficiency Fund for £2.6 million, enabling the replacement of around 12,000 light fittings with modern LED fittings with smart technology that means lights turn off after a period of inactivity, saving energy and money for the Trust."

SmartScan automatically controls the emergency lighting test regime, monitoring the status of each luminaire and reporting daily to the SmartScan website. SmartScan emergency luminaires test according to the schedule specified in BS EN 62034:2012 (automatic test systems for battery powered emergency escape lighting) and display current status via a bi-colour LED. The SmartScan website allows users to view current status information as well as full historic data when required. The hospitals recognise that significant savings that can be achieved by removing the task of manually testing thousands of emergency luminaires every month.



The Trust received a grant from the National Energy Efficiency Fund for £2.6 million, enabling the replacement of around 12,000 light fittings with modern LED fittings with smart technology that means lights turn off after a period of y and money for the Trust."

Claire Hall

Associate Director of Strategic Business Planning at ULHT.

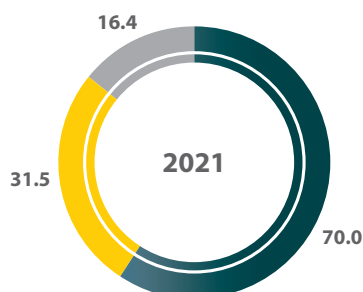




Operating performance

Group Total Revenue (£m)

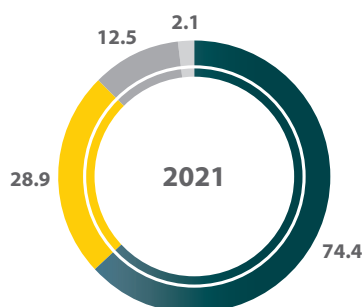
Excluding Intercompany



- Thorlux
- Netherlands companies
- Other companies

Revenue By Region (£m)

Excluding Intercompany



- UK
- Netherlands
- Rest of Europe
- Rest of the World

FW THORPE: 2021 GROUP COMPANY OVERVIEW

FW Thorpe Plc encompasses individual companies that concentrate on particular market sectors and geographical locations. The companies provide the Group with diversity as well as risk mitigation, as they do not compete with one another and are complementary.

The companies within the Group can be affected differently by trends and economic impacts within their respective markets. The continuing development and market adoption of LED and lighting controls technology allows Group companies to share the benefits of their product and technical expertise, differentiating themselves from competitors.

Improved Group performance in 2020/21 was driven by increased revenues at Thorlux and a solid performance by the businesses in the Netherlands.

The COVID-19 pandemic still hampered Group companies' ability to increase production capacity when required, due to social distancing measures and lack of availability of labour. Companies also faced increased costs for cleaning and for lateral flow testing of employees. The Group continued to support its employees with full pay when they were off work due to illness or to COVID-19 isolation requirements; it maintained its independence by not accessing any government support packages.

During the COVID-19 pandemic, it has been important for the Group to protect and support its employees as well as consider the long-term impact of its actions on the Group's customers, reputation and independence.

Beyond the health and safety of employees, the focus of all the

Group's businesses this financial year has been on maintaining operations whilst navigating the various restrictions imposed and balancing customer demand.

TRT built on the results of last year. Most other UK companies in the Group made a decent recovery; however, they still traded below pre-COVID levels.

Results at the Group's overseas sales offices in Australia and the UAE were disappointing, with colleagues severely affected in their ability to visit customers and sell products.

The Group's Dutch companies deserve special mention. Both Lightronics and Famostar grew their operating profit – a remarkable feat given that Lightronics' operations were severely hampered in late September and October 2020 by the fire that destroyed the manufacturing capacity of the business.

Revenue continued to be supported by some major projects and services; the latter made little profit contribution, however, therefore dampening returns at an operating profit level. Continued new product introductions, investment in manufacturing facilities, and sales into new markets have, though, helped the Group deliver respectable results yet again, even against the backdrop of uncertainty.

The Group continues to be underpinned by the development of market-leading lighting equipment and the delivery of excellent customer service.

The following is an overview of 2020/21 for each company.



WMG Degree Apprenticeship Centre, University of Warwick

SUMMARY OF THE COVID-19 SITUATION

- Safety measures remained in place at facilities, lateral flow testing introduced in 2020 to protect the work force and ensure minimal disruption in manufacturing.
- Majority of Group businesses have recovered strongly, slow recovery at Philip Payne, Australia and the UAE.
- No government support accessed again this year, unlike a number of our domestic and international competitors with a presence in the UK. Continued support for our employees where necessary.
- Results hampered by COVID-19. Increased costs for testing, financial support of hourly paid, lost productivity and management time.

Operating performance continued

THORLUX LIGHTING

The company delivered another strong performance, with improved operating profit. Order levels reached an all-time high, supported by major projects from a number of sectors, resulting in a strong order backlog to start the new financial year. Operational efficiency also improved.

Revenue continues to be supported by growth in services; however, £2.2m of revenue from services earned lower margins than lighting sales and had a dilutive impact on operating results. Providing surveying, project management and installation services does, however, augment the ability of Thorlux to secure significant-value product orders which in turn provide characteristic margin levels.

Following the introduction of a new managing director, reported last year, initiatives are underway to build on this year's improvement in performance, merging some new ideas with years of embedded lighting industry know-how.

The ability of Thorlux to cover the broadest portfolio of sectors with its vast range of products, as well as its stable 85-year history, have supported growth this year. Brexit threatened to undermine the company's ability to sell into Europe; however, with the support of Thorlux's customers and the Group's businesses based in the European Union, the company has overcome most obstacles. Unfortunately, some significant customers inevitably became frustrated by Brexit-related disruption.

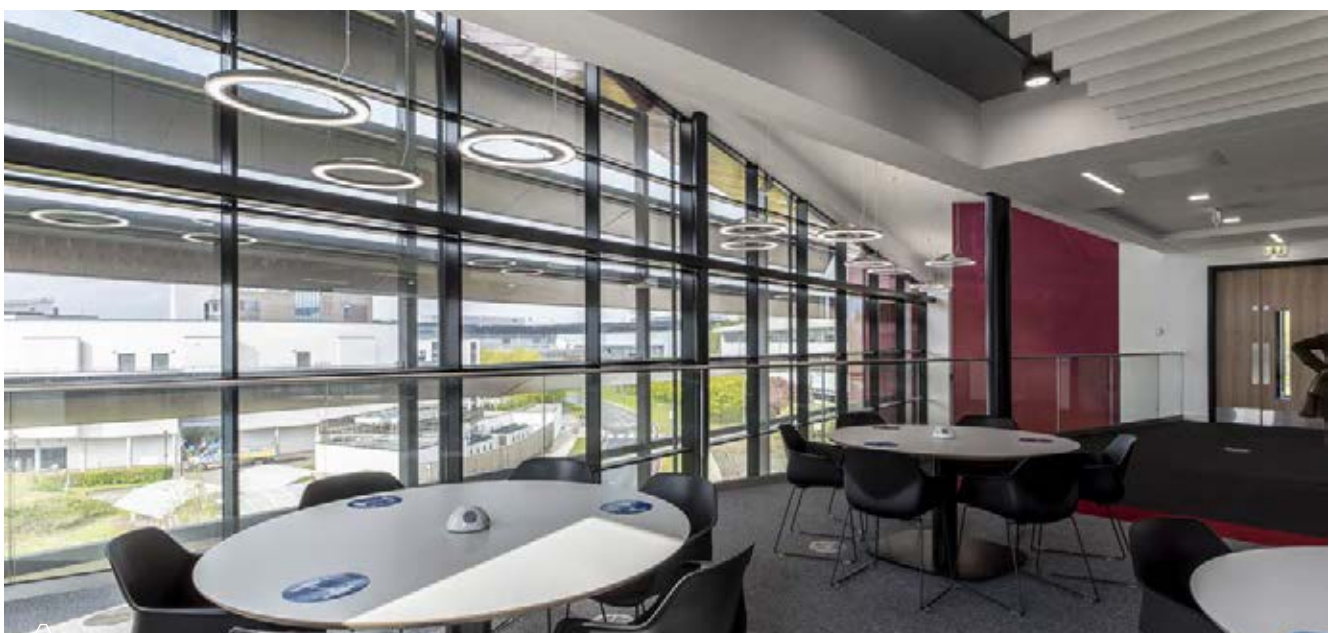
Overseas sales offices had less success this year – except in Germany, where more positive results were achieved predominantly from one new large SmartScan customer. Despite achieving lower revenues, the Ireland team supported order successes in Spain, South Africa, and in the UAE, where it supported an internationally recognised company's expansion plans.

£73.3m

Revenue +7%
(2020: +4%)



The FW Thorpe board is pleased that Thorlux achieved another record year for orders despite the economic uncertainty faced throughout the financial year.”



WMG Degree Apprenticeship Centre, University of Warwick



Amenity lighting, Stratford upon Avon

The bedrock of any FW Thorpe company is innovation, a key principle that Thorlux was founded upon. Product development continues, with several new products and enhancements of existing ranges launched this year.

SmartScan continues to deliver, with revenues growing significantly again this year. In-house development work continues on new and enhanced features, helping to secure orders in sector-specific areas as well as supporting growth in Germany. Further information on how SmartScan is evolving can be seen on page 54.

Whilst it may seem to have been a quiet year on the investment front, several smaller projects have been implemented, including compressed air unit replacements and improvements to fire prevention companywide.

Thorlux has continued its investment in green technologies – for example, in electric vehicles to replace traditional or hybrid technologies and improve the company's carbon footprint – and this will continue into the next financial year.

The FW Thorpe board is pleased that Thorlux achieved another record year for orders despite the economic uncertainty faced throughout the financial year. Economic commentators seem to be signalling some positive momentum in the UK; however, there is some adversity for the company to navigate in terms of raw material price increases and component shortages.

Thorlux starts 2021/22 with a significant order book and the opportunity to secure further large scale orders. Continuing to target specific sectors and territories will be crucial to ongoing success.

Operating performance continued

PHILIP PAYNE

The recovery at Philip Payne this year was slower than anticipated. In part, this could be due to the sector mix that the business operates within and the lack of major projects.

Architecturally pleasing products and an impressive portfolio of projects continue to underpin the company. Whilst there have been no projects of significant value, projects are no less notable and include the Jumeirah Carlton Tower Hotel in Knightsbridge, Westminster Chapel, Symphony Hall Birmingham, the Royal Courts of Justice, and Lord's Cricket Ground. Overseas projects include Haramain high-speed railway in Jeddah, Saudi Arabia, and an opera house in Egypt.

Philip Payne's iteration of the Thorlux SmartScan platform, Specto-XT, continues to have a positive impact on revenues despite relatively flat overall performance. Projects were secured in a variety of sectors, including in a castle.

Philip Payne struggled to gain traction in its collaboration with Famostar this year, despite investment in the sales resource;

COVID-related restrictions in place for much of the year made it difficult to engage with potential new customers. Some success has been achieved, with small orders secured in a few different sectors. Renewed selling vigour following reduced restrictions should see a positive impact in 2022 and increase the Group's market share of smaller end user clients.

Export revenues improved this year, with a good example of Group co-operation: Philip Payne supported a project in Spain that was specified by Thorlux in Ireland and delivered by Luxintec.

The only significant investment at Philip Payne in 2021 was in sales and marketing activities associated with selling the Famostar range; these investments are expected to achieve more orders next year.

During the coming year, the company will also focus on further marketing investment to support the recovery and growth in revenue. Whilst the target for 2021 was to recover to previous revenue levels, this target now has to be shifted to 2022.

£2.8m

Revenue +3%
(2020: -20%)



Whilst the target for 2021 was to recover to previous revenue levels, this target now has to be shifted to 2022.”



Morgan Cars

SOLITE

The Solite business made a strong recovery, driven by clean-room lighting projects in the pharmaceutical and healthcare sectors. Cross-selling has also helped drive revenues this year, with continued collaboration between the sales office in Ireland and the Thorlux UK team helping to secure multiple projects.

Solite's strength is its ability to offer variations of its standard range of products to suit specific customer requirements. A particular collaboration with Thorlux produced some good revenue and helped ensure the continued support of two key customers for the Group in the retail sector.

Solite was affected significantly by day-to-day operational difficulties related to the COVID-19 pandemic, probably due to its geographical location near Greater Manchester which seemed to suffer more than many parts of the UK.

Nevertheless, strict control measures and, on occasion, twice-weekly testing of all employees kept the business operational.

Raw material shortages have resulted in material price inflation, but some well-managed forward ordering has helped minimise the impact.

Solite increased its performance quite markedly compared with the prior year. Investments in sales and marketing have delivered a return to almost pre-COVID revenue levels; the next target is to move beyond this with a focused approach.

There are plans to strengthen Solite's management team in 2021/22 and target further growth within the company's traditional markets sectors whilst also more vigorously pursuing new market sectors. Solite will continue to focus on improving its product portfolio to keep ahead of the competition.

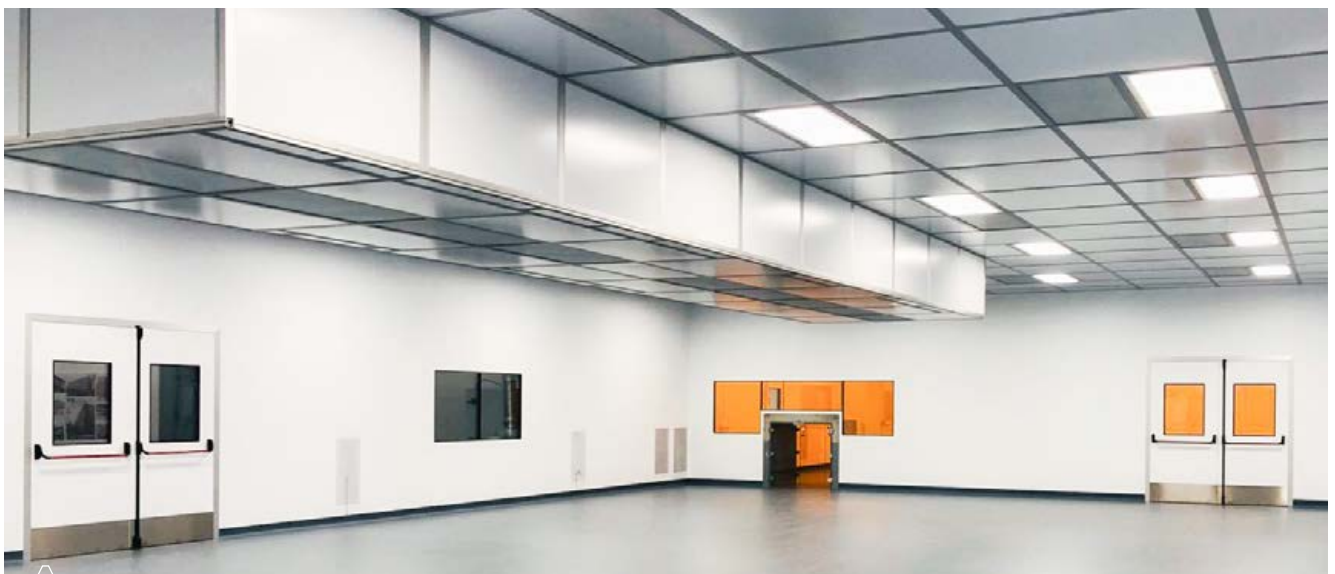
Yet again, Solite starts the new financial year with a solid order book.

£3.2m

Revenue +19%
(2020: -21%)



Investments in sales and marketing have delivered a return to almost pre-COVID revenue levels; the next target is to move beyond this with a focused approach.”



Solar Panel Manufacturer, Wroclaw, Poland

Operating performance continued

PORTLAND LIGHTING

Given the company's reliance on orders for supply into the retail and hospitality sectors, the results achieved by Portland in the economic climate of the last 12 months are all the more impressive.

During the final quarter of the 2019/20 financial year, for a number of weeks, Portland had almost zero order intake. During 2020/21 also, the business has been subjected to lower levels of activity around periods of lockdown; however, Portland finished the financial year strongly.

The company has been supported by a collaboration project with Thorlux, delivering a bespoke solution to a specific retail customer by re-engineering an existing product. Portland's new product design team, created in 2020 to support the increased requirement of the company for targeted innovation and development, delivered the customised product.

Portland continues to develop export opportunities for its core products, although success has been limited.

A more varied product portfolio has been an ambition of the Group for some time, in response to the decline in Portland's traditional markets. There has been significant progress, with two new product ranges ready for launch into two new market sectors – one for sales into the domestic market sector, the other related to lighting road crossings. Portland has made strategic recruitments to target these sectors, and some benefit is expected to materialise in 2022.

Whilst there has been some recovery in Portland's core market, the company needs to continue to focus on delivering revenue growth from specific products aimed at new sectors.

£2.8m

Revenue +16%
(2020: -17%)



A more varied product portfolio has been an ambition of the Group for some time, in response to the decline in Portland's traditional markets. There has been significant progress, with two new product ranges ready for launch."



 New Leisurelux range

TRT LIGHTING

TRT improved both revenue and operating profit again this financial year. Despite having to close its facility for two weeks in January 2021 due to COVID-19, TRT responded well to the setback, posting impressive revenue figures during the remaining months of the financial year to surpass the highs of 2019/20 and break the £10m revenue marker for the first time since its inception.

Revenue has been boosted by a large scale tunnel refurbishment project on the M25 motorway and the company's continued support of large scale rail projects in conjunction with Thorlux. TRT expects further tunnel projects to be given the go-ahead in 2021/22 and demand in street lighting to be maintained.

Operational improvement projects at TRT seem to have stalled this year; however, the team has had a number of COVID-related challenges to deal with. TRT will continue efforts to improve the company's return on sales in the coming years.

TRT is no different to the rest of the Group in its need for continuous product development and innovation. The Optio range has continued to gain traction, giving customers a one-size-fits-all approach to street lighting solutions. Also, several patent applications have been granted. Sustainability is becoming a key criterion for certain customers; here TRT has offered a retrofit solution for tunnel enclosures, leaving the main carcass intact whilst rejuvenating the light-generating portion for many years to come. TRT's street lighting range is made from recycled aluminium and offers the ability for maintenance engineers to replace components, increasing the longevity of a product that already had a significant design life.

TRT starts the new financial year with a reduced order book but with a significant project for Thorlux in the rail sector. The company will target further growth this year, with operational improvements back on the agenda if there are no COVID-related distractions.

£10.5m

Revenue +8%
(2020: +14%)



TRT's street lighting range is made from recycled aluminium and offers the ability for maintenance engineers to replace components, increasing the longevity of a product that already had a significant design life."



Cuilfail Tunnel, Lewes

Operating performance continued

LIGHTRONICS



Lumièrepark in Almere, the Netherlands

£22.5m

Revenue -1%

(2020: -3%)

(Constant currency -2% (2020: -3%))



Fantastic set of results, considering the business was ravaged by fire, losing its full manufacturing capabilities during late September and into October 2020.”

These words are not used lightly in the Group – but what a fantastic set of results, considering the business was ravaged by fire, losing its full manufacturing capabilities during late September and into October 2020. Although revenues were lower, operating results improved. This is testament to the efforts of the team at Lightronics but also the willingness of the customer base to stick with the company during that difficult period.

There were no projects of significant note this financial year, just a good day-to-day order intake. Business was derived from both the street lighting and impact-proof segments. Sales into both Germany and France were at similar levels.

Success distributing Thorlux's industrial products was again limited, at £0.5m (2020: £0.5m). The Group remains confident that the market in the Netherlands is receptive to

energy-saving high technology solutions, but the route to market through Lightronics continues to stutter. To this end the Group has changed its approach: Lightronics will continue to market Group products to its existing customer base, but Famostar will take the lead from 2021/22 onwards, given its success in introducing SmartScan to the market this year and its closer relationship with end users, the more traditional customers of Thorlux Lighting in the UK.

Development of products for its core markets is fundamental for Lightronics' continued success. Working with other Group companies on collaborative product development projects is also key – particularly with Thorlux, and with TRT, given they share similar customer bases and product portfolios. In August 2020, Thorlux launched the unique Radar wireless presence detection system in the UK; Lightronics has now adopted the system for its own market. Various components from the Lightronics

portfolio have also benefited the TRT amenity range, saving the need for separate UK design and tooling investment.

Unfortunately, the European Application Centre (known locally as the Experience Centre) was destroyed by the 2020 fire. This was devastating for the team involved in this project, given their effort in creating it. The European Application Centre will be re-established as part of the factory rebuild that should be completed during the 2021/22 financial year, increasing assembly manufacturing space by 75% and setting the business up for the long term.

Improving on these results will be a challenge; however, given the performance of the Lightronics team during the last financial year, the challenge is one they can certainly respond to. The first target is to build on the improved profitability of 2020/21 with increased revenue; this will be tough given the raw material price increases and electronics component shortages that the Group is experiencing at this time.

FAMOSTAR



Watertoren Amersfoort, the Netherlands

£9.3m

Revenue +5%

(2020: +12%)

(Constant currency +4%)

(2020: +12%)



There has also been some notable progress selling SmartScan technology developed by Thorlux into the Netherlands.”

Famostar has posted another set of impressive results; growth has continued since the company joined the Group in 2017. Growth has been achieved through targeted customer activity to increase market share as well as supplementing revenues by delivering projects incorporating the Thorlux SmartScan platform.

Traditionally, Famostar business has been derived from the Netherlands. Famostar is developing a distribution channel in the UK utilising Philip Payne's local presence in the emergency lighting market. Additional UK selling resource has been recruited and the first initial orders have been received despite the difficulties of finding and visiting new clients during this last year.

There has also been some notable progress selling SmartScan technology developed by Thorlux into the Netherlands. Famostar has integrated SmartScan technology (electronic designs and software) into its existing product portfolio and has delivered projects into a variety of sectors, with a number in the pipeline for 2021/22. Furthermore, the SmartScan website and system are now supported in six languages.

Whilst Famostar continues to evolve and enhance its existing product portfolio, a new product has also been added. D-sign is a sleek emergency exit sign with a modern aesthetic that is easy to install. The product won a Red Dot award for product design in 2021.

Following the purchase of the Famostar building and neighbouring land in 2019, plans to expand the current facility are being finalised.

The larger facility will facilitate future company growth and remove the reliance on external storage, reducing the associated costs in transporting and double handling. This investment is expected to be completed during the 2022/23 financial year.

Last year's annual report noted the pessimistic economic outlook in the Netherlands and the impact this could have on both of the Group's Dutch companies; however, both companies' results have exceeded expectations this year. Famostar will continue to focus on its strategic objectives of growing the business outside the Netherlands and selling SmartScan technology into the domestic market.

Strategy in Action

Product innovation: Flexbeam

In 2021, Thorlux launched Flexbeam, a stylish suspended luminaire with acoustic attenuation designed to reduce sound reverberation and echo. By combining high performance low glare lighting with a luminaire body that absorbs sound, two important functions within a space can be combined into a single product – reducing cost and de-cluttering the ceiling.

Flexbeam joins the Flex System family and shares the same high performance optics as used on the Flexline and Flexview luminaires launched in 2019.

With the trend continuing for commercial spaces to have open and exposed ceilings, providing the right acoustic performance can often be a challenge. Sound absorbing panels can be used – either suspended from the ceiling or fixed to the walls – in order for the space to meet recommended sound reverberation limits. The materials used are constructed in such a way that they absorb the sound and increase the rate of reverberation decay. The faster the sound decays, the lower the reverberation time – thus improving voice and audio clarity.

SOUND PERFORMANCE

The Flexbeam body is manufactured from a special sound absorbing material. Thorlux worked with a leading acoustics provider and carried out independent acoustic testing at the sound research laboratories at the University of Salford in Manchester. These tests provided a full technical report on

the sound performance of Flexbeam, which can assist the building acoustic engineers during building design. Flexbeam can also be supplied without the lighting element for applications where more sound absorption is needed in addition to the luminaires, affording a coherent overall solution.

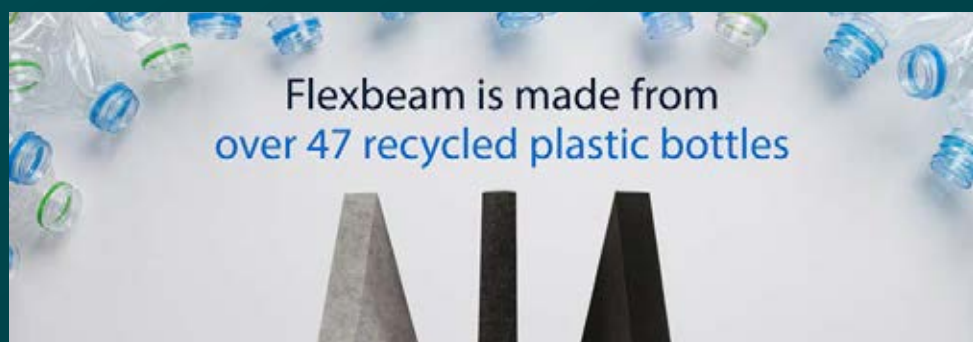
COMFORTABLE, GLARE FREE LIGHTING

The optics within Flexbeam are common to both Flexline and Flexview and were developed within the FW Thorpe group in association with Luxintec. The high degree of glare control is ideal for commercial spaces where glare can cause discomfort. The patented optical system combined with a glare controlling reflector system provide high efficiency whilst still achieving superb glare control.

SUSTAINABILITY

With sustainability and circular economy principles becoming increasingly important considerations for all manufactures, Flexbeam has not only been designed for performance but also to be environmentally friendly. The sound absorbing body is manufactured from 65% recycled PET (polyethylene terephthalate), with over 47 recycled plastic bottles used in every Flexbeam. The material is also 100% recyclable at the end of life. This is combined with a 100,000 hour life and the ability to service the luminaire throughout its life.

By combining a long and reliable lifetime, serviceability, and recyclability at the end of life, Flexbeam is an ideal choice for sustainable lighting and acoustic solutions.



Strategy in Action

COVID-19 update

With COVID-19 lockdown restrictions continuing into 2021, a wide range of enhanced protocols have remained in place at all FW Thorpe factory and office locations to ensure compliance with, and to exceed, government guidelines. Measures include infra-red temperature screening technology at the entrances to each site, designated sanitation stations, and changes to workspaces and shift patterns. FW Thorpe continues to support those staff working from home with the latest IT facilities and to digitise processes, reducing the need to transfer paper and to minimise contact on site. The company also reopened a mothballed 13,000 square feet factory to enable both TRT and Thorlux to spread out and achieve compliance with the 2m social distancing guideline. It is expected that this additional resource will stay open until the end of the autumn period.

Shortly after Christmas, the TRT facility in Redditch experienced significant disruption due to a number of COVID-positive cases and was closed for two weeks as a result. In the face of national infection rates rising, the management team decided to research lateral flow test kits. We purchased a considerable number of tests in order to test all office based and factory employees on, typically, a weekly basis. We decided to control and manage testing ourselves to give complete flexibility about how, where and when to conduct tests.

By April approximately 4,000 tests had been carried out, allowing us to maintain a safe operating environment as well as manage any infections detected. On numerous

occasions we were able to detect positive cases and proactively isolate asymptomatic cases. This, together with compliance with working within pre-set zones (bubbles), wearing PPE, social distancing and washing hands, allowed us to keep the businesses fully functioning. That the Group businesses kept working is a credit to our employees for supporting and adhering to the measures. With the infection rate steadily falling at the end of April, the decision was made to reduce testing rates in some parts of the Group.

The lockdown and ongoing restrictions have had an impact on all of us within the Group. As a company, we prioritise the health, safety and welfare of all our employees. In March we introduced an Employee Assistance Programme (EAP) and priority GP online helplines. The EAP provides confidential access to licensed professional counsellors and work/life specialists who are available for short-term assistance. The service offers the support and resources needed to address any personal challenges and/or concerns that may affect personal well-being and/or work performance. The EAP is a company funded benefit.

It is confidential and free to all employees as well as their eligible family members.

With the recent easing of lockdown in the UK, we will continue to review our procedures and protocols and will adapt them accordingly over the coming weeks and months in line with government advice.



△ Lateral flow testing at Thorlux



△ Temperature screening at Thorlux

Financial Performance



The increase in Group profitability can be attributed in the main to the Thorlux and Netherlands businesses. The results have still been hampered with increased costs of lost working time and increased safety measures due to COVID-19.”

Craig Muncaster

Joint Chief Executive, Group Financial Director and Company Secretary



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 2021.

RESULTS AND DIVIDENDS

Revenue increased by 4.0% to £117.9m with operating profit (before exceptional item) increased by 17.7% to £19.2m, reversing the decline of last year and moving Group profitability forward.

The increase in Group profitability can be attributed in the main to the Thorlux and Netherlands businesses. The remaining UK companies all posted positive contributions but the overall results for the other companies were dampened by the results from our overseas sales offices in the UAE and Australia.

The last quarter of 2020 was severely impacted by COVID-19 dampening last year's results, whilst this was not the case in 2021 the results have still been hampered with increased costs of lost working time, increased safety measures including lateral flow testing of employees and increased cleaning regimes.

The operating results were further suppressed by the provision of an additional £1.5m (2020: £2.0m) to finalise the pay-outs on the Lightronics and Famostar earn-outs due to the continuing success of both businesses. These payments have been made during September 2021.

Net finance expense increased this year to £0.7m (2020: £0.4m). The net income has reduced from previous years due to the accounting treatment of the Lightronics and Famostar acquisitions and continued low interest rates on our cash deposits.

The taxation charge represents an effective rate of 21.5% (2020: 16.5%). The rate is higher than the previous year driven by increased profits from the

Netherlands with a higher headline rate and the substantively enacted higher future UK tax rate. The effective tax rate for UK companies is lower than the current corporation tax rate due to patent box relief driven by the Group's product innovations.

From a cash perspective, insurance proceeds of £3.4m were received during the year, £2.5m of this is earmarked for the rebuilding of the Lightronics manufacturing facility. An exceptional profit of £1.6m has been reflected following settlement of the claim.

In April 2021, the Company paid an interim dividend of 1.49p per share (2020: 1.46p) amounting to £1,736,000 (2020: £1,698,000). A final dividend of 4.31p (2020: 4.20p) per ordinary share and a special dividend of 2.20p (2020: nil) per ordinary share are proposed amounting to £5,028,000 (2020: £4,886,000) and £2,567,000 (2020: nil) respectively. If approved the dividends will be paid on 25 November 2021. Total dividends paid during the year amounted to £6,631,000 in aggregate (2020: £6,468,000). The final dividend for 2020 was paid on 26 November 2020.

The events of the last year or so highlighted the Group's financial strength and robust balance sheet. We actively decided to support our employees and not to access Government schemes whilst maintaining an increased dividend, this continued in 2020/21.

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 that 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 2021 or 30 June 2020.

PENSION SCHEME POSITION AND FUNDING

The latest triennial actuarial valuation was completed as at 30 June 2018. 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 sectors and territories we operate. 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 £1,516,000 (2020: £1,322,000) 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 considers that undertaking formal valuation exercises would be costly for limited value and consequently no formal exercise has been undertaken.

Investment this year was significantly reduced compared to previous years. The main capital expenditure focused on the underpinning of our sustainability credentials with a £0.2m investment in solar panels for certain UK manufacturing facilities.

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 43 (2020: 44). The Group continues to report on payment practices and performance as per UK legislation.

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 as well as the previous year. 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.



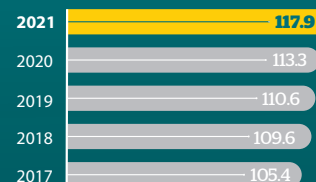
Craig Muncaster

Joint Chief Executive, Group Financial Director and Company Secretary

5 October 2021

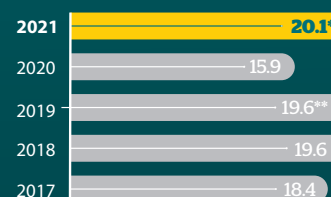
Group Total Revenue (£m) Excluding Intercompany

+4.0%



Group PBT (£m) Profit before tax

+26.3%



* 2021 includes exceptional item in respect of Lightronics fire £1.6m

** 2019 includes profit on the disposal of property of £1.9m

£137.0m

Net Assets

(2020: £128.3m)






Principal Risks and Uncertainties

RISK MANAGEMENT PROCESS







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 is currently taking in order to manage them.



Area of risk	Type of risk	Description of risk	Mitigation of risk	Possible impact on performance	Strategic priorities impacted upon	Change in period
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 Impact of COVID-19 on domestic and global economies	<ul style="list-style-type: none"> Broad range of customers in differing sectors High quality, technically advanced products to differentiate the Group from competitors Actively seek to identify new opportunities to ensure we maximise our potential of winning new business 	High	1 2 4	
B Changes in government legislation or policy	 Strategic	Reduction in public sector expenditure and changing policy increases risk to our order book Increased complexity of access to EU markets	<ul style="list-style-type: none"> Continue to seek to diversify our customer portfolio to ensure we have an appropriate spread, mitigating the risk of any industry or specific sector spending issues Develop sales in new markets 	Medium	2 4	

Area of risk	Type of risk	Description of risk	Mitigation of risk	Possible impact on performance	Strategic priorities impacted upon	Change in period
C Competitive environment	 Strategic	Existing competitors, powerful new entrants and continued evolution of technologies in the lighting industry eroding our revenue and profitability	<ul style="list-style-type: none"> Offering innovative products and service solutions that are technologically advanced products to enable us to differentiate ourselves from our competitors Investing in research and development activities to produce new and evolving product ranges Investing in new production equipment to ensure we can keep costs low and maintain barriers to new market entrants 	Medium	1 2 3 4	
D Price changes	 Operational	Erosion of revenue and profitability	<ul style="list-style-type: none"> Management reviews prices, at least annually, to take into account fluctuations in costs, in order to minimise the risk of reduction in gross margin, or the loss of market share from a lack of competitiveness 	Medium	1 2	
E Business continuity	 Operational	The majority of the Group's revenues are from products manufactured in the Redditch facility	<ul style="list-style-type: none"> High level of importance attached to environmental management systems, health and safety and preventative maintenance Insurance cover is maintained to provide financial protection where appropriate Increased production flexibility with the ability to build products in more than one manufacturing facility 	High	2 3	
F Credit risk	 Financial	The Group offers credit terms which carry risk of slow payment and default	<ul style="list-style-type: none"> Credit policy includes an assessment of the bad debt risk and management of higher risk customers The Group maintains a credit insurance policy for a significant proportion of its debtors 	Low	2	
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	<ul style="list-style-type: none"> The Group has increased its sourcing of materials to maintain a natural hedge to offset its currency risk from EUR receivables, 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	




Principal Risks and Uncertainties continued

Area of risk	Type of risk	Description of risk	Mitigation of risk	Possible impact on performance	Strategic priorities impacted upon	Change in period
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	<ul style="list-style-type: none"> Continual review and monitoring of potential risks Computers encrypted where necessary to protect data Cyber security awareness training for employees ongoing 	Medium	1 3 4	
I Exit from the European Union	 Strategic	Increased complexity of access to EU markets, customers in certain EU territories actively moving business from UK companies	<ul style="list-style-type: none"> 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 Creation of legal entity in Republic of Ireland to route all EU business in the future to ease the process of customers trading with us 	Medium	2 4	
J Global pandemic – COVID-19	 Operational	Potential disruption to operations from further outbreak of COVID-19	<ul style="list-style-type: none"> Risk assessments, preventative measures including lateral flow testing when required, temperature screening, distancing and hygiene measures in place Additional component stock held at some companies to mitigate any supply chain disruption Potential to utilise manufacturing facilities at other Group companies 	High	2 3	

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

RISKS KEY

-  Increase in risk
-  No change in risk
-  Decrease in risk



Prince Henry's High School, Evesham

s172 statement

STAKEHOLDER ENGAGEMENT

The Group has the responsibility for managing the challenges that affect the business on a daily basis; this also includes our impact on our key stakeholders. Our ability to engage and work constructively with these stakeholders underpins the long-term success and sustainability of the Group.

The directors are aware of their duty under Section 172(1) of the Companies Act 2006 to act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- The likely consequence of any decision in the long term
- The interest of the Company's employees
- The need to foster the Company's business relationships with suppliers, customers and others
- The impact of the Company's operations on the community and the environment
- The desirability of the Company maintaining a reputation for high standards of business conduct
- The need to act fairly between members of the Company.

The Board considers its key stakeholders to be its employees, customers, shareholders, suppliers and the communities and environment we operate within.

Key stakeholders and how we engage with them:

Stakeholder group	Why we engage	How we engage
Employees	The right people, capabilities and engagement across the Group is the platform to drive our long-term success	<ul style="list-style-type: none"> • Employee committees • Health & safety committees • Employee appraisals, training and development • Communication via web portal, notices and company newsletter • Group board meetings held periodically at different company sites
Customers	Understanding the needs of our customer is fundamental. We aim to deliver the correct technical solution, professional service, sustainability of products/services and support the customer during a product's warrantable life and beyond	<ul style="list-style-type: none"> • Meetings/maintaining close relationships via regional sales or business development teams • Providing Continuing Professional Development seminars and education opportunities • Company websites • Customer specific events, including trade shows • Order execution – from lighting design, through to delivery, installation and commissioning

Stakeholder group	Why we engage	How we engage
Shareholders	Trust from our shareholders is key to delivering our strategy and long-term success. We endeavour to provide fair, balanced and meaningful information to shareholders and potential investors to ensure they understand our performance and strategy	<ul style="list-style-type: none"> • Trading updates at appropriate times • Regulatory News Service • Investor meetings and presentations, including company visits • Dedicated Group website • Annual and Interim reports • Annual General Meetings
Suppliers	We need to maintain reliable relationships with suppliers for mutual benefit and ensure they are meeting our standards, from value for money, quality, through to business ethics	<ul style="list-style-type: none"> • Meetings and negotiations with key suppliers • Site visits • Quality management reviews and audits • Attending supplier forums and trade shows
Communities & Environment	The Group is committed to be a responsible member of the community and considers the environmental impacts of the customer's use of our products as well as our own operations	<ul style="list-style-type: none"> • Support local and national charities • Engagement with local MPs and Chambers of Commerce • Members of appropriate trade and industry bodies • Carbon offset scheme in place since 2009, accredited under the Woodland Carbon Code • Recent investment in solar panels in the UK and Netherlands facilities • Products and systems support energy saving and carbon reduction – London Stock Exchange Green Economy mark in 2020

Sustainability

The journey so far and the UN Sustainable Development Goals

INTRODUCTION TO SUSTAINABILITY AT FW THORPE

The Group is committed to addressing today's sustainability challenges and opportunities, adjusting its business strategy accordingly. Understanding the needs of customers, key stakeholders and the expectations they have is central to ensuring that the Group prioritises the most critical issues and operates a responsible and sustainable business.

Sustainability has been at the core of FW Thorpe for many years. Products are designed for longevity using recyclable materials, and the Group's direct carbon impact has been measured for over a decade, with emissions offset using its own independently certified tree planting scheme since 2009. Thorlux Smart technology has been saving energy for customers as well as reducing their carbon impact since 2003.

FW Thorpe now holds the Green Economy Mark, which identifies companies and funds listed on the London Stock Exchange that generate between 50 and 100% of total annual revenues from products and services that contribute to the global green economy.



The journey so far: the Group's progress so far and plans for the future

Over the last two decades, FW Thorpe has sought to address its carbon impact, by working towards carbon neutrality for its manufacturing and distribution operations. This has led to a major employee engagement programme on energy efficiency of its operations, as well as significant recent investments in renewable energy generation with the addition of roof-top solar

photovoltaic (PV) panels to the Group's manufacturing facilities. This investment in solar PV panels will enable the Group to generate 40 to 50% of its own electricity usage when the project is completed.

Since 2009, FW Thorpe has been planting trees on its own land in Wales to offset Group emissions each year. To date 149,849 trees have been planted, offsetting 32,000 tonnes of CO₂. A further 30,000 trees will be planted by the end of 2023. The Board is now working to certify Group



SUSTAINABLE DEVELOPMENT GOALS

operations as carbon neutral with an established third party, to recognise the immense activity and investment in decarbonisation.

The Group plans to further reduce waste and apply the principles of a circular economy across all businesses and supply chains. Designing more products that can last even longer and can be refurbished, repurposed and recycled, helps to reduce pressure on the world's resources. The target is to develop a net-zero plan in 2022, setting science-based targets to reduce carbon emissions not only in the Group's own operations but also in both its upstream and downstream activities in step with society's progress in achieving the goal of the UN Paris Agreement on climate change.

The Group's sustainability framework – aligning with the UN Sustainable Development Goals

The 17 Sustainable Development Goals (SDGs) were launched in 2015 by the UN, aiming to end poverty and create a life of dignity and opportunity for all, within the boundaries of the planet. The SDGs define global sustainable development priorities and aspirations for 2030 and seek to mobilise global efforts among governments, business and civil society around a common set of targets.

FW Thorpe activities align most closely with five UN SDGs, covering the themes of good health and well-being, affordable clean energy, decent work and economic growth, responsible consumption and production, and climate action.

3 GOOD HEALTH AND WELL-BEING



Ensure healthy lives and promote well-being for all at all ages

- The Group is committed to developing a safe and healthy working environment, consistent with the Health and Safety at Work Act. With one of the key competitive advantages of the Group being its people and that it operates multiple manufacturing sites, a safe and healthy working environment is key to the operation of the business. Thorlux was awarded ISO 45001:2018 (occupational health and safety management systems) certification in 2019, with Portland, TRT and Lightronics achieving it in 2021, and all UK Group companies targeted to achieve this standard in the near future.
- The Group is committed to designing products that improve the working environment. For example, the Flex System offers comfortable low glare lighting with a choice of three optics to match the light distribution and luminaire brightness to the needs and users of the space.
- Thorlux has developed a product – SmartScan – that monitors the temperature, humidity and CO₂ levels of individual rooms, and presents the data to users. SmartScan technology, through the provision of advanced air quality information, allows the Group to have a positive impact on people's health and safety.
- The mental health and well-being of employees is high on the agenda for the board. The Group offers a fully funded Employee Assistance Programme (EAP) and 24/7 GP video helpline that make available the support and resources needed to address any personal challenges and/or concerns that may affect well-being and/or work performance. The EAP is confidential and free to all employees as well as their eligible family members.

➤ See page 52 for more information on our safe and healthy working environment

7 AFFORDABLE AND CLEAN ENERGY



Ensure access to affordable, reliable, sustainable and modern energy for all

- For many years, the Group has focused on, and leads the way in, developing products with greater energy efficiency, which has a direct impact on reducing electricity usage and prolonging the lifetime of luminaires.
- SmartScan technology can monitor and report on energy usage and provide energy saving tools. For example, lights can be dimmed automatically in response to the ingress of daylight and/or absence of people in an area.
- The Group has now installed solar PV units on the roofs of most of its UK manufacturing facilities, as well as at Lightronics in the Netherlands. Further investment will be made in both the UK and Netherlands facilities to reduce consumption from traditional electricity sources. Any remaining consumption will be delivered from renewable sources from 2022 onwards. Over their operational lifetimes, the installations are expected to deliver a total CO₂ reduction of 6,113 tonnes and financial savings of over £2,600,000.
- The Group is actively switching company vehicles to electric or hybrid technology.

➤ See page 51 to read more about our energy saving products

Sustainability

The journey so far and the UN Sustainable Development Goals continued

8 DECENT WORK AND ECONOMIC GROWTH



Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

- As one of four strategic priorities, the Group is dedicated to continuing to develop high quality people, focusing on training and development, apprenticeship schemes and management training. Not only do these initiatives build careers and have a positive impact on employment, but this strategic pillar helps to develop the Group's key competitive advantage and increase commercial viability.
- The policies in place for non-discrimination within the workplace and hiring allow the Group to focus on inclusion as well as developing its people.
- The Group's Modern Slavery Act disclosure is published on the corporate website (www.fwthorpe.co.uk) in the company documents section.
- Thorlux has recently introduced formal flexibility policies to improve employees' work/life balance.
- Throughout the COVID-19 pandemic, the Group paid employees in full.
- The Group pays employees above minimum wage rates as well as an additional annual profit share bonus for all those who meet eligibility criteria.

➤ See page 52 to read more about employee training and development and our policies

12 RESPONSIBLE CONSUMPTION AND PRODUCTION



Ensure sustainable consumption and production patterns

- The Group's in-house team are constantly working on product designs to reduce the volume of materials used and are committed to increasing the use of renewable and recycled materials in new products. Recently, Thorlux introduced Flexbeam, which utilises recycled plastic bottles for major parts of its construction. Also, both the Visio and Flexbar products have been designed to reduce material content.
- The Group has a policy of socially responsible purchasing of raw materials from ethical sources. All materials used in manufacture comply with the directive on Restriction of Hazardous Substances in Electrical and Electronic Equipment (RoHS). The recycled content of all raw materials is being established and increased wherever possible.
- The Group's products have always been engineered to last. All luminaires are tested to ensure they can withstand the harshest climatic and environmental conditions – water, dust, impacts, vibrations, heat, wind – with the longest possible lifetimes.
- An increasing number of Group company luminaires have gear trays that can be simply upgraded or replaced whilst maintaining the existing body and diffuser. TRT recently upgraded a previous tunnel project in the UK by replacing the light engines, giving the installation a further 10 years of design life.
- Thorlux has moved from paper to digital installation guides, saving over 1.3 million sheets of paper per annum.
- Portland saved the use of 76,200m of traditional plastic bubble wrap packaging replacing with cardboard wrap which is 100% recycled.

➤ See page 38 for more information about our low carbon material focus and recycling efforts

13 CLIMATE ACTION



Take urgent action to combat climate change and its impacts

- Through individual products and the development of SmartScan technology, the Group is actively addressing risks and opportunities due to climate change and thus having a positive impact on energy efficiency.
- Thorlux is collaborating with WMG Business, through an Innovate UK Knowledge Transfer Partnership, to further ensure that the principles of circular innovation and sustainability are embedded at the heart of its business. WMG is an academic department at the University of Warwick and is the leading international role model for successful collaboration between academia and the public and private sectors, driving innovation in applied science, technology and engineering.
- The Group is also focusing on reducing emissions within its manufacturing. A carbon-offsetting scheme was established in 2009, with approximately 8,000 trees a year planted to offset the Group's direct emissions.
- The Group considers the source of raw materials when designing new products. A recent new product, Flexbeam, is manufactured utilising 47 recycled plastic bottles in each acoustic attenuation panel.
- A focus on responsible manufacturing and design, to reduce environmental impacts, is key in the Group's efforts to help combat climate change.

➤ See page 52 for our emissions reporting, and page 53 for how we are making a meaningful difference

OUR SUSTAINABILITY FOCUS AREAS:

The link between the Group's sustainability journey and its strategic priorities related to its products, operations, business model and people is vital to the long-term success of the business.

At this stage of the evolution of its sustainability strategy, the Group will consider the topics below as part of the evaluation of its material impacts on the environment and society.

The Group will endeavour to set realistic targets and measure its progress in the future.

Products (Design & Innovation)

New products

- Design principles – circularity focus, recycled/renewable content
- Life times – e.g. 100,000 hours operation
- Energy efficiency
- Smart technology
- Health & Well being – Flexview
- Minimum certification against circularity standard

Sourcing

- Electronic components
- Plastics
- Metals
- Wiring
- Packaging

Supply chain

- Determine sourcing criteria with key suppliers

Operations (Manufacturing Excellence)

"Responsible production"

Energy usage

- Own solar generation
- Source from renewables
- Continue carbon offset programme

Waste

- Reduce waste to landfill

Distribution

- Hybrids/EV, shipping routes
- Packaging – type, return/reuse

- Goods in – shipping routes, air freight, packaging

External activities

- Sales & engineering fleet – Hybrids/EV/hydrogen
- Consider travel policy – trains, air travel
- Ability for certain staff to work at home – reduced travel
- EV charging at work using solar energy suppliers

Business Model (Grow our customer base)

- New products supporting green economy
- Existing products that support the green economy – e.g. Smart, SmartScan
- Refurbishment/reuse business – replacement light engines, upgraded controls
- Alternative financing models for customer projects

People (Develop High Quality People)

- Health & safety measures – ISO 45001
- Training and development
- Employment of young people – continued support of apprenticeship scheme
- Diversity, gender pay
- Responsible wage/salary rates
- Flexible working

Sustainability CONTINUED

ENVIRONMENT

Greenhouse gas emissions

The table below shows the Group's greenhouse gas emissions for the year ended 30 June 2021.

	2021	2020
Scope 1: Direct emissions from own operations	1,628	1,821
Scope 2: Indirect emissions from purchased energy (mainly electricity)	553	989
Total Scope 1 and Scope 2 emissions	2,181	2,810
Intensity metric: tonnes of CO₂ per £1m of sales	18.50	24.79

The methodology used to calculate our emissions uses current government published conversion factors.

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

In 2009 an ambitious carbon-offsetting scheme was launched 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 around 8,000 plantings per annum to offset the CO₂ produced by our operations.

Global Energy Use

The table below shows the Group's energy use for the year.

	UK GWh	Rest of World GWh	Total GWh
2021			
Electricity	2.450	0.385	2.835
Gas	4.558	0.037	4.595
Total	7.008	0.422	7.430
	UK GWh	Rest of World GWh	Total GWh
2020			
Electricity	2.884	0.458	3.342
Gas	5.041	0.034	5.075
Total	7.925	0.492	8.417

EMPLOYEE POLICIES

Employees are kept informed of matters of concern to them as employees by publication and distribution of a company newsletter and other notices, or by specially convened meetings.

Committees representing the different groups of employees meet regularly to ensure the views of employees are taken into account in making decisions that are likely to affect their interests.

The involvement of employees in the Group's performance is encouraged by various incentive schemes including a profit related bonus scheme.

Information on the financial and economic factors affecting the performance of the Group is made available twice yearly at the time of publication of the interim and annual statements to shareholders.

The Group is committed to developing a safe and healthy working environment for all employees consistent with the requirements of the Health and Safety at Work Act. Within the constraints of health and safety, disabled people are given full and fair consideration for job vacancies. Depending on their skills and abilities, disabled people enjoy the same career prospects as other employees, and if employees become disabled every effort is made to ensure their continued employment, with appropriate training where necessary.

Policies for recruiting employees are designed to ensure equal opportunities irrespective of colour, ethnic or national origin, nationality, sex or marital status.

CHARITABLE GIFTS

During the year the Group gave £22,992 (2020: £24,349) for charitable purposes. This is made up of donations to UK charities for cancer care of £2,500, healthcare of £2,553, educational schemes of £1,995, Oxfam £885 and local causes of £15,059.

MODERN SLAVERY

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



The Green Economy Mark (above) identifies London-listed companies and funds that generate between 50% and 100% of total annual revenues from products and services that contribute to the global green economy.

FW THORPE, MAKING A MEANINGFUL DIFFERENCE: OUR CONTRIBUTIONS IN 2021



Economic – we generate value

Contribution to UK economy

£19.2m

Tax paid, collected

(2020: £18.0m)

We are investing in the future

£1.5m

Capitalised R&D expenditure

(2020: £1.3m)

We support the national wage bills

£33.8m

(2020: £32.7m)



Community

£22,992

Charitable donations

(2020: £24,349)

23

Number of charities

(2020: 31)



Innovation

11

Patents

10

Granted

1

Pending



Employee engagement

696

People employed

(2020: 688)

17

Apprentice employment

(2020: 16)



Environment

149,849

Total trees planted

(2020: 149,849)

790,030

kWh of electricity per annum from solar panels

(2020: 321,236)

2,181 tonnes

CO₂ offset per annum

(2020: 2,810)

Case Study

SmartScan

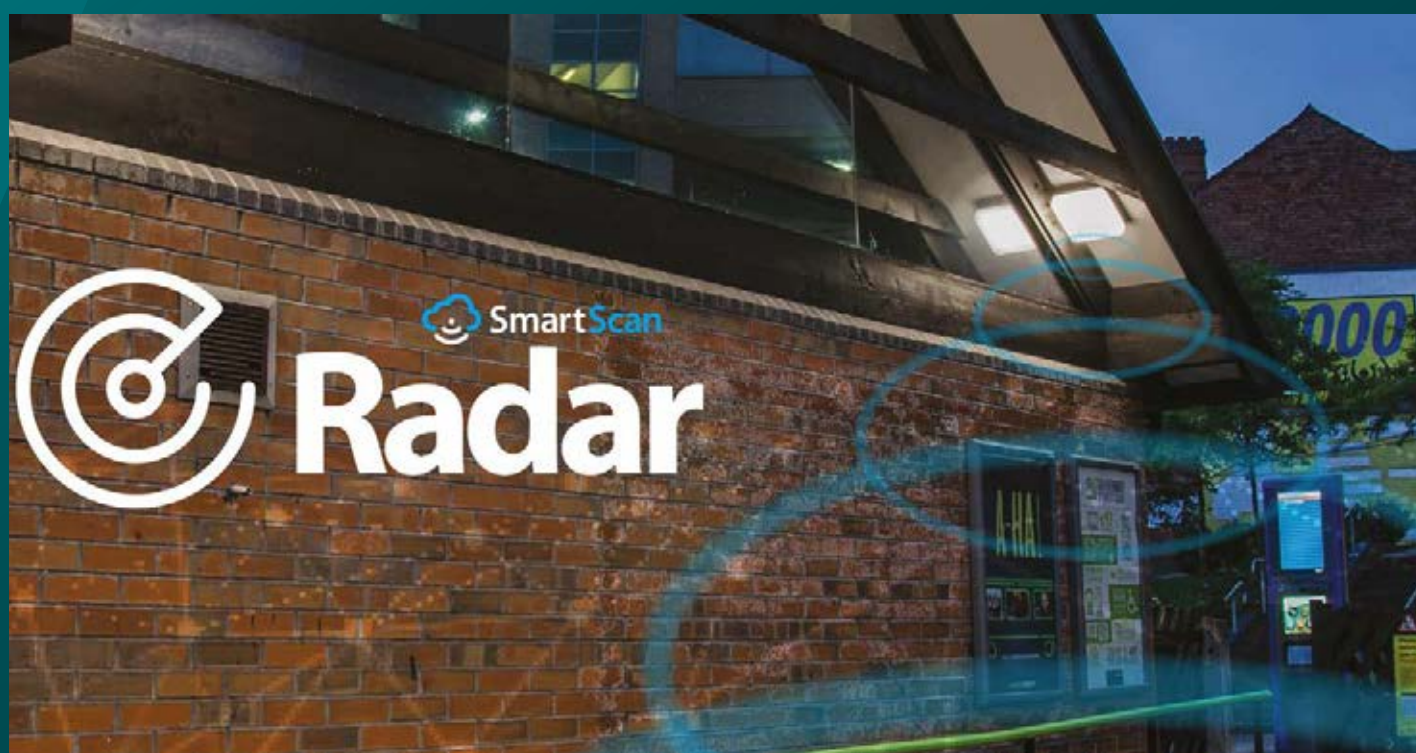
Radar

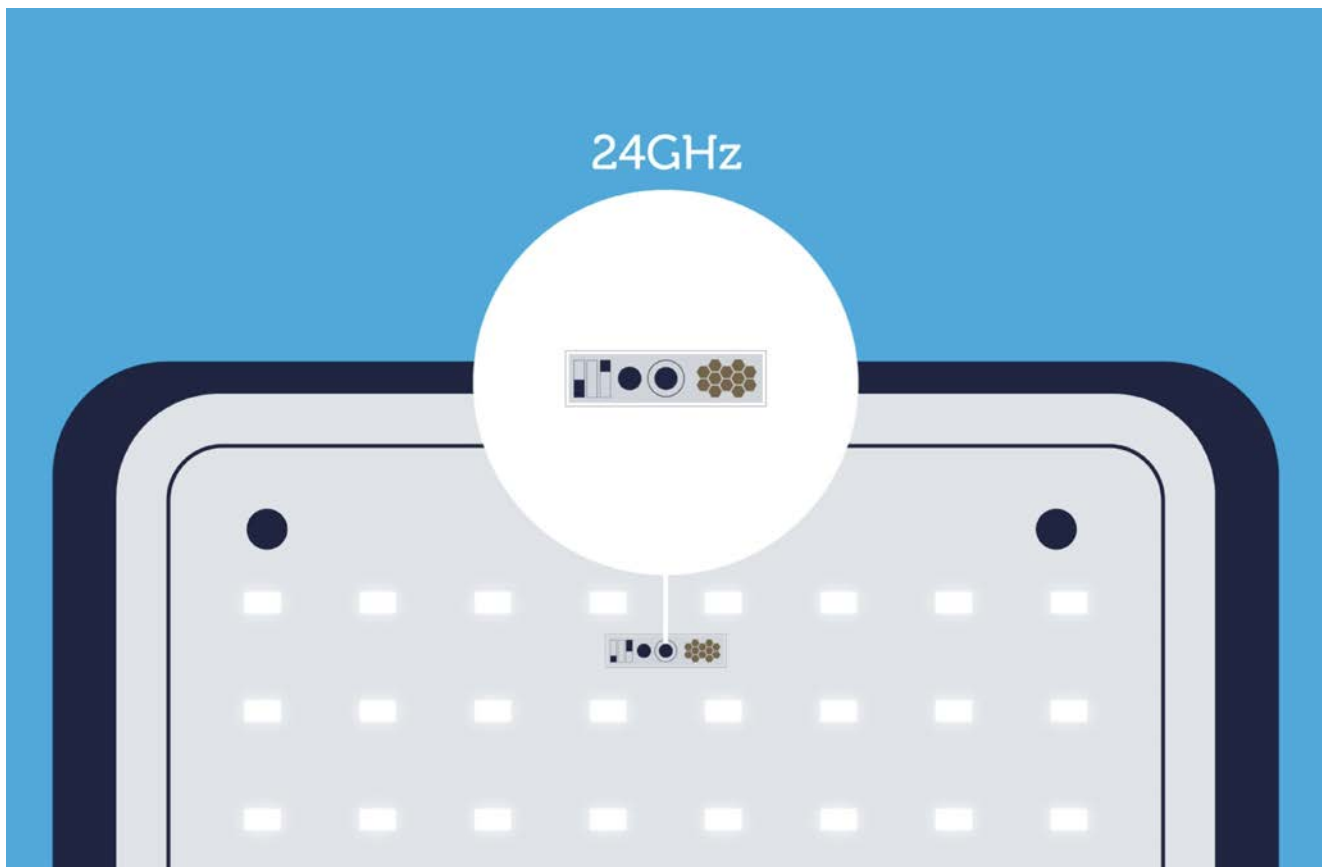
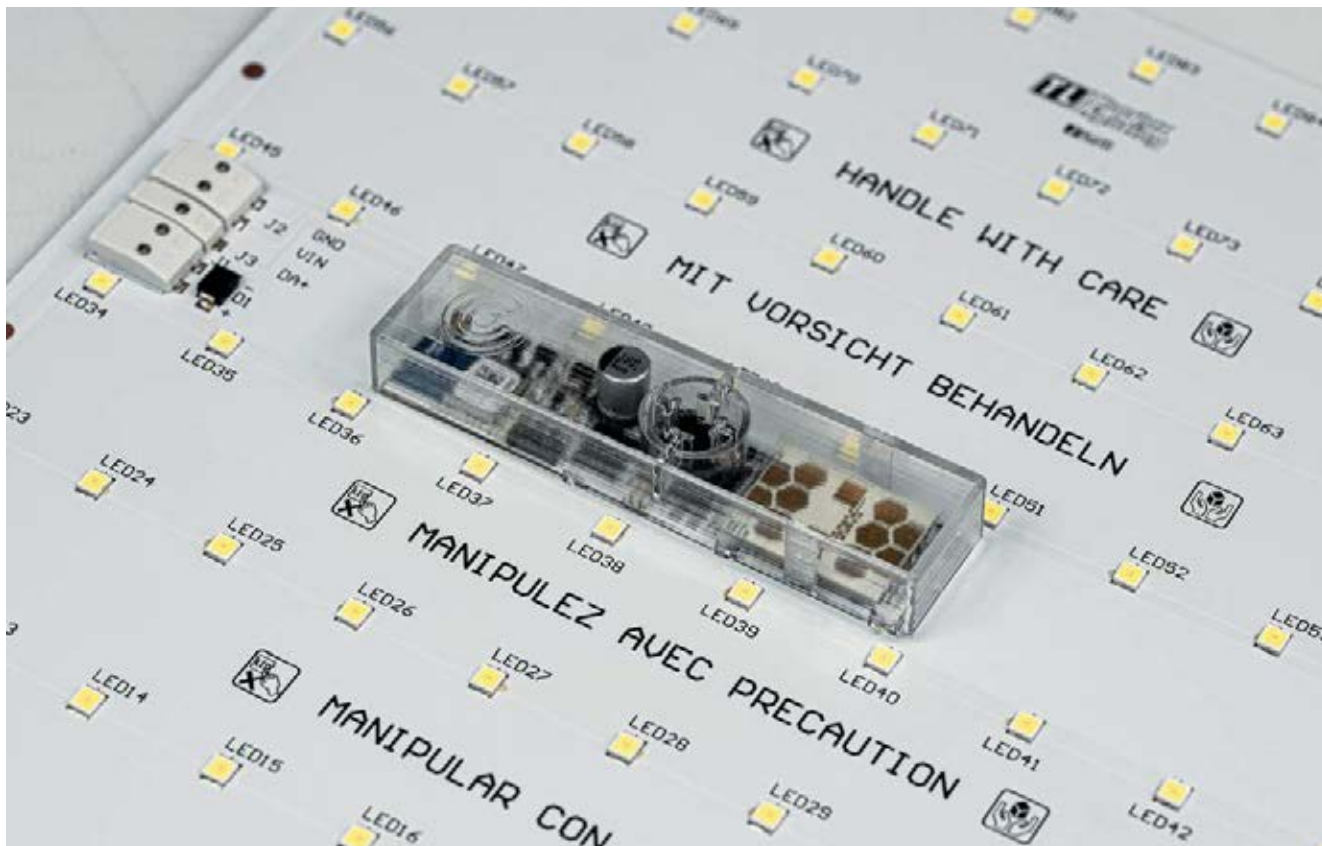
A further innovative feature has been added to the highly successful Thorlux SmartScan lighting management system.

SmartScan Radar uses the latest high frequency sensor technology, which is mounted integrally to the luminaire, negating the need to have the sensor visible from the outside. This is ideal for applications where the luminaire aesthetics are particularly important or where the impact rating of the luminaire is critical. SmartScan Radar uses a 24GHz high frequency sensor to detect movement, ensuring fewer detection errors than traditional 5GHz 'microwave' solutions. SmartScan Radar even has the ability to provide daylight linked energy savings by turning the luminaire off when sufficient daylight is present, despite the sensor being inside the luminaire.

FEATURES AND BENEFITS

- Radar presence detectors are integral to the luminaire, providing improved vandal resistance and aesthetics.
- Unique 24GHz sensor has increased sensitivity to small movements whilst being less prone to false detection than traditional 'microwave' technology.
- Light levels, detection range (sensitivity), time delays and security levels are fully programmable via the SmartScan Programmer.
- New advanced SmartScan technology allows photocell control with the LED lamp on or off.
- Full status monitoring is available via the SmartScan website.
- Automatic testing and record keeping of emergency luminaires is available via the SmartScan website.





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Governance Report

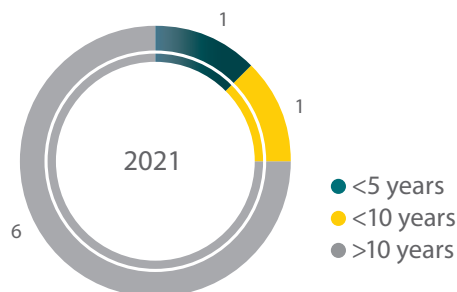


Board of directors

COMMITTEE KEY

(R) Remuneration Committee

TENURE



MIKE ALLCOCK
Chairman, Joint Group
Chief Executive

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.

Key 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, previously 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.

Key Areas of Expertise/ Responsibility:

Financial Management, Commercial/Legal Risk, Investor Relations, Mergers & Acquisitions, Company Secretarial



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.

Key Areas of Expertise/ Responsibility:

Sales & Marketing, Business Development, Digital Marketing



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.

Key Areas of Expertise/ Responsibility:

Manufacturing, Business Management, Financial Management, Industry Knowledge

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Central Business Exchange
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Aspect House
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REGISTERED OFFICE

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Redditch
Worcestershire
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REGISTERED NO

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



ANDREW THORPE
Non-Executive Director



PETER MASON
Non-Executive Director



IAN THORPE
Non-Executive Director



TONY COOPER
Non-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. In July 2019 Andrew became a non-executive director and member of the remuneration committee.

Key Areas of Expertise/Responsibility:

Manufacturing, Product Design/Management, Sales & Marketing, Industry Knowledge, Strategy, Governance

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.

Key Areas of Expertise/Responsibility:

Financial Management, Governance, Company Secretarial, Industry Knowledge

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.

Key Areas of Expertise/Responsibility:

Manufacturing, Human Resources, Governance, Industry Knowledge

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. Tony became a non-executive director in April 2020.

Key Areas of Expertise/Responsibility:

Manufacturing, Business Management, Industry Knowledge, Project Management

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 2021.

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 80 and the Group's financial position at the end of the year is set out in the Consolidated and Company Statements of Financial Position on page 82. 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 page 24 (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 a number of objectives were achieved.

PRINCIPAL RISKS AND UNCERTAINTIES

The table on pages 42 to 44 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 page 40.

DIRECTORS

The directors of the Company during the year and at the date of this report are set out on pages 58 and 59.

The directors retiring by rotation are D Taylor, C Muncaster, P D Mason who, being eligible, offer themselves for re-election. D Taylor and C Muncaster 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 69.

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.

A B Thorpe

Non-executive director.

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 67 to 70.

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 5 October 2021, 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

7,023,616 (5.9%)

Estate of C M Brangwin

7,271,550 (6.1%)

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 where possible and, if appropriate, by meeting with major shareholders at other times during the year. See Notice of Meeting – AGM 2021.

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 9 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 5 October 2021 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 2022. However, in order to maintain the Board's flexibility of action it is envisaged that it will be renewed at future Annual General Meetings.

Directors' Report continued

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 adopted the Quoted Companies Alliance's "Corporate Governance Guidelines for Smaller Quoted Companies" (the QCA Code) which the Board believes is 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.

Principle	Extent of current compliance	Commentary	Further disclosure
<p>1</p> <p>Establish a strategy and business model which promote long-term value for shareholders</p>	Compliant	<p>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:</p> <ul style="list-style-type: none"> • 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 	<p>➤ Find out more in the Strategic Report on pages 10 to 55</p> <p>Read about our Strategy on pages 20 and 21</p> <p>Read about our Business Model on pages 18 and 19</p>
<p>2</p> <p>Seek to understand and meet shareholders' needs and expectations</p>	Compliant	<p>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.</p> <p>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.</p> <p>Any feedback during these meetings is encouraged and acted upon where appropriate.</p>	<p>➤ Find out more in the Directors' Report on page 60</p>
<p>3</p> <p>Take into account wider stakeholder and social responsibilities and their implications for long-term success</p>	Compliant	<p>Feedback from employees, customers, suppliers and other stakeholders is actively encouraged.</p> <p>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.</p>	<p>➤ Find out more in the Strategic Report on pages 10 to 55 and in our Sustainability section on pages 48 and 55</p>

Principle	Extent of current compliance	Commentary	Further disclosure
<p>4</p> <p>Embed effective risk management, considering both opportunities and threats, throughout the organisation</p>	Compliant	<p>The Board operates a continuous risk identification and evaluation process. The results are utilised by the Board to manage any significant risks.</p> <p>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.</p> <p>The Board has overall responsibility for the system of internal control and for reviewing its effectiveness throughout the Group.</p> <p>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.</p>	<p>➤ Find out more about our Principal Risk and Uncertainties on pages 42 to 44 and in the Directors' Report on page 60</p>
<p>5</p> <p>Maintain the Board as a well-functioning, balanced team led by the Chair</p>	Partially Compliant	<p>Total of eight directors, four executive directors and four non-executive directors.</p> <p>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.</p> <p>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.</p>	<p>➤ Find out more in Our Governance on pages 58 to 77</p> <p>Read about our Board of Directors on pages 58 and 59</p> <p>Read our Directors' Report on pages 60 to 65</p>
<p>6</p> <p>Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities</p>	Compliant	<p>The current composition of the Board provides the necessary skills, experience and capabilities for the size and context of the Group.</p> <p>The composition and succession of the Board are subject to review, considering the future needs of the Group.</p>	<p>➤ Find out more in Our Governance on pages 58 to 77</p> <p>Read about our Board of Directors on pages 58 and 59</p> <p>Read our Directors' Report on pages 60 to 65</p>

Directors' Report continued

Principle	Extent of current compliance	Commentary	Further disclosure
<p>7</p> <p>Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement</p>	Partially Compliant	<p>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.</p> <p>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.</p>	
<p>8</p> <p>Promote a corporate culture that is based on ethical values and behaviours</p>	Compliant	<p>Our core aim is for long-term growth and stability.</p> <p>The Group management team is passionate about developing the business for the benefit of the shareholders, employees and customers.</p> <p>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 and Accounts.</p>	<p>➤ Find out more in the Strategic Report on pages 10 to 55</p> <p>Read about our Strategy on pages 20 and 21</p>
<p>9</p> <p>Maintain governance structures and processes that are fit for purpose and support good decision making by the Board</p>	Compliant	<p>The Board as a whole is responsible for robust governance practices. The roles and responsibilities of each director are clear and responsibilities understood.</p> <p>The Board meets at least eight times each year, with additional meetings as required.</p>	<p>➤ Find out more in the Directors' Report on pages 60 to 65</p> <p>Read about our Board of Directors on pages 58 and 59</p>
<p>10</p> <p>Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders</p>	Compliant	<p>The Company communicates through the Annual Report and Accounts, full-year and interim announcements, the AGM and one-to-one meetings with existing or potential shareholders.</p> <p>A range of corporate information is also available on the Company's website.</p> <p>Meetings with shareholders, employee groups, management and other representative groups provide a platform for raising any concerns relating to corporate governance.</p>	<p>➤ Find out more online at: www.fwthorpe.co.uk</p>

The Board considers 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.
- There is no formal evaluation process of Board performance.

The Board believes 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

The auditors have direct access to all members of the Board and attend and present their reports at appropriate Board meetings. The Board considers, at least annually, the relationships and fees in place with the auditors to confirm their independence is maintained.

INDEPENDENT AUDITORS

The auditors, PricewaterhouseCoopers LLP, have expressed their willingness to continue in office and a resolution for their reappointment will be proposed at the next Annual General Meeting.

GOING CONCERN

The directors confirm they are satisfied that the Group and Company have adequate resources, with £52.3m cash and £23.6m short term deposits, to continue in business for the foreseeable future factoring in the expected impact of COVID-19.

They have also produced an analysis that demonstrates that the Group could cover its cash commitments even if there was a significant reduction in sales over the following year from approving these accounts. For this reason, they continue to adopt the going concern basis in preparing the accounts.

APPROVAL OF STRATEGIC AND DIRECTORS' REPORTS

The directors confirm that the information contained within the Strategic Report on pages 10 to 55 and the Directors' Report on pages 60 to 65 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

5 October 2021

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 Accounting Standards in conformity with the requirements of the Companies Act 2006 and Company financial statements in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006. 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 International Accounting Standards in conformity with the requirements of the Companies Act 2006 have been followed for the Group financial statements and International Accounting Standards in conformity with the requirements of the Companies Act 2006 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 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 also 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

5 October 2021

Directors' Remuneration Report

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

The Board has delegated the responsibility for the executive directors' remuneration to the Remuneration Committee. The scope of their responsibilities includes the executive directors' service contracts, salaries and other benefits, which comprise their terms and conditions of employment.

REMUNERATION COMMITTEE

The current members of the Remuneration Committee are the non-executive directors P D Mason (Chairman of the Committee), I A Thorpe, and A B 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

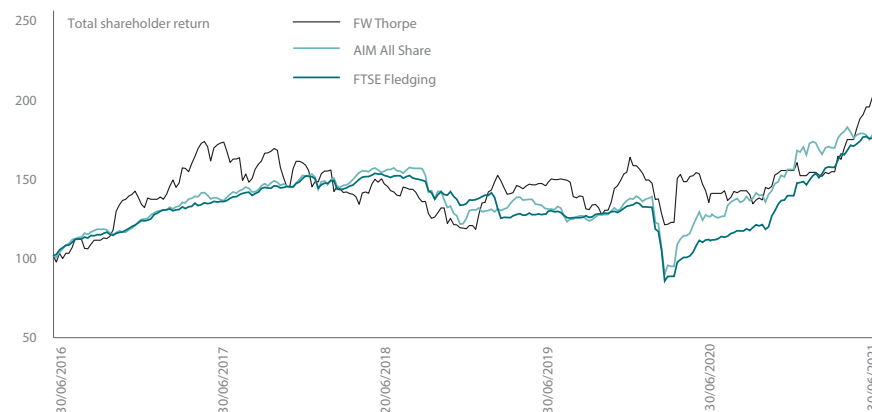
The aim of the Committee is to ensure that the executive directors are fairly rewarded for their responsibilities and contribution to the performance of the Group. The Committee seeks to achieve this with a combination of performance and non-performance related remuneration designed to attract, retain 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.

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



The remuneration package consists of the following elements:

1. Basic salary, benefits in kind and other benefits. The salary is determined in July 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 70.

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

M Allcock has a service contract terminable on two years' notice. C Muncaster, D Taylor and J E Thorpe have service contracts terminable on one year's notice. A B Thorpe, P D Mason, I A Thorpe and A M Cooper do not have formal service contracts with the Company.

Directors' Remuneration Report continued

DIRECTORS' EMOLUMENTS (AUDITED)

	2021	2021	2021	2021	2020	2021	2020	2021	2020
Executive directors	Salary/fees £'000	Bonus £'000	Benefits £'000	Total £'000	Total £'000	Share options gains £'000	Share options gains £'000	Total £'000	Total £'000
M Allcock	213	167	19	399	372	32	27	431	399
D Taylor	113	74	14	201	197	65	54	266	251
C Muncaster	240	179	18	437	407	24	20	461	427
J E Thorpe	140	113	20	273	228	–	–	273	228
Non-executive directors									
A B Thorpe	34	–	15	49	48	–	–	49	48
I A Thorpe	34	–	16	50	49	–	–	50	49
P D Mason	34	–	5	39	39	–	–	39	39
A M Cooper	34	–	2	36	159	231	7	267	166
	842	533	109	1,484	1,499	352	108	1,836	1,607

The directors' emoluments exclude contributions to the pension scheme.

DIRECTORS' PENSION ARRANGEMENTS (AUDITED)

M Allcock is a deferred member and D Taylor a pensioner member of the defined contribution scheme of the FW Thorpe Retirement Benefits Scheme and they 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.

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 17%.

M Allcock, D Taylor and A M Cooper have 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 four directors and J E Thorpe to compensate them for the loss of these employer pension contributions. During the financial year the Company paid pension compensation to M Allcock of £169,410 (2020: £167,942), A M Cooper £nil (2020: £7,414), C Muncaster £40,790 (2020: £40,724), D Taylor £19,163 (2020: £19,132) and to J E Thorpe £10,500 (2020: £9,290).

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.

There are no directors, excluding those classified as pensioners, having accrued entitlements under the defined benefit section of the pension scheme.

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.

	2021 £'000	2020 £'000
J E Thorpe	13	12

A M Cooper has a personal pension which is not part of the Company scheme, and the following contributions have been made during the year.

	2021 £'000	2020 £'000
A M Cooper	-	8

CEO PAY RATIO

FW Thorpe being a UK listed company with more than 250 employees is required to disclose annually the ratio of the CEO'S pay to the lower quartile, median and upper quartile pay of their UK employees. These details are shown in the table below.

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2020-21	Option A	23:1	14:1	8:1
2019-20	Option A	24:1	15:1	8:1

Option A was chosen as it represents the most accurate means of identifying the percentiles. The comparison is based on data for the year ended 30 June 2021. The table below sets out the salary and total pay and benefits for the three quartiles.

	25th percentile pay	Median pay	75th percentile pay
Base salary	21,172	30,420	46,500
Total remuneration	28,431	44,835	85,296

DIRECTORS' SHAREHOLDINGS

The directors listed below were in office during the year. Directors' interests in the share capital of the Company at 30 June 2021 and 1 July 2020 were as follows:

	Ordinary shares of 1p Beneficial	
	2021	2020
Executive directors		
M Allcock	191,500	175,500
D Taylor	146,896	132,896
C Muncaster	65,000	50,000
J E Thorpe	2,164,682	1,371,450
Non-executive directors		
A B Thorpe	25,812,700	27,682,700
I A Thorpe	25,047,120	25,840,352
P D Mason	626,370	1,626,370
A M Cooper	178,707	112,224

The market price of the Company's shares at the beginning and end of the financial year was 301p and 440p respectively, and the range of market prices during the year was from 240p to 458p.

Directors' Remuneration Report continued

EXECUTIVE SHARE OWNERSHIP PLAN (ESOP) (AUDITED)

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

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

	A B Thorpe	M Allcock	D Taylor	A M Cooper	C Muncaster
Number at 1 July 2020	80,000	80,000	40,000	110,322	110,000
Awarded	-	-	-	-	-
Vested	-	-	-	-	-
Exercised	-	(20,000)	(40,000)	(110,322)	(15,000)
Forfeit	-	-	-	-	-
Lapsed	-	-	-	-	-
Number at 30 June 2021	80,000	60,000	-	-	95,000

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 2021 to 5 October 2021.

Approved by the Board and signed on its behalf by:



Craig Muncaster

Joint Chief Executive, Group Financial Director and Company Secretary

5 October 2021

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 2021 and of the group's profit and the group's and company's cash flows for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements 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 2021; the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Cash Flows, the Consolidated Statement of Changes in Equity and the Company Statement 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

Audit scope

- An audit was conducted of the complete financial information of the three financially significant reporting units: Thorlux Lighting (the Company, located in the UK), Lightronics and Famostar (both located in the Netherlands).
 - The audit work performed at these three reporting units (2020: three reporting units), together with additional procedures performed on centralised functions at the Group level, including audit procedures over the consolidation, gave us the audit evidence we needed for our opinion on the Group financial statements as a whole.
 - This provided coverage of 89% (2020: 91%) of profit before tax.
-

Key audit matters

- Valuation of warranty provisions (group and parent)
 - Capitalisation of internal development costs (group and parent)
 - Impairment considerations over intercompany receivables due to COVID-19 (parent)
-

Materiality

- Overall group materiality: £929,000 (2020: £860,000) based on 5% of profit before tax excluding the impact of exceptional items.
 - Overall company materiality: £760,000 (2020: £729,000) based on 5% of profit before tax excluding the impact of exceptional items.
 - Performance materiality: £697,000 (group) and £570,000 (company).
-

Independent Auditors' Report continued

to the Members of FW Thorpe Plc

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.

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.

Valuation of the share appreciation rights repurchase obligation, which was a key audit matter last year, is no longer included because of the settlement position reached subsequent to the balance sheet date removing the estimation uncertainty over this item. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
<p>Valuation of warranty provisions (group and parent)</p> <p>Refer to critical accounting estimates and judgements in note 1 to the financial statements and note 22 provisions.</p> <p>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 are offered by Lightronics and Famostar on certain product lines.</p> <p>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.</p> <p>The valuation of the warranty provision involves judgement with respect to the expected failure rates especially when applied to new products at the start of their warranty period.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none">• 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 the actual failure rates against the expected failure rate used to calculate the provision, where no known rectification issues have been identified;• We have reviewed and challenged the appropriateness of any other judgement used in the estimation of the provision; and• We have reviewed the accuracy of disclosures in relation to the provision. <p>We found the valuation of the warranty provision was consistent with the evidence obtained.</p>

Key audit matter	How our audit addressed the key audit matter
<p>Capitalisation of internal development costs (group and parent)</p> <p>Refer to critical accounting estimates and judgements in note 1 to the financial statements and note 9 intangibles.</p> <p>The Group undertakes development activities on new products and such internal development costs are capitalised where allowable under IAS 38 – “Intangible Assets”.</p> <p>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 the period over which the capitalised costs should be amortised.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> • 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; and • We have reviewed the accuracy of the disclosures in relation to capitalised development costs. <p>We found that the accuracy of the capitalised development costs was consistent with the evidence obtained.</p>
<p>Impairment considerations over intercompany receivables due to COVID-19 (parent)</p> <p>Refer to critical accounting estimates and judgements in note 1 to the financial statements, note 12 for Financial asset at amortised cost and note 16 for Trade and other receivables.</p> <p>The ongoing economic uncertainty due to COVID-19 requires the directors and auditors to consider the valuation of various assets on the balance sheet as well as the going concern of the Group.</p> <p>Based on the impact of COVID-19 on the underlying trading in the group, the risk is considered to be specific to the recoverability of intercompany receivable balances within the Company.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> • We have audited the expected credit loss model prepared by management and ensured that it has considered a range of potential outcomes for each individual receivable balance and includes a probability weighting depending on the future underlying performance of the entities; • When considering these models, we have applied sensitivity analysis to the key inputs, which include the probability of default; and • We have also considered management’s estimates through comparison to historical and future business performance in line with contractual terms and the financial position of each business at the year end. <p>We found that the valuation of balances owed from Group undertakings after making impairment provisions were consistent with the evidence obtained and disclosed appropriately.</p>

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 multiple reporting units across the UK and the Netherlands, comprising the group's operating businesses and centralised functions. These reporting units maintain their own accounting records and controls and report to the head office finance team for consolidation purposes.

In establishing the overall approach to the Group audit, we identified three 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, located in the UK), Lightronics and Famostar (both located in the Netherlands). The Group engagement team audited Thorlux Lighting whilst Lightronics and Famostar were audited by a non-PwC component audit team located in the Netherlands. Where balances in out of scope components are in excess of group performance materiality and contribute a notable proportion of a certain financial statement line item, these balances have been subject to audit procedures by the Group engagement team. The audit work performed at these three reporting units (2020: three), together with additional procedures performed on centralised functions at the Group level, including audit procedures over the consolidation, gave us the audit evidence we needed for our opinion on the Group financial statements as a whole. This provided coverage of 89% (2020: 91%) of profit before tax.

The work performed by the component auditor was subject to review by the Group engagement team and the work performed over areas considered to be of significant importance to the audit 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:

	Financial statements – group	Financial statements – company
Overall materiality	£929,000 (2020: £860,000).	£760,000 (2020: £729,000).
How we determined it	5% of profit before tax excluding the impact of exceptional items	5% of profit before tax excluding the impact of exceptional items
Rationale for benchmark applied	Based on the benchmarks used in the annual report, profit before tax excluding the impact of exceptional items is the primary measure used by the shareholders in assessing the performance of the Group. Given the short term downturn due to COVID-19 experienced in 2020 was not repeated in 2021, we have not continued to apply a three year average as COVID-19 did not result in a permanent rebasing of profitability.	Based on the benchmarks used in the annual report, profit before tax excluding the impact of exceptional items is the primary measure used by the shareholders in assessing the performance of the Company. Given the short term downturn due to COVID-19 experienced in 2020 was not repeated in 2021, we have not continued to apply a three year average as COVID-19 did not result in a permanent rebasing of profitability.

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 £400,000 to £760,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £697,000 for the group financial statements and £570,000 for the company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above £46,000 (group audit) (2020: £43,000) and £38,000 (company audit) (2020: £36,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the group's and the company's ability to continue to adopt the going concern basis of accounting included:

- Testing the reasonableness of the model and assessing the assumptions used in management's going concern assessment which covers the period to December 2022;
- Management's base case forecasts are based on its normal budget and forecasting process and have produced a downside model. We understood and assessed this process, including the assumptions used, for 2021 and 2022 and assessed whether there was adequate support for these assumptions; and
- We assessed the adequacy of disclosures in the Going Concern statement within the Directors' report and the statements in note 1 of the Annual Report and found these appropriately reflect downside risks.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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 our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Independent Auditors' Report continued

to the Members of FW Thorpe Plc

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 2021 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 in respect of the financial statements, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to applicable Generally Accepted Accounting Practices, tax compliance legislation and the AIM Rules for Companies, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial results and management bias in accounting estimates. The group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the group engagement team and/or component auditors included:

- enquiry of management and those charged with governance around actual and potential litigation and claims;
- enquiry of entity staff in tax and compliance functions to identify any instances of non-compliance with laws and regulations;
- reviewing minutes of meetings of those charged with governance;
- reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations; and
- auditing the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness, testing accounting estimates (because of the risk of management bias), and evaluating the business rationale of significant transactions outside the normal course of business.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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.

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 obtained 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.



Mark Foster (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Milton Keynes

5 October 2021

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Financial Statements



Lumièrepark in Almere, the Netherlands

Consolidated Income Statement

For the year ended 30 June 2021

	Notes	2021 £'000	2020 £'000
Continuing operations			
Revenue	2	117,875	113,342
Cost of sales		(62,484)	(63,351)
Gross profit		55,391	49,991
Distribution costs		(13,598)	(13,434)
Administrative expenses		(22,855)	(20,489)
Other operating income		289	264
Operating profit (before exceptional item)		19,227	16,332
Exceptional item in respect of Lightronics fire	3	1,566	–
Operating profit	3	20,793	16,332
Finance income	5	615	708
Finance expense	5	(1,267)	(1,097)
Profit before income tax		20,141	15,943
Income tax expense	6	(4,329)	(2,629)
Profit for the year		15,812	13,314

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

	Notes	2021 pence	2020 pence
Basic and diluted earnings per share			
– Basic	7	13.57	11.45
– Diluted	7	13.52	11.40

The notes on pages 86 to 129 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 2021

	Notes	2021 £'000	2020 £'000
Profit for the year:		15,812	13,314
Other comprehensive (expenses)/income			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		(688)	229
		(688)	229
Items that will not be reclassified to profit or loss			
Revaluation of financial assets at fair value through other comprehensive income		135	(834)
Actuarial gain/(loss) on pension scheme	21	1,758	(2,039)
Movement on unrecognised pension scheme surplus	21	(1,940)	1,869
Taxation		(236)	13
		(283)	(991)
Other comprehensive expense for the year, net of tax		(971)	(762)
Total comprehensive income for the year attributable to equity shareholders		14,841	12,552

The notes on pages 86 to 129 form part of these financial statements.


Consolidated and Company Statements of Financial Position

As at 30 June 2021

	Notes	Group		Company	
		2021 £'000	2020 £'000	2021 £'000	2020 £'000
Assets					
Non-current assets					
Property, plant and equipment	8	28,251	30,574	11,018	11,980
Intangible assets	9	19,705	21,032	3,798	4,074
Investments in subsidiaries	10	–	–	14,581	14,581
Investment property	11	1,967	1,987	10,184	10,130
Financial assets at amortised cost	12	746	1,800	9,027	12,338
Equity accounted investments and joint arrangements	13	–	–	–	–
Financial assets at fair value through other comprehensive income	14	3,764	3,772	3,764	3,772
Total non-current assets		54,433	59,165	52,372	56,875
Current assets					
Inventories	15	20,389	25,296	11,528	16,914
Trade and other receivables	16	29,310	21,256	29,024	22,133
Financial assets at amortised cost	12	1,800	625	1,800	625
Short-term financial assets	17	23,603	18,580	23,603	18,580
Cash and cash equivalents	18	52,268	44,422	47,064	37,218
Total current assets		127,370	110,179	113,019	95,470
Total assets		181,803	169,344	165,391	152,345
Liabilities					
Current liabilities					
Trade and other payables	19	(39,198)	(36,185)	(33,142)	(27,964)
Lease liabilities	20	(226)	(220)	–	–
Current income tax liabilities		(1,040)	(831)	–	–
Total current liabilities		(40,464)	(37,236)	(33,142)	(27,964)
Net current assets		86,906	72,943	79,877	67,506
Non-current liabilities					
Other payables	19	(78)	(67)	–	–
Lease liabilities	20	(435)	(417)	–	–
Provisions for liabilities and charges	22	(2,242)	(2,721)	(706)	(795)
Deferred income tax liabilities	23	(1,591)	(601)	(956)	(398)
Total non-current liabilities		(4,346)	(3,806)	(1,662)	(1,193)
Total liabilities		(44,810)	(41,042)	(34,804)	(29,157)
Net assets		136,993	128,302	130,587	123,188
Equity					
Share capital	24	1,189	1,189	1,189	1,189
Share premium account	25	1,960	1,526	1,960	1,526
Capital redemption reserve	25	137	137	137	137
Foreign currency translation reserve	25	2,076	2,764	–	–
Retained earnings					
At 1 July		122,686	117,036	120,336	114,398
Profit for the year attributable to the owners		15,812	13,314	13,781	13,326
Other changes in retained earnings		(6,867)	(7,664)	(6,816)	(7,388)
		131,631	122,686	127,301	120,336
Total equity		136,993	128,302	130,587	123,188

The notes on pages 86 to 129 form part of these financial statements.

The financial statements on pages 80 to 85 were approved by the Board on 5 October 2021 and signed on its behalf by



Mike Allcock



Craig Muncaster

Company Registration Number: 317886

Consolidated Statement of Changes in Equity

For the year ended 30 June 2021

	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 30 June 2019		1,189	1,266	137	2,535	117,036	122,163
Adjustments on first time adoption of IFRS 16 (net of tax)		–	–	–	–	(265)	(265)
Restated balance at 1 July 2019		1,189	1,266	137	2,535	116,771	121,898
Comprehensive income							
Profit for the year to 30 June 2020		–	–	–	–	13,314	13,314
Actuarial loss on pension scheme	21	–	–	–	–	(2,039)	(2,039)
Movement on unrecognised pension scheme surplus	21	–	–	–	–	1,869	1,869
Revaluation of financial assets at fair value through other comprehensive income	14	–	–	–	–	(834)	(834)
Movement on associated deferred tax	23	–	–	–	–	81	81
Impact of deferred tax rate change	23	–	–	–	–	(68)	(68)
Exchange differences on translation of foreign operations		–	–	–	229	–	229
Total comprehensive income		–	–	–	229	12,323	12,552
Transactions with owners							
Shares issued from exercised options		–	260	–	–	–	260
Dividends paid to shareholders	26	–	–	–	–	(6,468)	(6,468)
Share based payment charge	27	–	–	–	–	60	60
Total transactions with owners		–	260	–	–	(6,408)	(6,148)
Balance at 30 June 2020		1,189	1,526	137	2,764	122,686	128,302
Comprehensive income							
Profit for the year to 30 June 2021		–	–	–	–	15,812	15,812
Actuarial gain on pension scheme	21	–	–	–	–	1,758	1,758
Movement on unrecognised pension scheme surplus	21	–	–	–	–	(1,940)	(1,940)
Revaluation of financial assets at fair value through other comprehensive income	14	–	–	–	–	135	135
Movement on associated deferred tax	23	–	–	–	–	(59)	(59)
Impact of deferred tax rate change	23	–	–	–	–	(177)	(177)
Exchange differences on translation of foreign operations		–	–	–	(688)	–	(688)
Total comprehensive income		–	–	–	(688)	15,529	14,841
Transactions with owners							
Shares issued from exercised options		–	434	–	–	–	434
Dividends paid to shareholders	26	–	–	–	–	(6,631)	(6,631)
Share based payment charge	27	–	–	–	–	47	47
Total transactions with owners		–	434	–	–	(6,584)	(6,150)
Balance at 30 June 2021		1,189	1,960	137	2,076	131,631	136,993

The notes on pages 86 to 129 form part of these financial statements.

Company Statement of Changes in Equity

For the year ended 30 June 2021

	Notes	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 30 June 2019		1,189	1,266	137	114,398	116,990
Adjustment on first time adoption of IFRS 16 (net of tax)		–	–	–	1	1
Restated balance at 1 July 2019		1,189	1,266	137	114,399	116,991
Comprehensive income						
Profit for the year to 30 June 2020		–	–	–	13,326	13,326
Actuarial loss on pension scheme	21	–	–	–	(2,039)	(2,039)
Movement on unrecognised pension scheme surplus	21	–	–	–	1,869	1,869
Revaluation of financial assets at fair value through other comprehensive income	14	–	–	–	(834)	(834)
Movement on associated deferred tax	23	–	–	–	81	81
Impact of deferred tax rate change	23	–	–	–	(58)	(58)
Total comprehensive income		–	–	–	12,345	12,345
Transactions with owners						
Shares issued from exercised options		–	260	–	–	260
Dividends paid to shareholders	26	–	–	–	(6,468)	(6,468)
Share based payment charge	27	–	–	–	60	60
Total transactions with owners		–	260	–	(6,408)	(6,148)
Balance at 30 June 2020		1,189	1,526	137	120,336	123,188
Comprehensive income						
Profit for the year to 30 June 2021		–	–	–	13,781	13,781
Actuarial gain on pension scheme	21	–	–	–	1,758	1,758
Movement on unrecognised pension scheme surplus	21	–	–	–	(1,940)	(1,940)
Revaluation of financial assets at fair value through other comprehensive income	14	–	–	–	135	135
Movement on associated deferred tax	23	–	–	–	(59)	(59)
Impact of deferred tax rate change	23	–	–	–	(126)	(126)
Total comprehensive income		–	–	–	13,549	13,549
Transactions with owners						
Shares issued from exercised options		–	434	–	–	434
Dividends paid to shareholders	26	–	–	–	(6,631)	(6,631)
Share based payment charge	27	–	–	–	47	47
Total transactions with owners		–	434	–	(6,584)	(6,150)
Balance at 30 June 2021		1,189	1,960	137	127,301	130,587

The notes on pages 86 to 129 form part of these financial statements.

Consolidated and Company Statements of Cash Flows

For the year ended 30 June 2021

	Notes	Group		Company	
		2021	2020	2021	2020
		£'000	£'000	£'000	£'000
Cash flows from operating activities					
Cash generated from operations	28	25,726	23,231	18,453	12,958
Tax paid		(3,853)	(3,848)	(1,789)	(1,896)
Net cash generated from operating activities		21,873	19,383	16,664	11,062
Cash flows from investing activities					
Purchases of property, plant and equipment		(2,932)	(6,988)	(1,045)	(2,641)
Proceeds from sale of property, plant and equipment		290	212	220	182
Purchase of intangibles		(1,756)	(1,719)	(1,323)	(1,472)
Purchase of investment property		–	–	(305)	(1,237)
Net sale/(purchase) of financial assets at fair value through Other Comprehensive Income		205	(61)	205	(61)
Insurance proceeds re: property, plant and equipment lost in fire		3,057	–	–	–
Proceeds from sale of other financial assets at fair value through profit and loss account		–	387	–	387
Property rental and similar income		41	92	367	386
Dividend income		186	187	5,223	4,368
Net (deposit)/withdrawal of short-term financial assets		(5,023)	7,903	(5,023)	7,903
Interest received		105	322	397	492
Net receipt/(issue) of loan notes		59	1,156	1,435	(837)
Net cash (used in)/received from investing activities		(5,768)	1,491	151	7,470
Cash flows from financing activities					
Net proceeds from the issuance of ordinary shares		434	260	434	260
Proceeds from loans		365	192	–	–
Repayment of borrowings		(958)	(203)	–	–
Settlement of lease liabilities		–	(1,011)	–	–
Payment of lease liabilities		(310)	(265)	–	(3)
Payment of lease interest		(39)	(36)	–	–
Dividends paid to Company's shareholders	26	(6,631)	(6,468)	(6,631)	(6,468)
Net cash used in financing activities		(7,139)	(7,531)	(6,197)	(6,211)
Effects of exchange rate changes on cash		(1,120)	272	(772)	126
Net increase in cash in the year		7,846	13,615	9,846	12,447
Cash and cash equivalents at beginning of year		44,422	30,807	37,218	24,771
Cash and cash equivalents at end of year		52,268	44,422	47,064	37,218

The notes on pages 86 to 129 form part of these financial statements.

Notes to the Financial Statements

For the year ended 30 June 2021

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 (AIM) of the London Stock Exchange. The address of its registered office is Merse Road, North Moons Moat, Redditch, Worcestershire, B98 9HH, United Kingdom.

Basis of preparation

The consolidated and company financial statements of FW Thorpe Plc have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006. The financial statements have been prepared on a going concern basis, under the historical cost convention except for the financial instruments measured at fair value either through other comprehensive income or profit and loss per the provisions of IFRS 9.

There are no other standards that are not yet effective that are expected to have a material impact on the group in the current or future reporting periods and on foreseeable future transactions.

The consolidated financial statements are presented in Pounds Sterling, which is the Company’s functional and presentation currency, 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.

Going concern

The directors confirm they are satisfied that the Group and Company have adequate resources, with £52.3m cash and £23.6m short term deposits, to continue in business for the foreseeable future factoring in the expected impact of COVID-19. They have also produced an analysis that demonstrates that the Group could cover its cash commitments even if there was a reduction of 33% in sales over the following year from approving these accounts. For this reason, they continue to adopt the going concern basis in preparing the accounts.

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.

1 ACCOUNTING POLICIES CONTINUED

Equity accounted investments and joint arrangements

Under IFRS 11, 'Joint Arrangements', investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. FW Thorpe Plc only has joint operations.

Joint operations

FW Thorpe Plc recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses.

Equity accounted investments

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

Revenue recognition

The Group recognises revenue earned from contracts based on individual performance obligations using the five-step model. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration the Group is entitled to in exchange for those goods or services, excluding VAT, trade discounts and rebates.

The Group has generally concluded that it is the principal in its revenue arrangements. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. The normal credit terms are 30 to 90 days from delivery, or completion of the service provided.

Revenue from external customers is derived from the supply of light fittings and services to support the sale of these light fittings. These services include surveying, project management, installation and commissioning. The transaction price for both the light fittings and the service agreements are at fair value as if each of those services are provided individually.

Revenue Stream	Revenue Recognition
Light fittings	Revenue is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods
Services	Revenue is recognised over time when the service is performed

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g. service agreements). In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

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 2021

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. (which includes the business of Famostar Emergency Lighting B.V.). The seven 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 L.L.C., Thorlux Australasia Pty Limited and Thorlux Lighting GmbH.

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.

1 ACCOUNTING POLICIES CONTINUED

For defined contribution plans and pure defined contribution elements, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis.

The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense in the income statement as they fall due, or as an accrued or prepaid expense. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available. A defined benefit surplus is only recognised if it meets the following criteria: if the Group has an unconditional right to a refund; or if the Group can realise it at some point during the life of the plan or when the plan liabilities are settled. If the criteria are not met then a defined benefit surplus is not recognised.

Foreign currencies

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

Exceptional items

Exceptional items are separately presented from other items by virtue of their nature, size and/or incidence. They are identified separately in order for the reader to obtain a clearer understanding of the underlying results of the ongoing Group's operations, by excluding the impact of items which, in management's view, do not form part of the Group's underlying operating results.

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.

Notes to the Financial Statements continued

For the year ended 30 June 2021

1 ACCOUNTING POLICIES CONTINUED

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. Right of use assets are depreciated at the rates below according to their asset classification. 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

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease liability: The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses an incremental borrowing rate which is the rate of interest that the lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

Right-of-use assets: The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss in line with the Group's existing impairment accounting policy.

Short term leases and low value assets

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

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.

1 ACCOUNTING POLICIES CONTINUED

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 that 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%

Investment properties

Investment properties are recognised at cost, and then subsequently cost less accumulated depreciation and (if applicable) any accumulated impairment losses. Assets are depreciated at the same rates as property, plant and equipment assets according to their assets class, 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.

Notes to the Financial Statements continued

For the year ended 30 June 2021

1 ACCOUNTING POLICIES CONTINUED

Financial Assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or the income statement); and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in the income statement or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in the income statement.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in the income statement together with foreign exchange gains and losses. Impairment losses are included in either administrative expenses, or finance costs in the income statement dependent on the type of asset impaired.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in the income statement. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in finance income or costs. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in administrative expenses and impairment expenses are included in either administrative expenses, or finance costs in the income statement.
- **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in the income statement in the period in which it arises.

1 ACCOUNTING POLICIES CONTINUED

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to the income statement following the derecognition of the investment. Dividends from such investments continue to be recognised in the income statement as finance income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in the income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iv) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see accounting policy for trade receivables for further details.

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 the Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period 12 months up to the end of the relevant financial year, and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables, as significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments. 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.

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.

Notes to the Financial Statements continued

For the year ended 30 June 2021

1 ACCOUNTING POLICIES CONTINUED

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.

Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Provisions

Provisions are recognised in the 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.

Warranty

The Group provides for expected warranty costs covering both specific known warranty claims and calculating expected future warranty claims in order to estimate the expected costs that will arise in respect of products sold within the remaining warranty periods. 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.

Critical accounting estimates and judgements

The presentation of the annual financial statements in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 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:

1 ACCOUNTING POLICIES CONTINUED

Estimates

Goodwill/Investment in subsidiaries

The Group and the Company undertake impairment reviews for cash generating units (CGU) at least annually to assess the carrying value of goodwill/investment in subsidiaries and other intangible assets. These reviews apply either discounted cash flows forecast, including terminal values and growth factors if appropriate, or EBITDA multiples to the forecast financial performance of the CGU. Note 9 contains details of reviews that have been carried out.

Warranty

The Group provides for expected warranty costs covering both specific known warranty claims and calculating expected future warranty claims in order to estimate the expected costs that will arise in respect of products sold within the remaining warranty periods. The usual warranty period provided is between 5 and 10 years, dependant on market requirements. 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. Note 22 contains details of the warranty provision. If the failure rate assumption used in the provision calculation were to increase by 5%, then the resulting provision would be higher by £92,000.

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. Note 21 contains details of the retirement benefit obligations.

Inter-company loan impairment

The Company provides for expected credit losses that may arise from under-performing loans to subsidiary companies. The expected credit loss is calculated by looking at historical performance and the Company's knowledge of how the subsidiary is likely to perform in the future. Note 12 contains details of inter-company loan impairments based on an expected credit loss assumption of 45%. If the expected credit loss assumption was to increase to 55% there would be an extra charge of £346,000 to the Company.

Notes to the Financial Statements continued

For the year ended 30 June 2021

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 assesses 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 that can be recognised as an asset within the statement of financial position in line with the requirements of IAS 19. 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. As these criteria are not met the Group has decided not to recognise a net retirement benefit asset.

1 ACCOUNTING POLICIES CONTINUED

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 financial assets at fair value through other comprehensive income 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 that are designated as short term investments and also a range of quoted securities that are designated as financial assets at fair value through other comprehensive income. Management has 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. The Group has no exposure to the risk of increased interest cost other than pension scheme interest cost.

(b) Credit risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum Fitch rating of F1 are accepted. If wholesale customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board. The utilisation of credit limits is regularly monitored.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the ability to close out market positions. Management monitors rolling forecasts of the Group's liquidity reserve, which comprises cash and cash equivalents together with short-term financial assets, see note 17, on the basis of expected cash flow. All external current liabilities are expected to mature within four months.

Notes to the Financial Statements continued

For the year ended 30 June 2021

1 ACCOUNTING POLICIES CONTINUED

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.

1 ACCOUNTING POLICIES CONTINUED

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 that 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. The businesses in the Netherlands, Lightronics and Famostar, are material subsidiaries and disclosed separately as Netherlands companies.

The seven 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 L.L.C., Thorlux Australasia Pty Limited, Thorlux Lighting GmbH.

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	Netherlands companies £'000	Other companies £'000	Inter- segment adjustments £'000	Total continuing operations £'000
Year to 30 June 2021					
Revenue to external customers	69,969	31,490	16,416	–	117,875
Revenue to other group companies	3,304	290	5,238	(8,832)	–
Total revenue	73,273	31,780	21,654	(8,832)	117,875
Operating profit (before exceptional item)	11,694	5,402	1,722	409	19,227
Exceptional item in respect of Lightronics fire	–	1,566	–	–	1,566
Operating profit	11,694	6,968	1,722	409	20,793
Net finance expense					(652)
Profit before income tax					20,141
Year to 30 June 2020					
Revenue to external customers	65,615	31,340	16,387	–	113,342
Revenue to other group companies	3,164	234	4,021	(7,419)	–
Total revenue	68,779	31,574	20,408	(7,419)	113,342
Operating profit	10,150	4,125	1,412	645	16,332
Net finance expense					(389)
Profit before income tax					15,943

Notes to the Financial Statements continued

For the year ended 30 June 2021

2 SEGMENTAL ANALYSIS CONTINUED

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

(b)i 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.

	2021	2020
	£'000	£'000
UK	74,363	69,657
Netherlands	28,879	28,748
Rest of Europe	12,499	12,265
Rest of the World	2,134	2,672
	117,875	113,342

(b)ii Geographical analysis by product types

The Group's main business segments primary revenue stream is the sale of light fittings, with some ancillary services and commissioning supporting this revenue stream.

2021 (£'000)	Light fittings	Services	Total
UK	69,992	4,371	74,363
Netherlands	28,879	–	28,879
Rest of Europe	12,499	–	12,499
Rest of the World	2,134	–	2,134
	113,504	4,371	117,875

2020 (£'000)	Light Fittings	Services	Total
UK	66,733	2,924	69,657
Netherlands	28,748	–	28,748
Rest of Europe	12,231	34	12,265
Rest of the World	2,671	1	2,672
	110,383	2,959	113,342

3 OPERATING PROFIT

	2021	2020
	£'000	£'000
Profit on sale of Property, Plant & Equipment	(115)	(118)
Depreciation of investment property	20	19
Depreciation of Property, Plant & Equipment		
– owned property	3,104	2,993
– right-of-use assets	212	228
Amortisation of intangible assets	2,328	2,577
Share appreciation rights (with associated share based payment charges)	2,274	1,978
Cost of inventories recognised as an expense	53,370	45,110
Research and development expenditure credit	(289)	(249)
Government grants	–	(192)
Currency losses/(gains) in income statement	821	(461)

3 OPERATING PROFIT CONTINUED

	2021 £'000	2020 £'000
Services provided by the Company's auditors		
Fees payable to Company's auditors for audit of financial statements	247	210
Fees payable to the Company's auditors and its associates for other services		
– Audit of Company's subsidiaries	20	–
	267	210

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.

	Building 2021 £'000	Other assets 2021 £'000	Other Costs 2021 £'000	Inventory 2021 £'000	Total 2021 £'000
Exceptional item in respect of Lightronics fire:					
- Insurance proceeds	2,096	961	318	5	3,380
- Net book value of assets lost	(1,062)	(250)	–	–	(1,312)
- Other costs incurred	–	(77)	(425)	–	(502)
	1,034	634	(107)	5	1,566

An exceptional item has been recognised in the consolidated income statement of £1,566,000 as a result of the Lightronics fire on 23 September 2020. All insurance claims have been settled and the building will be rebuilt during 2021/22.

The income above will be utilised for the rebuild. There is a deferred tax charge of £312,000 related to this recognised in the income statement.

4 EMPLOYEE INFORMATION

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

	Group		Company	
	2021 Number	2020 Number	2021 Number	2020 Number
Average headcount				
Production	292	293	182	178
Sales and distribution	189	184	103	107
Administration	215	211	142	145
Total average headcount	696	688	427	430

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Employment costs of all employees (including executive directors)				
Wages and salaries	28,779	27,957	17,644	17,803
Social security costs	3,423	3,262	2,005	1,965
Other pension costs	1,598	1,504	983	969
	33,800	32,723	20,632	20,737

Included in wages and salaries are £1,463,000 (2020: £1,821,000) of temporary employees costs.

Other pension costs include contributions to pension schemes and other employer's pension related charges comprising life assurance of £93,000 (2020: £80,000), pension administration and professional charges of £111,000 (2020: £119,000) and private pension schemes amounting to £5,000 (2020: £15,000).

Notes to the Financial Statements continued

For the year ended 30 June 2021

4 EMPLOYEE INFORMATION CONTINUED

Contributions to the defined contribution section amounted to £243,000 (2020: £258,000) and contributions to other schemes administered independently of the FW Thorpe pension schemes amounted to £963,000 (2020: £849,000).

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Directors' Emoluments				
Aggregate emoluments	1,836	1,607	1,570	1,356
Contributions to money purchase schemes	13	19	13	19
	1,849	1,626	1,583	1,375

For the year ended 30 June 2021 no retirement benefits were accruing to any director (2020: nil) under the defined benefit scheme and to J E Thorpe (2020: J E Thorpe) under the defined contribution scheme. Additionally compensation payments for the loss of pension contributions totalling £240,000 (2020: £245,000) were made to 4 (2020: 5) directors.

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Highest paid director				
Total of emoluments and amounts receivable	461	427	461	427

Compensation payments for the loss of pension contributions for the highest paid director were £41,000 (2020: £41,000).

The key management personnel are the Group Board directors.

Further details are provided in the directors' remuneration report on pages 67 to 70.

5 NET FINANCE EXPENSE

	2021 £'000	2020 £'000
Finance income		
Current assets		
Interest receivable	46	293
Non-current assets		
Fair value adjustments on loans	177	23
Dividend income on financial assets at fair value through other comprehensive income	186	187
Net rental income	52	64
Loan interest	92	141
Gain on disposal of financial assets	62	–
	615	708
Finance expense		
Current liabilities		
Interest payable	7	2
Lease liability interest expense	39	36
Share appreciation rights distribution	1,155	958
Non-current assets		
Loan interest	66	101
	1,267	1,097
Net finance expense	(652)	(389)

The share appreciation rights distribution are the dividends from Lightronics Participaties B.V. and Famostar Emergency Lighting B.V. due to the former management of Lightronics Participaties B.V.

6 INCOME TAX EXPENSE

Analysis of income tax expense in the year:

	2021 £'000	2020 £'000
Current tax		
Current tax on profits for the year	4,128	3,691
Adjustments in respect of prior years	(564)	(981)
Total current tax	3,564	2,710
Deferred tax		
Origination and reversal of temporary differences	765	(81)
Total deferred tax	765	(81)
Income tax expense	4,329	2,629

The tax assessed for the year is higher (2020: lower) than the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%). The differences are explained below:

	2021 £'000	2020 £'000
Profit before income tax	20,141	15,943
Profit on ordinary activities multiplied by the standard rate in the UK of 19% (2020: 19%)	3,827	3,029
Effects of:		
Expenses not deductible for tax purposes	1,077	854
Accelerated tax allowances and other timing differences	238	17
Adjustments in respect of prior years	(564)	(981)
Patent box relief	(686)	(643)
Foreign profit taxed at higher rate	437	353
Tax charge	4,329	2,629

The effective tax rate was 21.49% (2020: 16.49%). Adjustments in respect of prior years relates to refunds received for prudent assumptions on additional investment allowances and patent box relief in the tax calculations.

The UK corporation tax rate of 19% (effective 1 April 2020) was substantively enacted on 17 March 2020. The UK corporation tax rate increase from 19% to 25% from 1 April 2023, was substantively enacted in May 2021. This has led to an increase in the deferred tax assets and liabilities at 30 June 2021 as these values have been calculated based on a rate at which they are expected to crystallise.

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	2021	2020
Weighted average number of ordinary shares in issue	116,511,580	116,272,709
Profit attributable to equity holders of the Company (£'000)	15,812	13,314
Basic earnings per share (pence per share) total	13.57	11.45

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 earned for share options where performance conditions have been achieved.

Diluted	2021	2020
Weighted average number of ordinary shares in issue (diluted)	116,938,189	116,805,366
Profit attributable to equity holders of the Company (£'000)	15,812	13,314
Diluted earnings per share (pence per share) total	13.52	11.40

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For the year ended 30 June 2021

8 PROPERTY, PLANT AND EQUIPMENT

	Group				Company			
	Freehold land and buildings £'000	Plant and equipment £'000	Right-of-use assets £'000	Total £'000	Freehold land and buildings £'000	Plant and equipment £'000	Right of use assets £'000	Total £'000
Cost								
At 1 July 2020	23,552	26,933	856	51,341	6,484	20,356	–	26,840
Additions	133	2,435	364	2,932	45	1,000	–	1,045
Disposals*	(1,181)	(1,548)	(276)	(3,005)	–	(695)	–	(695)
Currency translation	(410)	(158)	(49)	(617)	–	–	–	–
At 30 June 2021	22,094	27,662	895	50,651	6,529	20,661	–	27,190
Accumulated depreciation								
At 1 July 2020	4,362	15,955	450	20,767	2,245	12,615	–	14,860
Charge for the year	617	2,487	212	3,316	154	1,731	–	1,885
Disposals*	(283)	(1,013)	(221)	(1,517)	–	(573)	–	(573)
Currency translation	(58)	(84)	(24)	(166)	–	–	–	–
At 30 June 2021	4,638	17,345	417	22,400	2,399	13,773	–	16,172
Net book amount								
At 30 June 2021	17,456	10,317	478	28,251	4,130	6,888	–	11,018

* Disposals includes the write off of assets as a result of the Lightronics fire.

	Group				Company			
	Freehold land and buildings £'000	Plant and equipment £'000	Right-of-use assets £'000	Total £'000	Freehold land and buildings £'000	Plant and equipment £'000	Right of use assets £'000	Total £'000
Cost								
At 30 June 2019	19,720	23,851	–	43,571	6,374	18,304	–	24,678
Adoption of IFRS16	–	–	2,266	2,266	–	–	13	13
At 1 July 2019	19,720	23,851	2,266	45,837	6,374	18,304	13	24,691
Additions	3,709	4,016	192	7,917	110	2,531	–	2,641
Disposals	(31)	(1,005)	(1,628)	(2,664)	–	(479)	(13)	(492)
Transfers	(17)	17	–	–	–	–	–	–
Currency translation	171	54	26	251	–	–	–	–
At 30 June 2020	23,552	26,933	856	51,341	6,484	20,356	–	26,840
Accumulated depreciation								
At 30 June 2019	3,712	14,506	–	18,218	2,095	11,398	–	13,493
Adoption of IFRS16	–	–	908	908	–	–	9	9
At 1 July 2019	3,712	14,506	908	19,126	2,095	11,398	9	13,502
Charge for the year	662	2,331	228	3,221	150	1,623	4	1,777
Disposals	(31)	(911)	(699)	(1,641)	–	(406)	(13)	(419)
Transfers	(2)	2	–	–	–	–	–	–
Currency translation	21	27	13	61	–	–	–	–
At 30 June 2020	4,362	15,955	450	20,767	2,245	12,615	–	14,860
Net book amount								
At 30 June 2020	19,190	10,978	406	30,574	4,239	7,741	–	11,980

Freehold land which was not depreciated at 30 June 2021 amounted to £758,000 (2020: £774,000) (Group) and £500,000 (2020: £500,000) (Company).

9 INTANGIBLE ASSETS

Group 2021	Goodwill £'000	Development costs £'000	Technology £'000	Brand name £'000	Software £'000	Patents £'000	Fishing rights £'000	Total £'000
Cost								
At 1 July 2020	15,116	7,357	3,000	1,323	2,573	150	182	29,701
Additions	–	1,516	–	–	240	–	–	1,756
Write-offs and transfers	–	(964)	–	–	(5)	–	–	(969)
Currency translation	(685)	(38)	(154)	(66)	3	–	–	(940)
At 30 June 2021	14,431	7,871	2,846	1,257	2,811	150	182	29,548
Accumulated amortisation								
At 1 July 2020	248	3,902	1,908	980	1,481	150	–	8,669
Charge for the year	–	1,508	373	74	373	–	–	2,328
Write-offs and transfers	–	(964)	–	–	(5)	–	–	(969)
Currency translation	(7)	(31)	(102)	(48)	3	–	–	(185)
At 30 June 2021	241	4,415	2,179	1,006	1,852	150	–	9,843
Net book amount								
At 30 June 2021	14,190	3,456	667	251	959	–	182	19,705

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

Group 2020	Goodwill £'000	Development costs £'000	Technology £'000	Brand name £'000	Software £'000	Patents £'000	Fishing rights £'000	Total £'000
Cost								
At 1 July 2019	14,921	7,292	2,956	1,304	2,202	150	182	29,007
Additions	–	1,322	–	–	397	–	–	1,719
Write-offs and transfers	–	(1,275)	–	–	(26)	–	–	(1,301)
Currency translation	195	18	44	19	–	–	–	276
At 30 June 2020	15,116	7,357	3,000	1,323	2,573	150	182	29,701
Accumulated amortisation								
At 1 July 2019	246	3,441	1,504	801	1,178	150	–	7,320
Charge for the year	–	1,715	371	162	329	–	–	2,577
Write-offs and transfers	–	(1,275)	–	–	(26)	–	–	(1,301)
Currency translation	2	21	33	17	–	–	–	73
At 30 June 2020	248	3,902	1,908	980	1,481	150	–	8,669
Net book amount								
At 30 June 2020	14,868	3,455	1,092	343	1,092	–	182	21,032

Amortisation and impairment of £2,328,000 (2020: £2,577,000) is included in the administrative expenses. Included in goodwill are amounts of £2,618,000 (2020: £2,618,000) arising from the acquisition of Portland Lighting Limited in 2011, €7,784,000 (£6,684,000) (2020: €7,784,000 (£7,091,000)) arising from the acquisition of Lightronics Participaties B.V. in 2015 and €5,057,000 (£4,343,000) (2020: €5,057,000 (£4,607,000)) arising from the acquisition of Famostar Emergency Lighting B.V. 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.

Notes to the Financial Statements continued

For the year ended 30 June 2021

9 INTANGIBLE ASSETS CONTINUED

The Group tests intangible assets annually for impairment, or more frequently if there are indications of impairment, for each relevant cash generating unit (CGU). CGUs in the Group comprise the entities FW Thorpe Plc, Lightronics Participaties B.V., Lightronics B.V., Philip Payne Limited, Solite Europe Limited, Portland Lighting Limited, TRT Lighting Limited, Thorlux Lighting L.L.C., Thorlux Australasia Pty Limited, Thorlux Lighting GmbH and Famostar Emergency Lighting B.V.

For Portland Lighting Limited the value in use has been determined using cashflow projections covering a five year period with a terminal value all discounted at a rate of 7.6%. For prudence, no growth has been assumed from 2022. For an impairment to be required, the discount rate would need to exceed 15.4% (Group) and 11.6% (Company: investments in subsidiaries).

For the other CGUs an EBITDA analysis is computed to compare against the net carrying value of the goodwill and other intangible assets for each CGU as appropriate. A multiple based on a six times EBITDA, that we consider a reasonable multiple for the sector, is used in these computations, except for Famostar B.V. where an EBITDA multiple of five and a half has been used.

Due to the timing 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 we consider that our goodwill is fully recoverable with headroom on the Lightronics and Famostar CGUs of £20m in the Group and £12m in the Company (investments in subsidiaries, financial assets at amortised cost and amounts due from Group companies).

	Development costs £'000	Software £'000	Patents £'000	Fishing rights £'000	Total £'000
Company 2021					
Cost					
At 1 July 2020	5,081	2,574	150	182	7,987
Additions	1,101	222	–	–	1,323
Write-offs and transfers	–	–	–	–	–
At 30 June 2021	6,182	2,796	150	182	9,310
Accumulated amortisation					
At 1 July 2020	2,262	1,501	150	–	3,913
Charge for the year	1,234	365	–	–	1,599
Write-offs and transfers	–	–	–	–	–
At 30 June 2021	3,496	1,866	150	–	5,512
Net book amount					
At 30 June 2021	2,686	930	–	182	3,798

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

	Development costs £'000	Software £'000	Patents £'000	Fishing rights £'000	Total £'000
Company 2020					
Cost					
At 1 July 2019	5,275	2,183	150	182	7,790
Additions	1,081	391	–	–	1,472
Write-offs and transfers	(1,275)	–	–	–	(1,275)
At 30 June 2020	5,081	2,574	150	182	7,987
Accumulated amortisation					
At 1 July 2019	2,258	1,190	150	–	3,598
Charge for the year	1,279	311	–	–	1,590
Write-offs and transfers	(1,275)	–	–	–	(1,275)
At 30 June 2020	2,262	1,501	150	–	3,913
Net book amount					
At 30 June 2020	2,819	1,073	–	182	4,074

9 INTANGIBLE ASSETS CONTINUED

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	
	2021	2020
	£'000	£'000
Investment in subsidiaries – cost	14,581	14,581

The movement in the investment and provisions is as follows:

	Costs	Provision
	£'000	£'000
At 1 July 2020 and 30 June 2021	14,581	–

Impairment for investments in subsidiaries has been considered within the headroom shown in note 9.

11 INVESTMENT PROPERTY

	Group		Company	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Cost				
At 1 July	2,259	2,259	11,448	10,211
Additions	–	–	305	1,237
Disposals	(33)	–	(44)	–
At 30 June	2,226	2,259	11,709	11,448
Accumulated depreciation				
At 1 July	272	253	1,318	1,080
Charge for the year	20	19	240	238
Disposals	(33)	–	(33)	–
At 30 June	259	272	1,525	1,318
Net book amount				
At 30 June	1,967	1,987	10,184	10,130

The following amounts have been recognised in the income statement:

	Group		Company	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Rental income	137	142	463	408
Direct operating expenses arising from investment properties that generate rental income	(105)	(98)	(325)	(316)

The investment property and land owned by 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 £1,296,000 (2020: £1,296,000) is freehold land and therefore not depreciated; the property element includes accumulated depreciation of £259,000 (2020: £272,000) which relates to the property occupied by Mackwell Electronics Limited. This investment property has been independently valued and has a market value that is not materially higher than its cost.

Notes to the Financial Statements continued

For the year ended 30 June 2021

11 INVESTMENT PROPERTY CONTINUED

An external fair value exercise of the land by the River Wye and the land in Monmouthshire was last undertaken in June 2019 resulting in a valuation of £1.57m, 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 2021 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.

12 FINANCIAL ASSETS AT AMORTISED COST

The Group classifies its financial assets at amortised cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows; and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

Financial assets at amortised cost include the following debt investments. The Group applied the expected credit risk model to calculate the impairment provision.

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. £377,000 was repaid during the year (2020: £nil), leaving a balance due at 1% over the Bank of England base rate of £nil (2020: £377,000).

As the loan has been fully repaid the Group and Company have released the provision that was included in the previous financial statements. As at the date of these financial statements, the provision is £nil (2020: £177,000) for these loan notes.

During 2018, £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 base rate. This loan is secured against Mr Brangwin's shareholding in FW Thorpe Plc. No repayment was received during the year.

This debt investment is considered to have a minimal risk of default due to the collateral that is held as security, and therefore the impairment provision is determined as 12 months expected credit losses. As at the date of these financial statements, no provision was recorded.

Therefore the total balance due from Mackwell and its directors is £1,800,000 (2020: £2,000,000) after provisions.

Luxintec S.L.

During the year loan notes of €869,000 (£746,000) were provided to Luxintec S.L., an investment in the company is held under financial assets at fair value through other comprehensive income, with ordinary interest payable at 1.5% fixed rate payable quarterly. This loan is secured against the company assets.

This debt investment is considered to have a minimal risk of default due to the collateral that is held as security, and therefore the impairment provision is determined as 12 months expected credit losses. As at the date of these financial statements, no provision was recorded.

At the date of the financial statements, the loan notes balance was €869,000 (2020: €nil) equating to £746,000 (2020: £nil) at the end of year exchange rate.

12 FINANCIAL ASSETS AT AMORTISED COST CONTINUED

Famostar Emergency Lighting B.V.

Part of the acquisition of Famostar Emergency Lighting 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. During the year €467,000 was repaid and at the date of the financial statements, the loan notes balance was €nil (2020: €467,000) equating to £nil (2020: £425,000) at the end of year exchange rate.

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.

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
At 1 July	2,425	3,567	12,963	12,115
Issued	746	–	1,151	2,283
Repaid	(802)	(1,136)	(2,655)	(1,484)
Fair value adjustment	177	23	(143)	(114)
Exchange rate movement	–	(29)	(489)	163
At 30 June	2,546	2,425	10,827	12,963
	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Analysis of total financial assets at amortised cost				
Non-current	746	1,800	9,027	12,338
Current	1,800	625	1,800	625
	2,546	2,425	10,827	12,963

The £1,151,000 loans issued by the Company are £746,000 issued to Luxintec S.L. as above and £405,000 to Thorlux Lighting L.L.C.

The debt investment to Lightronics Participaties B.V. of €8,549,000 (£7,341,000) has shown no significant increase in credit risk since the inception of the loan, and therefore the impairment provision is determined as 12 months expected credit losses. As at the date of these financial statements, no provision was recorded.

The debt investment to Thorlux Lighting L.L.C. of £1,590,000 is considered to be underperforming and therefore the impairment provision is determined as lifetime expected credit losses. As at the date of these financial statements, the Company has made a provision of £650,000 (2020: £261,000) for these loan notes based on an expected credit loss of 45%.

Notes to the Financial Statements continued

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13 EQUITY ACCOUNTED INVESTMENTS AND JOINT ARRANGEMENTS

The Group has a joint operation in the United Arab Emirates. Thorlux Lighting L.L.C. is registered in the United Arab Emirates and operates from a sales office in Abu Dhabi. The Group has applied the proportionate consolidation method of accounting to recognise this interest.

The Group invested €1,200,000 for 40% of the share capital of Luxintec S.L., a company based in Spain, in 2016. In the previous year, this was reclassified to financial assets at fair value through other comprehensive income as the Group is not able to assert influence over the management of this investment.

The Group assesses on a forward looking basis the associated expected credit losses and the impairment methodology applied depends on whether there has been a significant increase in credit risk, as allowed under IFRS 9. As at the date of these financial statements, no provision was recorded for the Group.

	Group		Company	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
At 1 July	-	936	-	936
Reclassification to financial assets at fair value through other comprehensive income	-	(936)	-	(936)
At 30 June	-	-	-	-

14 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2021	2020
	£'000	£'000
Group and Company		
Beginning of year	3,772	3,683
Net (disposals)/additions	(143)	61
Reclassification from equity accounted investments and joint arrangements	-	936
Reclassification to trade and other receivables	-	(74)
Revaluation	135	(834)
At 30 June	3,764	3,772

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. Financial assets at fair value through other comprehensive income are subsequently carried at fair value.

Financial assets at fair value through other comprehensive income comprise:

- Listed equity in the UK, and are denominated in UK pounds. None of these assets is either past due or impaired; and
- The Group invested €1,200,000 for 40% of the share capital of Luxintec S.L., a company based in Spain, in 2016.

An impairment of £529,000 (2020: £407,000) is included in the revaluation amount of £135,000 for the investment in Luxintec S.L. based on the fair value assessment of this investment.

Classified as financial assets at fair value through other comprehensive income as the Group is not able to assert influence over the management of this investment.

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 financial assets at fair value through other comprehensive income, 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 financial assets at fair value through other comprehensive income, 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.

15 INVENTORIES

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Raw materials	14,992	16,257	6,853	8,654
Work in progress	2,228	2,964	1,687	2,379
Finished goods	3,169	6,075	2,988	5,881
	20,389	25,296	11,528	16,914

The value of the inventory provision is £2,928,000 (2020: £3,308,000) for the Group and £1,475,000 (2020: £1,702,000) for the Company.

16 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Current				
Trade receivables	25,599	18,945	17,103	12,064
Other receivables	1,982	941	1,837	833
Prepayments and accrued income	1,729	1,370	1,014	986
Amounts owed by subsidiaries	–	–	9,070	8,250
Total	29,310	21,256	29,024	22,133

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	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Trade receivables past due date not provided	3,339	1,734	2,476	1,157

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.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. A significant proportion of the trade receivables are insured. The policy covers 90% of the debt in the event of a claim for default, where the customer is in severe financial difficulty. No bad debt provision is made in respect of trade receivables from Government departments or agencies. At 30 June 2021 the bad debt provision for the Group amounted to £180,000 (2020: £154,000) and for the Company £23,000 (2020: £27,000).

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. Credit limits are reviewed at least every 6 months to assess and amend, where appropriate, the credit limit offered to customers.

Included in amounts owed by subsidiaries are provisions for expected credit losses for Thorlux Lighting L.L.C. of £264,000 (2020: £442,000) and Thorlux Australasia PTY Limited of £643,000 (2020: £497,000), based on an expected credit loss of 45%.

During the year the following amounts were written off (excluding amounts owed by subsidiaries):

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Bad debts written off	26	47	–	41
Bad debts recovered	(5)	(41)	–	(40)
Net bad debt expense	21	6	–	1

Notes to the Financial Statements continued

For the year ended 30 June 2021

16 TRADE AND OTHER RECEIVABLES CONTINUED

At 30 June 2021, trade receivables were due to the Group and Company in the following currency denominations:

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Due in £ sterling	18,217	12,525	15,232	11,192
Due in € euro	7,166	5,826	1,871	718
Due in UAE dirham	82	312	–	–
Due in AUD Australian dollars	134	128	–	–
Due in \$ United States dollars	–	154	–	154
	25,599	18,945	17,103	12,064

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.

17 SHORT-TERM FINANCIAL ASSETS

Group and Company	2021 £'000	2020 £'000
Beginning of year	18,580	26,483
Net deposits/(withdrawals)	5,023	(7,903)
	23,603	18,580

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 have a minimum rating of "A" by Fitch, with a specific rating of "F1" for short-term funds.

18 CASH AND CASH EQUIVALENTS

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Cash at bank and in hand	52,268	44,422	47,064	37,218

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

19 TRADE AND OTHER PAYABLES

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Current liabilities				
Trade payables	10,600	9,069	7,149	6,018
Contract liabilities	1,360	414	1,359	414
Other payables	17,048	16,948	16,060	12,826
Social security and other taxes	2,289	2,447	849	1,236
Accruals and deferred income	7,901	7,307	5,242	5,085
Amounts owed to subsidiaries	–	–	2,483	2,385
	39,198	36,185	33,142	27,964
Non-current liabilities				
Other payables	78	67	–	–
	78	67	–	–

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.

Included within other payables in 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. of £16,593,000 (2020: £15,550,000), including a loan of £899,000 (2020: £1,971,000) from Spuiweg Holding B.V. For the Company, the commitment to purchase the outstanding share appreciation rights (deferred consideration) is £15,694,000 (2020: £12,429,000).

Non-current liabilities relates to post employment benefits at Thorlux Australasia Pty Limited and Thorlux Lighting L.L.C.

20 LEASE LIABILITIES

Right-of-use assets

	Property £'000	Plant and equipment £'000	Motor vehicles £'000	Total £'000
At 1 July 2019	929	32	397	1,358
Additions*	–	56	136	192
Depreciation charge for the year	–	(23)	(205)	(228)
Lease termination	(929)	–	–	(929)
Currency translation	–	2	11	13
At 30 June 2020	–	67	339	406
Additions*	–	5	359	364
Depreciation charge for the year	–	(20)	(192)	(212)
Lease termination	–	(2)	(53)	(55)
Currency translation	–	(2)	(23)	(25)
At 30 June 2021	–	48	430	478

* Additions comprise increases to right-of-use assets as a result of entering into new leases.

Lease liabilities

Lease liabilities recognised at 30 June 2021 total £661,000 (2020: £637,000) of which £226,000 (2020: £220,000) is due within one year and £435,000 (2020: £417,000) due after more than one year. There are no contractual options to either extend or terminate early lease agreements.

Notes to the Financial Statements continued

For the year ended 30 June 2021

20 LEASE LIABILITIES CONTINUED

Maturity analysis

The timing of the payments due over the remaining lease term for these liabilities is as follows:

	Total £'000
2021	
Within one year	226
More than one but less than five years	434
More than five years	1
Total due including interest	661

The total cash paid on these leases during the year was £349,000.

	£'000
2021	
Expense relating to short-term leases	146
Expense relating to low value leases	12

21 PENSION SCHEME

The Group operates a funded hybrid pension scheme for employees in the UK. The scheme is approved by H.M. Revenue and Customs 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 2021 amounted to £614,000 (2020: £616,000). 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 2018, and at that date the value of the fund was £39,556,000. 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	2.60%
Revaluation for deferred pensioners	2.60%

21 PENSION SCHEME CONTINUED

The figures at 30 June 2018 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 2021 by an independent qualified actuary using the following major assumptions:

	2021	2020	2019	2018	2017
Price inflation	3.50%	3.30%	3.50%	3.40%	3.50%
Salary increases	3.50%	3.30%	3.50%	3.40%	3.50%
Discount rate	1.80%	1.40%	2.10%	2.70%	2.60%
Revaluation for deferred pensioners	2.80%	2.30%	2.50%	2.40%	2.50%
Pension increases in payment of 5% pa or RPI if less	3.30%	3.10%	3.30%	3.20%	3.30%
Pension increases in payment of 2.5% pa or RPI if less	2.20%	2.10%	2.20%	2.10%	2.20%
Life expectancy at age 65 – men	22.1 years	22.5 years	22.5 years	23.1 years	23.0 years
Life expectancy at age 65 in 20 years – men	23.4 years	23.6 years	23.5 years	24.8 years	24.7 years
Life expectancy at age 65 – women	24.3 years	24.7 years	24.7 years	25.4 years	25.3 years
Life expectancy at age 65 in 20 years – women	25.4 years	25.9 years	25.9 years	27.2 years	27.1 years

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

	30 June 2021		30 June 2020		30 June 2019		30 June 2018		30 June 2017	
	Expected long-term rate of return %	Value £'000	Expected long-term rate of return %	Value £'000	Expected long-term rate of return %	Value £'000	Expected long-term rate of return %	Value £'000	Expected long-term rate of return %	Value £'000
Equities	1.8%	13,269	1.4%	11,003	2.70%	12,570	2.70%	13,154	2.60%	12,152
Bonds	1.8%	26,458	1.4%	29,549	2.70%	26,618	2.70%	24,769	2.60%	25,859
Other	1.8%	2,832	1.4%	2,300	2.70%	2,387	2.70%	1,665	2.60%	413
Total market value of assets		42,559		42,852		41,575		39,588		38,424
Present value of scheme liabilities		(40,350)		(42,583)		(39,437)		(37,259)		(37,710)
Surplus in the scheme		2,209		269		2,138		2,329		714

Amounts recognised in Statement of Financial Position

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

	2021 £'000	2020 £'000
Present value of funded obligations	(40,350)	(42,583)
Fair value of plan assets	42,559	42,852
Surplus in the scheme	2,209	269
Less restriction of surplus recognised in the Statement of Financial Position	(2,209)	(269)
Asset recognised in the Statement of Financial Position	–	–

Notes to the Financial Statements continued

For the year ended 30 June 2021

21 PENSION SCHEME CONTINUED

Movement in defined benefit obligation

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

	2021 £'000	2020 £'000
At 1 July	(42,583)	(39,437)
Current service cost	(432)	(446)
Interest cost	(583)	(818)
Contributions by plan participants	(272)	(328)
Actuarial loss	964	(3,302)
Benefits paid	2,556	1,748
At 30 June	(40,350)	(42,583)

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:

	2021 £'000	2020 £'000
At 1 July	42,852	41,575
Expected return in plan assets	588	864
Actuarial gains	789	1,217
Employer contributions	614	616
Employee contributions	272	328
Benefits paid	(2,556)	(1,748)
At 30 June	42,559	42,852

Amounts recognised in Income Statement

The amounts recognised in the Income Statement are as follows:

	2021 £'000	2020 £'000
Current service cost	432	446

Actuarial loss recognised in Statement of Comprehensive Income for the year

	2021 £'000	2020 £'000
Actual return less expected return on pension scheme assets	789	1,217
Experience losses arising on the scheme liabilities	(951)	(171)
Changes in assumptions underlying the present value on the scheme liabilities	1,915	(3,131)
Net interest income	5	46
Restriction of decrease in pension scheme surplus	(1,940)	1,869
Actuarial loss recognised in the Statement of Comprehensive Income	(182)	(170)
	2021 £'000	2020 £'000
Cumulative actuarial loss recognised in the Statement of Comprehensive Income at 1 July	(6,486)	(4,447)
Actuarial gain/(loss) recognised in the Statement of Comprehensive Income for the year	1,758	(2,039)
Cumulative actuarial loss recognised in the Statement of Comprehensive Income at 30 June	(4,728)	(6,486)

21 PENSION SCHEME CONTINUED

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 (2020: £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 ended 30 June 2021 was £1,377,000 (2020: £2,081,000) or 3.2% (2020: 3.1%). The Group expects to pay £602,000 contributions (2020: £634,000) into the pension scheme during the forthcoming year.

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

	2021		2020		2019		2018		2017	
	£'000	%	£'000	%	£'000	%	£'000	%	£'000	%
Difference between the expected and actual return on scheme assets	789		1,217		1,755		592		2,121	
Percentage of scheme assets		2%		3%		4%		1.5%		6%
Experience (loss)/gain on scheme liabilities	(951)		(171)		(294)		214		(1,129)	
Percentage of the present value of scheme liabilities		2%		0%		1%		(0.6%)		3%
Changes in assumptions underlying the present value of the scheme liabilities	1,915		(3,131)		(1,901)		632		(2,254)	
Percentage of the present value of scheme liabilities		(5%)		7%		5%		(1.7%)		6%
Movement in recovery plan liability	-		-		-		-		-	
Percentage of the present value of scheme liabilities		0%		0%		0%		0%		0%
Net interest income	5		46		66		21		51	
Percentage of the present value of scheme liabilities		0%		0%		0%		0%		0%
Amount which has been recognised in the SOCI	1,758		(2,039)		(374)		1,459		(1,211)	
Percentage of the present value of scheme liabilities		4%		5%		1%		4%		3%

Sensitivity analysis

The impact on the defined benefit obligation of changes in the significant assumptions is shown approximately below:

Assumption varied	Defined benefit obligation £m
As at 30 June 2021	40.4
Discount rate 0.5% p.a. higher	38.3
Increase in salaries 0.5% p.a. higher	40.5
Pension increase (in payment and in deferment) 0.5% p.a. higher	41.5
Life expectancy one year longer	41.5

The figures assume that each assumption is changed independently of the others. Therefore, the disclosures are only a guide because the effect of changing more than one assumption is not cumulative.

Notes to the Financial Statements continued

For the year ended 30 June 2021

22 PROVISIONS FOR LIABILITIES AND CHARGES

	WEEE provision £'000	Group Warranty provision £'000	Total £'000	WEEE provision £'000	Company Warranty provision £'000	Total £'000
At 1 July 2019	102	2,302	2,404	102	364	466
Additions	–	559	559	–	368	368
Utilisation	–	(200)	(200)	–	(39)	(39)
Surplus	–	(65)	(65)	–	–	–
Currency translation	–	23	23	–	–	–
At 1 July 2020	102	2,619	2,721	102	693	795
Additions	–	611	611	–	432	432
Utilisation	–	(478)	(478)	–	(419)	(419)
Surplus	(102)	(428)	(530)	(102)	–	(102)
Currency translation	–	(82)	(82)	–	–	–
At 30 June 2021	–	2,242	2,242	–	706	706

	Group		Company	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Analysis of total provisions				
Non-current	2,242	2,721	706	795
Total	2,242	2,721	706	795

WEEE provision

A potential liability was previously assessed 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. The assessment was updated at the date of the financial statements where it was determined that no liability exists, consequently the provision was released.

Warranty provision

The usual warranty period provided by Group companies is between 5 and 10 years, dependant on market requirements, and the provision for warranty is based on expected claims over the remaining warranty period. This is calculated in accordance with the accounting policy estimates section included in note 1.

23 DEFERRED INCOME TAX

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

	Group		Company	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Deferred tax assets	–	–	–	–
Deferred tax liabilities	(1,591)	(601)	(956)	(398)
Net deferred tax liabilities	(1,591)	(601)	(956)	(398)

23 DEFERRED INCOME TAX CONTINUED

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

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Beginning of year	(601)	(699)	(398)	(493)
Adoption of IFRS 16	–	5	–	1
Income statement (charged)/credited	(765)	81	(373)	71
Tax (charged)/credited directly to equity	(236)	13	(185)	23
Currency translation	11	(1)	–	–
End of year	(1,591)	(601)	(956)	(398)

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

	Accelerated tax depreciation £'000	Total £'000
Deferred tax asset		
At 1 July 2019	–	–
Charged to the income statement	–	–
At 1 July 2020	–	–
Charged to the income statement	–	–
At 30 June 2021	–	–

	Accelerated tax depreciation £'000	Research & development £'000	Fair value & other timing differences £'000	Total £'000
Deferred tax liabilities				
At 1 July 2019	150	668	(119)	699
Adoption of IFRS 16	–	–	(5)	(5)
Charged/(credited) to the income statement	107	(100)	(88)	(81)
(Charged)/credited directly to equity	13	69	(95)	(13)
Currency translation	–	1	–	1
At 1 July 2020	270	638	(307)	601
Charged/(credited) to the income statement	253	(13)	525	765
(Charged)/credited directly to equity	80	193	(37)	236
Currency translation	(10)	(2)	1	(11)
At 30 June 2021	593	816	182	1,591

Notes to the Financial Statements continued

For the year ended 30 June 2021

23 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 2019	112	501	(120)	493
Adoption of IFRS 16	–	–	(1)	(1)
Charged/(credited) to the income statement	58	(45)	(84)	(71)
Charged/(credited) directly to equity	13	59	(95)	(23)
At 1 July 2020	183	515	(300)	398
Charged/(credited) to the income statement	204	(52)	221	373
Charged/(credited) directly to equity	57	163	(35)	185
At 30 June 2021	444	626	(114)	956

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

Deferred tax (charged)/credited to equity	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Tax on revaluation of financial assets at fair value through other comprehensive income	(236)	13	(185)	23
	(236)	13	(185)	23

24 SHARE CAPITAL

Authorised, allotted and fully paid	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
118,935,590 ordinary shares of 1p each (2020: 118,935,590 ordinary shares of 1p each)	1,189	1,189	1,189	1,189

The ordinary shareholders each have one vote per share.

Movements in treasury shares included in share capital	Group and Company		Group and Company	
	2021 £'000	2020 £'000	2021 No. of shares	2020 No. of shares
At 1 July	26	28	2,605,093	2,814,932
Shares issued from treasury	(3)	(2)	(331,524)	(209,839)
At 30 June	23	26	2,273,569	2,605,093

There were no new shares issued during the year (2020: nil). 331,524 (2020: 209,839) shares were issued from treasury for the exercise of share options, of which the Company repurchased none (2020: nil). There are 683,423 (2020: 1,044,482) share options outstanding at the year end.

25 OTHER RESERVES

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Share premium account	1,960	1,526	1,960	1,526
Capital redemption reserves	137	137	137	137
Foreign currency translation reserve	2,076	2,764	–	–
	4,173	4,427	2,097	1,663

26 DIVIDENDS

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

Dividends paid (pence per share)	2021	2020
Final dividend	4.20	4.10
Interim dividend	1.49	1.46
Total	5.69	5.56

A final dividend in respect of the year ended 30 June 2021 of 4.31p per share, amounting to £5,028,000 (2020: £4,886,000) and a special dividend of 2.20p, amounting to £2,567,000 (2020: £nil) are to be proposed at the Annual General Meeting on 18 November 2021 and, if approved, will be paid on 25 November 2021 to shareholders on the register on 29 October 2021. The ex-dividend date is 28 October 2021. These financial statements do not reflect this dividend payable.

Dividends proposed (pence per share)	2021	2020
Final dividend	4.31	4.20
Special dividend	2.20	–

Dividends paid	2021 £'000	2020 £'000
Final dividend	4,895	4,770
Interim dividend	1,736	1,698
Total	6,631	6,468

Dividends proposed	2021 £'000	2020 £'000
Final dividend	5,028	4,886
Special dividend	2,567	–

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 grant date. The application of IFRS 2 gave rise to a charge of £47,000 (2020: £60,000) for the year.

At 30 June 2021, there were 683,423 options exercisable (2020: 1,044,482) under the ESOP or SAYE schemes.

Notes to the Financial Statements continued

For the year ended 30 June 2021

27 SHARE BASED PAYMENT CHARGE CONTINUED

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)	
Outstanding at 1 July 2020	640,322	124	404,160	209	1,044,482
Exercised during the year	(305,322)	124	(26,202)	209	(331,524)
Forfeited during the year	(20,000)	–	(9,535)	–	(29,535)
Outstanding at 30 June 2021	315,000	124	368,423	209	683,423

The weighted average contractual life of the share based payments outstanding at the end of the year is 3.3 years for the ESOP scheme and 0.8 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, principal 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. and Famostar Emergency Lighting 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 £1,384,000 (2020: £1,151,000) for the year. The total liability at 30 June 2021 was £4,135,000 (2020: £2,752,000).

The fair value of the share based payment (being 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 £501,000 (2020: £317,000).

28 CASH GENERATED FROM OPERATIONS

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Cash generated from continuing operations				
Profit before income tax	20,141	15,943	15,298	14,117
Depreciation charge	3,316	3,221	1,885	1,777
Depreciation of investment property	20	19	240	238
Amortisation of intangibles	2,328	2,577	1,599	1,590
(Profit)/loss on disposal of property, plant and equipment	(115)	(118)	(98)	(109)
Loss on disposal of investment property	–	–	11	–
Exceptional item in respect of Lightronics fire	(1,566)	–	–	–
Insurance proceeds re inventory lost in fire	5	–	–	–
Insurance proceeds re other costs	318	–	–	–
Net finance expense/(income)	652	389	(4,292)	(4,961)
Retirement benefit contributions in excess of current and past service charge	(182)	(170)	(182)	(170)
Share based payment charge	1,429	1,211	1,429	1,211
Research and development expenditure credit	(289)	(249)	(183)	(174)
Effects of exchange rate movements	1,114	(219)	1,245	(81)
Changes in working capital				
– Inventories	4,878	238	5,386	1,439
– Trade and other receivables	(7,287)	571	(7,612)	(1,358)
– Payables and provisions	964	(182)	3,727	(561)
Total cash generated from operations	25,726	23,231	18,453	12,958

29 CAPITAL COMMITMENTS

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Property, plant and equipment	2,303	46	169	45

Capital expenditure contracted for at the statement of financial position date but not yet incurred includes £2,034,000 for the rebuild of the Lightronics building.

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 £3,764,000 (2020: £3,243,000) of fixed rate listed investments included in financial assets at fair value through other comprehensive income 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. There have been no changes to valuation techniques or movements between levels of the hierarchy in the year.

Notes to the Financial Statements continued

For the year ended 30 June 2021

30 FINANCIAL INSTRUMENTS BY CATEGORY CONTINUED

The accounting policies for financial instruments have been applied to the line items below:

Group	Financial assets at amortised cost £'000	Financial assets at fair value through other comprehensive income £'000	Total £'000
30 June 2021			
Financial assets at amortised cost	2,546	–	2,546
Financial assets at fair value through other comprehensive income	–	3,764	3,764
Trade and other receivables	27,581	–	27,581
Short-term financial assets	23,603	–	23,603
Cash and cash equivalents	52,268	–	52,268
Total	105,998	3,764	109,762

Group	Financial assets at amortised cost £'000	Financial assets at fair value through other comprehensive income £'000	Total £'000
30 June 2020			
Financial assets at amortised cost	2,425	–	2,425
Financial assets at fair value through other comprehensive income	–	3,772	3,772
Trade and other receivables	19,886	–	19,886
Short-term financial assets	18,580	–	18,580
Cash and cash equivalents	44,422	–	44,422
Total	85,313	3,772	89,085

Company	Financial assets at amortised cost £'000	Financial assets at fair value through other comprehensive income £'000	Total £'000
30 June 2021			
Financial assets at amortised cost	10,827	–	10,827
Financial assets at fair value through other comprehensive income	–	3,764	3,764
Trade and other receivables	28,010	–	28,010
Short-term financial assets	23,603	–	23,603
Cash and cash equivalents	47,064	–	47,064
Total	109,504	3,764	113,268

30 FINANCIAL INSTRUMENTS BY CATEGORY CONTINUED

Company	Financial assets at amortised cost £'000	Financial assets at fair value through other comprehensive income £'000	Total £'000
30 June 2020			
Assets as per statement of financial position			
Financial assets at amortised cost	12,963	–	12,963
Financial assets at fair value through other comprehensive income	–	3,772	3,772
Trade and other receivables	21,147	–	21,147
Short-term financial assets	18,580	–	18,580
Cash and cash equivalents	37,218	–	37,218
Total	89,908	3,772	93,680

The above analysis excludes prepayments.

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Liabilities as per statement of financial position				
Trade and other payables (excluding statutory liabilities)	20,316	18,188	16,599	14,299
Deferred consideration	16,593	15,550	15,694	12,429
Other payables	78	67	–	–
Financial lease liabilities	661	637	–	–

Non current financial liabilities are lease liabilities (see note 20 for maturity analysis) and post employment benefits.

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. Included in other payables (deferred consideration) is an interest bearing loan, of which the principal amount of €1,047,000 (£899,000) is due for repayment within one year. Interest is contractually due to be paid annually until maturity, and is estimated at current rates to be €52,000 (£45,000) per year. Furthermore liabilities arising to repurchase share appreciation rights are non-interest bearing are all due within one year.

The Group and Company did not have derivative financial instruments at 30 June 2021 or 30 June 2020. All assets and liabilities above are considered to be at fair value.

Notes to the Financial Statements continued

For the year ended 30 June 2021

31 RELATED PARTY TRANSACTIONS

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

	Purchases of goods £'000	Sales of goods £'000	Sales of services £'000	Purchase of services £'000	Dividends paid to Company £'000
2021					
Philip Payne Limited	509	82	42	–	300
Solite Europe Limited	1,314	386	202	–	250
Portland Lighting Limited	202	7	75	–	200
TRT Lighting Limited	2,477	1,246	20	–	–
Thorlux Lighting L.L.C.	–	312	11	–	–
Lightronics Participaties B.V.	140	652	–	–	2,512
Thorlux Australasia PTY Limited	–	614	–	–	–
Thorlux Lighting GmbH	–	–	–	506	–
Famostar Emergency Lighting B.V.	–	6	–	–	–

	Purchases of goods £'000	Sales of goods £'000	Sales of services £'000	Purchase of services £'000	Dividends paid to Company £'000
2020					
Philip Payne Limited	648	145	86	–	600
Solite Europe Limited	537	259	178	–	600
Portland Lighting Limited	–	–	67	–	650
TRT Lighting Limited	2,028	1,235	223	–	–
Thorlux Lighting L.L.C.	–	405	–	–	–
Lightronics Participaties B.V.	125	359	–	–	1,776
Thorlux Australasia PTY Limited	–	756	–	–	–
Thorlux Lighting GmbH	–	–	–	471	–
Famostar Emergency Lighting B.V.	–	4	–	–	–

31 RELATED PARTY TRANSACTIONS CONTINUED

Trading 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	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Philip Payne Limited	(628)	(639)	12	61
Solite Europe Limited	(793)	(773)	35	159
Portland Lighting Limited	(578)	(400)	9	36
TRT Lighting Limited	(310)	(465)	297	819
Thorlux Lighting L.L.C.	–	–	381	238
Lightronics Participaties B.V.	(31)	(16)	5,905	4,782
Thorlux Australasia PTY Limited	–	–	1,645	1,802
Thorlux Lighting GmbH	(143)	(92)	–	–
Famostar Emergency Lighting B.V.	–	–	786	353
Total	(2,483)	(2,385)	9,070	8,250

Trading balances arise from transactions of goods and services carried out under normal commercial terms. The Company has loan balances due from Lightronics Participaties B.V. of €8,549,000 (£7,341,000) (2020: €10,626,000 (£9,680,000)) and Thorlux Lighting L.L.C. £1,590,000 (2020: £1,118,000). The Company has made provisions for receivables due from Thorlux Australasia PTY Limited of £643,000 (2020: £497,000) and £914,000 (2020: £703,000) due from Thorlux Lighting L.L.C.

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 67 to 70. There are 2 employees who are related parties (2020: 2). Total remuneration for the year was £94,000 (2020: £93,000).

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 £367,000 (2020: £7,000), purchased goods and services amounting to £31,000 (2020: £453,000). At the year end there were trade balances due to Luxintec S.L. of £21,000 (2020: £60,000) and £341,000 due from Luxintec S.L. (2020: £nil). During the year a new loan of €869,000 was provided to Luxintec S.L. with interest payable at 1.5% secured against the company's assets. The loan balance including interest at the year end was €873,000 (£750,000) (see note 12).

Notes to the Financial Statements continued

For the year ended 30 June 2021

32 GROUP COMPANIES

The parent Company has the following investments as at 30 June 2021 and 30 June 2020:

Name of undertaking	Country of incorporation	Description of shares held	Proportion of nominal value of issued shares held by Group and Company	
			30 June 2021	30 June 2020
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%	100%
Luxintec S.L.	Spain	Ordinary €1 shares	40%	40%
Thorlux Lighting Limited	Ireland	Ordinary €1 shares	100%	100%

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
Thorlux Lighting Limited	Unit G6 Riverview Business Park, Nangor Road, Gallanstown, Dublin 12, Ireland

32 GROUP COMPANIES CONTINUED

The principal activities of these Group companies are:

Compact Lighting Limited	– non-trading entity
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
Thorlux Lighting Limited	– sale of lighting equipment to industrial and commercial markets

For the year ended 30 June 2021, Compact Lighting Limited, Philip Payne Limited, Solite Europe Limited and Portland Lighting Limited are 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, for Philip Payne Limited it is 01361523, for Solite Europe Limited it is 02295852 and for Portland Lighting Limited it is 02826511.

33 EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

On 21 September 2021 the Group completed its commitment to purchase the outstanding share appreciation rights in the subsidiaries Lightronics Participaties B.V. and Famostar Emergency Lighting B.V. The settlement was executed by a cash payment of the outstanding liability.

On the 4 October 2021, the Group acquired 63% of the share capital of Electrozemper S.A. (Zemper), an emergency lighting specialist in Spain. The company was acquired by F W Thorpe Plc for initial consideration of €20.3m (£17.5m), plus €4.2m (£3.6m) for cash, working capital and property adjustments, with an additional €1.1m (£1.0m) payable subject to EBITDA performance 2021/22. The acquisition has been funded from the cash reserves of FW Thorpe Plc.

For the financial year to June 2021, Zemper achieved revenue of €20.3m (£17.4m) and operating profit of €3.8m (£3.3m). A fair value exercise will be performed in the next 12 months to determine the value of goodwill and other intangible assets that have arisen from this acquisition.

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 18 November 2021 at 3:15 pm to transact the business set out below.

ORDINARY BUSINESS

1. To receive and adopt the Annual Report and Accounts for the year ended 30 June 2021.
2. To declare a final dividend.
3. To declare a special dividend.
4. To re-elect Mr D Taylor as a director.
5. To re-elect Mr C Muncaster as a director.
6. To re-elect Mr P D Mason as a director.
7. 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 8 as an ordinary resolution and in the case of 9 as a special resolution.

8. That the directors' remuneration report (as set out on pages 67 to 70 of the Annual Report and Accounts) for the year ended 30 June 2021 be approved.
9. 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 2022; 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. If you wish to inspect these documents, please contact the Company at shareholders@fwthorpe.co.uk.
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 16 November 2021 (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 16 November 2021 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.
7. 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 16 November 2021 (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.
8. 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.
9. 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).
10. As at 5 October 2021 (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 2,273,569 shares held in treasury, the total voting rights in the Company as at 5 October 2021 are 116,662,021.

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

5 October 2021

Financial Calendar

2021

12 October	Posting of the Annual Report and Accounts
18 November	Annual General Meeting
25 November	Payment of final dividend

2022

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



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