FW Thorpe Plc

Annual Report and Accounts

2017

FW THORPE PLC

Who We Are

We specialise in designing and manufacturing professional lighting systems.

We currently employ over 600 people and although each company works autonomously, our skills and markets are complementary.

Investment Case

- A well positioned portfolio of companies over seven different countries

  Read about our portfolio on pages 4 to 5
- Innovative products with market leading technology

  Read about our Redditch Station Case Study on pages 18 to 21
- Strong profit margins and robust balance sheet

  Read about our Operational Performance on pages 22 to 29

Operational Highlights

Revenue and operating profit driven by strong performance across the Group

Successful first year for SmartScan wireless lighting controls

Lightronics continues to perform well

Now have 150,000 trees planted as part of our carbon offsetting project

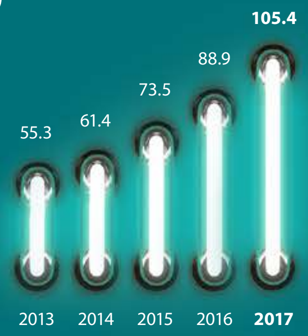
VISIT US ONLINE

To access further information please visit:

www.fwthorpe.co.uk

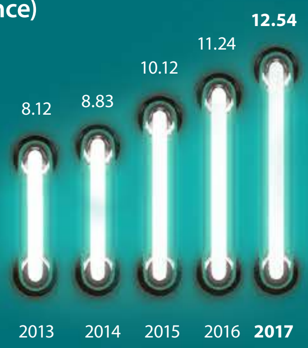
Financial Highlights

Revenue (£m)

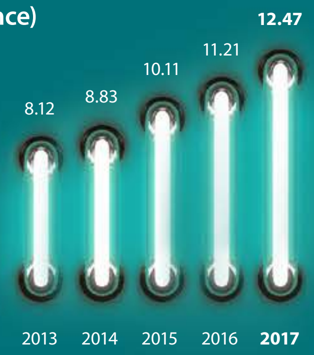


Operating Profit (£m)

Basic Earnings per Share (Pence)

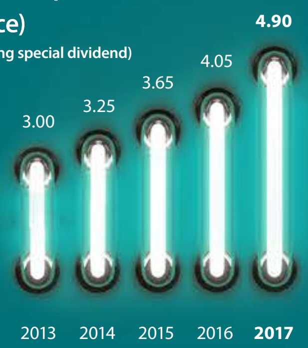


Diluted Earnings per Share (Pence)



Dividend per Share (Pence)

(excluding special dividend)



Read more about Our Strategy and Operational Performance on pages 16 and 22

Contents

Business Overview

Strategic Report

Governance

Financial Statements

FW Thorpe at a Glance

Our Global Footprint

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

2 **Netherlands**
Lightronics

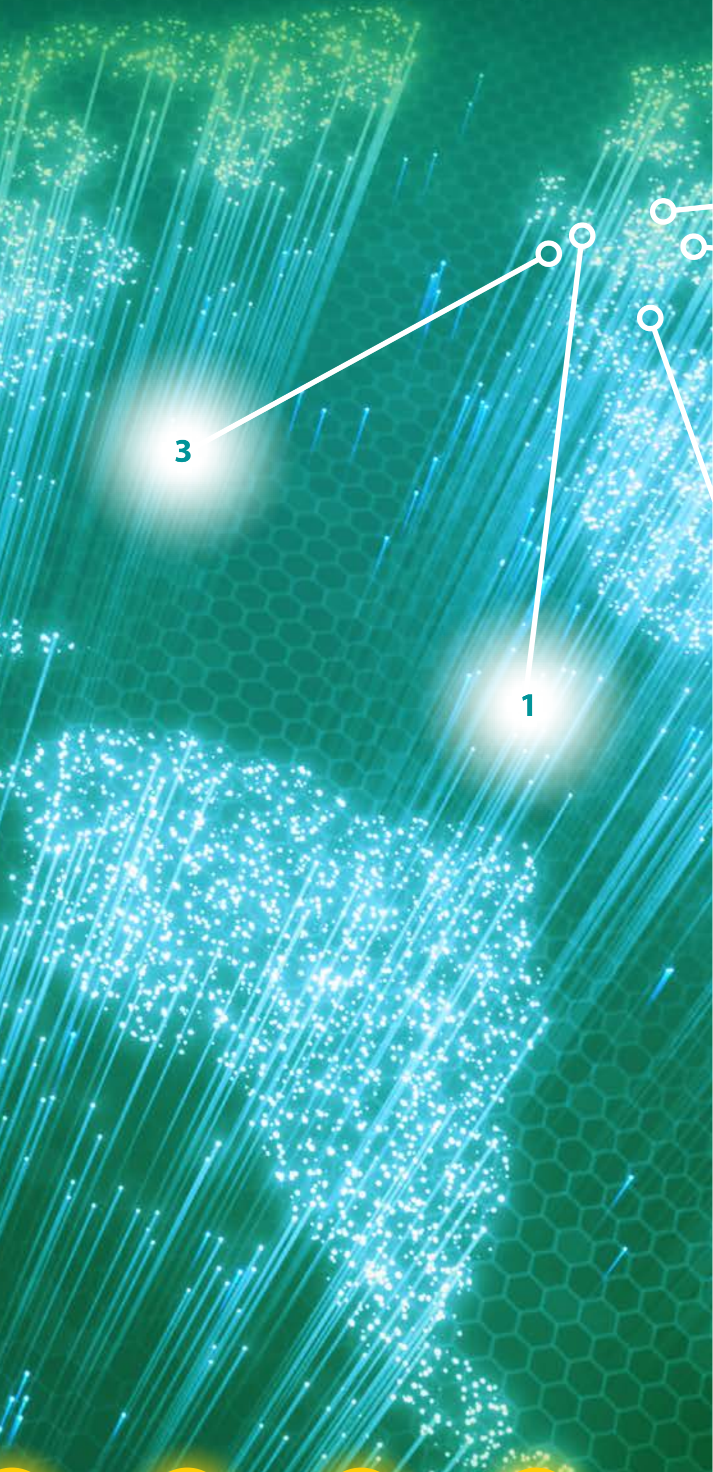
3 **Ireland**
Thorlux Lighting

4 **Germany**
Thorlux Lighting

5 **United Arab Emirates**
Thorlux Lighting

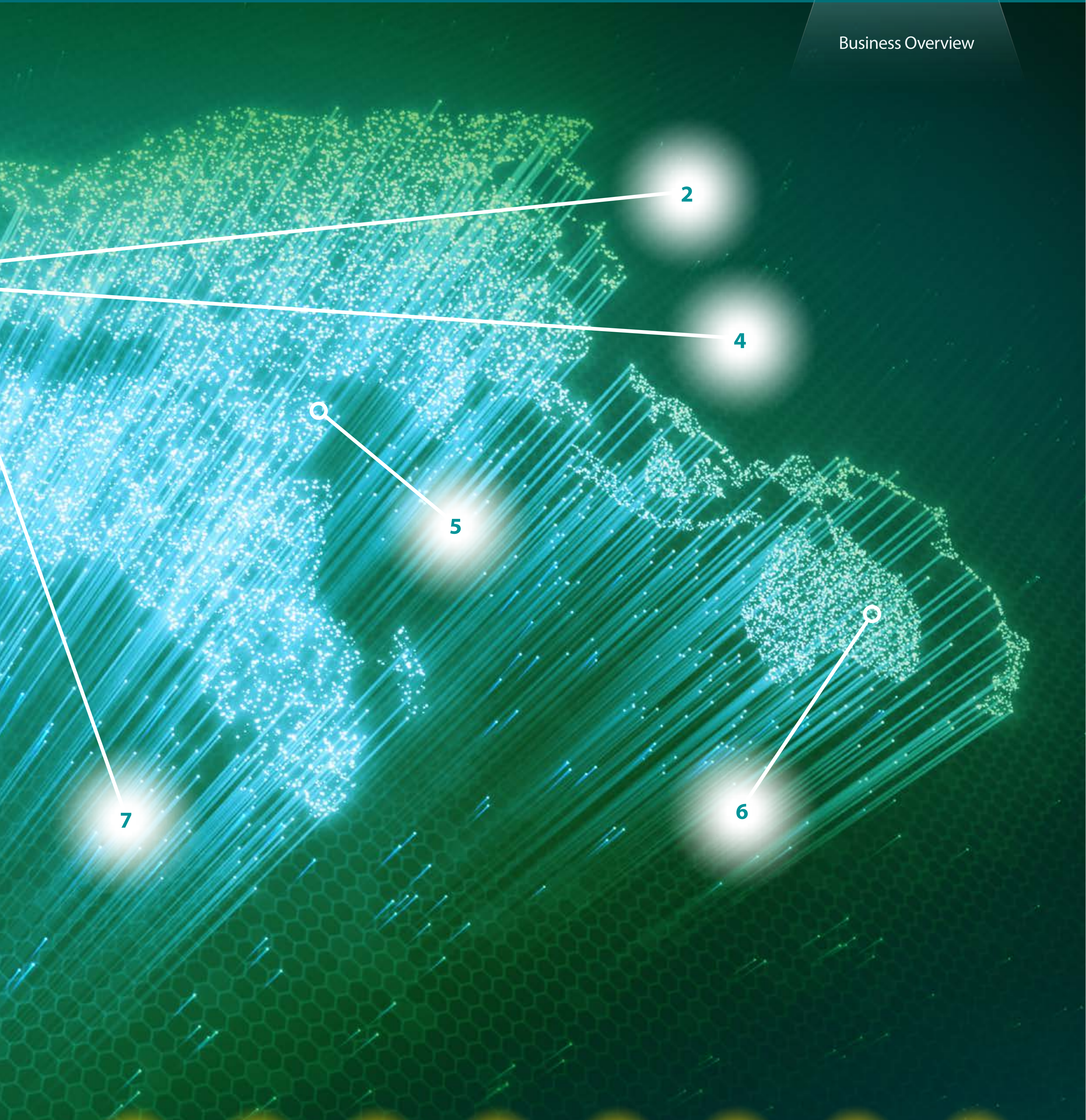
6 **Australia**
Thorlux Lighting Australasia

7 **Spain**
Luxintec



FW Thorpe Timeline

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



2005	2009	2011	2013	2014	2015	2016	2017
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	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	Investment in Luxintec – Spain Target Spanish market and acquire lens specialism	Acquired remaining share capital in Thorlux Australasia Target Australian market, improve performance

FW Thorpe at a Glance

Our Brand Portfolio

Thorlux Lighting

Thorlux Lighting

Description

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

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

The company now operates from the Group's modern 16,882m^2 self-contained factory in Redditch, Worcestershire, central England.

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

Read more on page 23

Key products

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

Market sectors

- Commercial
- Industrial
- Education
- Healthcare
- Manufacturing
- Retail, Display and Hospitality

Philip Payne

Philip Payne

Description

Philip Payne recognises that most trade emergency exit signage products are generally designed with the functional in mind.

Philip Payne offers a backbone range of quality standard products but more importantly encourages direct dialogue with architects and designers to ensure, via product variation or bespoke work, aesthetic aspirations and requirements are fully met.

Read more on page 25

Key products

- Emergency exit signage
- Emergency lighting systems

Market sectors

- Commercial
- Hospitality
- Healthcare

SOLITE

Solite

Description

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

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

Read more on page 26

Key products

- Clean room luminaires

Market sectors

- Pharmaceutical
- Healthcare
- Education/Research

Portland Lighting

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

The company operates from a modern 1,300m² facility in Walsall, which was purposely designed to enable the fast turnaround of customer orders.

Established in 1994, the product range has continually evolved to ensure that Portland remains one of the leading companies in its sector.

Read more on page 27

Key products
- Lighting for signs

Market sectors
- Retail
- Hospitality
- Advertising

TRT Lighting

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

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

Read more on page 28

Key products
- Road and tunnel lighting
- Amenity lighting

Market sectors
- Infrastructure
- Facilities – car parking

Lightronics

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

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

Read more on page 29

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

Market sectors
- Infrastructure
- Facilities – car parking
- Housing

Luxintec

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

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

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

Market sectors
- Architectural
- Retail
- Industrial
- Automotive

Strategic Report

Network Rail Maintenance Depot, Wimbledon


8
SOUTH WEST

Chairman's Statement

Mike Allcock
Chairman &
Joint Group Chief Executive

"Our revenue exceeded the £100m milestone for the first time, reaching £105.4m, an 18.6% increase."

FW Thorpe Plc performed very well during the 2016/17 financial year and saw the handover of the chairman role to me from 1 July. It gives me pleasure to report on such an excellent year's trading.

This is an opportune moment to thank Andrew Thorpe for his long service as Chairman and Joint Chief Executive in a period that has seen your company transition successfully through the LED revolution as well as achieve numerous other significant milestones. The whole Board welcomes Andrew's continued support and guidance as he remains an executive on a part-time basis.

Craig Muncaster's financial capabilities, now supplemented by his operational experience, with him having served on the boards of all of our companies for the past seven years, make him the ideal and natural Joint Chief Executive. Craig's skills are complementary to mine and put us in a strong position to share the management of the day-to-day complexities of FW Thorpe's growing group of companies.

I joined the company as a technical apprentice in 1984. I have been a director since 1997, starting with a non-executive role on the board of one of our subsidiaries. During my career at FW Thorpe Plc I have served under four chairmen, and I hope to continue with a similar philosophy to my predecessors. That does not mean the business will remain the same – after all, we have changed so much in recent years – it just means that the core values will remain unchanged.

Group Results

In the financial year 2016/17, our revenue exceeded the £100m milestone for the first time, reaching £105.4m, an 18.6% increase, and operating profit was £18.4m, up 13.8%.

All companies in the Group showed improved trading performances, with excellent results at Thorlux Lighting and Lightronics in the Netherlands in particular. It is also pleasing to recognise the increasing contribution to Group profits from the other subsidiary companies this year.

A good proportion of revenue is now generated from overseas operations, reducing our reliance on the UK economy and helping to offset one of our business risks.

Performance as a whole for the year to 30 June 2017 allows your Board to recommend a final dividend of 3.55p per share (2016: 2.85p), which gives a total for the year of 4.90p (2016: 4.05p excluding special dividend). This is an increase of 21.0%.

Around the Group

Thorlux is our largest company, producing the most extensive range of lighting products for the widest market sectors. It is a product-led business offering solutions with key features and benefits. Thorlux never targets being the lowest capital cost supplier, instead it targets the lowest cost to the end user through the lifetime of a project after energy and maintenance costs are taken into consideration.

2016/17 was a busy year, with Thorlux generating £69.1m in revenue and increasing profits by 21.1%. Following its successful transition through the LED lighting revolution, and in its subsequent strengthened position, Thorlux has now entered the wireless lighting controls arena, having fully launched its SmartScan system. Developed in-house and on sale since September 2016, SmartScan delivered sales that grew rapidly and became a significant part of the year's success. SmartScan's features have found favour with existing and new clients. Understanding and reacting to these technological times, Thorlux continues to invest in research and development. Having launched phase 1 of SmartScan last year, Thorlux will launch phases 2 and 3 in this new financial year, with exciting and desirable new features.

The factory floor re-organisation, mentioned in the last annual report, is now complete and has been enhanced with anti-static floor protection to further protect electronic devices during the handling and assembly process. A total of 50 test and assembly stations are now operational, providing a significant boost in capacity for the foreseeable future.

The Thorlux SMT (surface mount technology) electronics assembly lines are in the process of being upgraded, which will vastly increase their speed and resultant capacity, and further investments are being made to duplicate the facility at the TRT Lighting site to add further capacity and disaster recovery capability. The Board considers risks on a regular basis.

Group product development is centred around Thorlux; however, there has been noticeable cooperation and input this year from Luxintec in Spain, primarily for lens technology, and Lightronics in the Netherlands, for outdoor products. Sharing resources and intellectual property and the benefits that result is a trend that I would like to see continue.

UK, Ireland and export markets all performed well, with sales into Australasia and the UAE increasing substantially and making valuable contributions to the overall result.

Compact Lighting has traded for 26 years, servicing the retail and display markets. The company has never quite made the breakthrough that was expected of it, and after due consideration the Board has decided to rebrand Compact as Thorlux during this new financial year.

Thorlux Lighting will now also address the retail and display markets, previously largely left to the efforts of Compact. The Thorlux and Compact sales forces have been merged, and Compact's latest highly tooled, high quality products have now been added to the Thorlux portfolio. The Compact Lighting factory, in Portsmouth, UK, will become a further manufacturing location for Thorlux Lighting, operated using Thorlux manufacturing IT and quality systems.

Compact customers are now ordering from Thorlux, and a renewed sales effort combining the general Thorlux range, including lighting controls, and display-lighting-specific Compact products has already found favour with certain large retail brands. We are confident that the new arrangement will realise better potential in the future than Compact has realised alone in the past. This is the last time I shall report on Compact Lighting as an entity within our Group.

I would like to thank the management and staff at Compact Lighting for their continued support during this transitional process, and I hope that increased orders will keep them busy in the future.

Philip Payne products find favour with architects who wish to select products that enhance a building's appearance rather than spoil it. Philip Payne continues to be a very stable business providing consistently good returns.

In 2016/17, Payne's trading in the UK and in the UAE has been very good, with record profit levels achieved. UAE revenues have been derived from emergency lighting products that have undergone rigorous local approval and testing, and therefore this return on investment is pleasing. Further investment has now commenced to develop these same emergency lighting products to encompass SmartScan technology for wireless reporting of emergency lighting test status, which is important for compliance with local regulations.

Solite manufactures from its factory in Stockport. The company's products have been exclusively centred on the clean area market, for example pharmaceutical and microchip production areas. In recent months, Solite has started developing into new market segments, to include specialist healthcare and custodial lighting. These niche areas will fit Solite's manufacturing processes and provide increased opportunities beyond clean area projects.

Solite has had an extremely busy year and produced record results. The new factory and investments in new machinery in recent years have enabled Solite to cope with increased demands, albeit with increased lead times on occasion.

One notable success of Solite has been in Ireland, together with the Thorlux Dublin office. Solite has provided the specialist clean area knowledge for projects, whilst Thorlux has offered general lighting and controls expertise – an example of further Group collaboration going well. In 2016, we purchased an office in Dublin to further cement roots in Ireland and support ongoing success there.

21%

Dividend Increase

(excluding special dividends)

Total for the year of 4.90p

Chairman's Statement continued

"The results for this year have been achieved by the combined efforts of all our personnel. It has been challenging at times for all of us, but I would like to express my gratitude to all staff and I will rely on their continued support as we endeavour to grow the business in the future."

We acquired Portland Lighting in 2011, anticipating that external lighting would adapt quite quickly to the reduced maintenance and energy usage of LED technology. We were right, and in recent years Portland Lighting has flourished.

Portland Lighting remains, by the measure of operating profit margin, our highest achiever. Orders plateaued in the last year, and whilst we do not expect great strides forward, we are looking for further growth abroad into mainland Europe over the next few years.

TRT Lighting manufactures exclusively LED street and tunnel lighting. Founded in 2013, it now employs 60 people and has seen rapid growth.

With such expansion has come challenges, and this year saw the purchase of a new factory, not far from TRT's existing site and that of Thorlux Lighting in Redditch, UK. TRT moved in during June and is now fully operational. TRT will be managing a new second clean room and SMT line shortly, and further investments are underway to extend the factory to provide an onsite powder-coating facility which will also act as part of a disaster recovery plan for other members of the Group. TRT's existing factory will remain unused for now and will offer further Group expansion possibilities should the need arise in the future.

TRT faces ongoing challenges from pressure in the market to reduce selling prices, and it is important that, like other Group companies, it finds features and benefits that customers will select and pay more for. Creating new product innovations is a high priority, together with tackling other growing pains. TRT's revenue increased 4.8% in 2016/17, but profits were slightly lower. The new year has started with an excellent order book.

Lightronics B.V., based in the Netherlands, focuses on three market sectors: street lighting, bulkhead lighting for housing establishments, and highly vandal-resistant lighting. Orders, revenue and profits were all substantially up in the year. It has been a pleasure to welcome Lightronics to the Group and, as I mentioned to the workforce on the day that we acquired our majority stake, I see our relationship as a partnership.

We acquired Lightronics to obtain a stronger foothold in mainland Europe, via their own operations but also, importantly, to grow Thorlux sales abroad too. On this point we have faltered, and a renewed effort will commence this year. Whilst we have seen some small successes through Lightronics' routes to market, we are confident that with the right sales engineers we can find customers with similar needs to those in the UK. We have been here before several times, and we recognise that in the early days in new regions it can take some time to find the right sales people.

Our investment in Luxintec in Spain during 2016 gives us the opportunity to share product developments and the potential to grow our revenues in the Spanish market. The focus for 2016/17 has been the development of new products, the building of a new factory and lens development for the Group. Trading has not improved significantly since we invested, but we are laying the foundations for a successful future.

Personnel

We were proud to host the visit of HRH the Duke of Kent to officially open our new assembly area designed, developed and completed in the large by former apprentices. It was very pleasing for our apprentices past and present to be recognised with such a prestigious occasion, an acknowledgement of our continued efforts to invest in developing our people for the future.

During the next few years, we will continue to invest in our selling presence and conduct further training to improve the operational management of the business and develop the leadership for the future.

The results for this year have been achieved by the combined efforts of all our personnel. It has been challenging at times for all of us, but I would like to express my gratitude to all staff and I will rely on their continued support as we endeavour to grow the business in the future.

Outlook

This year's excellent performance will be difficult to replicate, as we will have to contend with ongoing economic uncertainty from Brexit, government instability and exchange rate variations.

We see ourselves better placed to respond to these issues nowadays, with manufacturing facilities in the UK and in mainland Europe, as well as revenue generated in a number of different countries from our own local sales offices.

We continue to review options for further acquisitions. We have the financial capacity, so it could be said that it is easy to acquire, and there are indeed frequent options for us to review. To find the right acquisition – one that meets our criteria and does not become a future liability – is not as easy as it might seem.

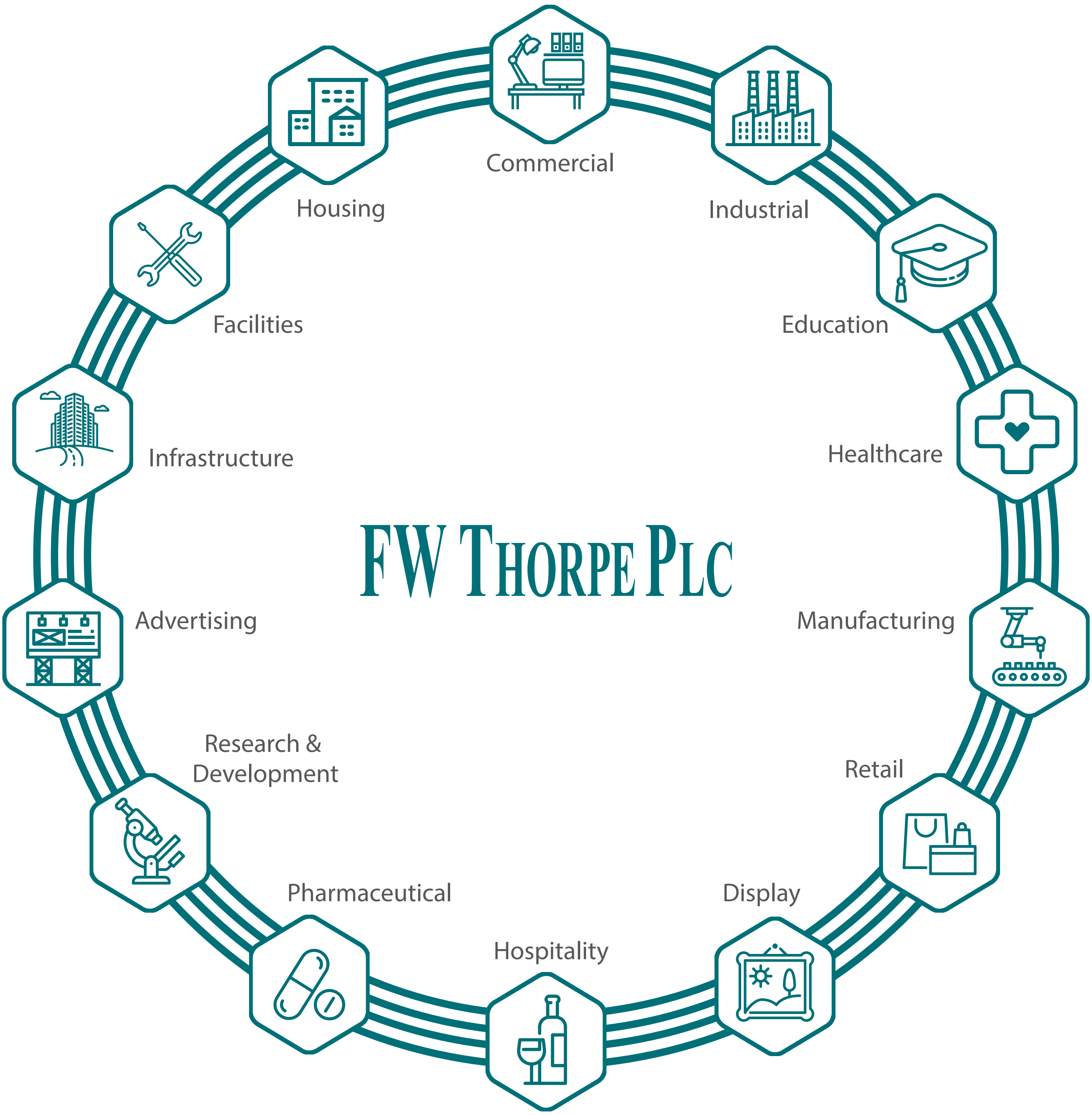
The general management team remains the same experienced group, and our intention is to continue on the same path of steady, sustainable growth.

Michael Allcock

Mike Allcock
Chairman

Marketplace

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



Increase in demand for technology

What this means:

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

Opportunity it provides:

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

How we are responding:

- Well placed with introduction of SmartScan in 2016
- Further development of the SmartScan platform
- Phases 2 and 3 to be launched during 2018

Adoption of LED technology and the decline of fluorescent lighting

What this means:

- During the last few years there has been a technology shift in the lighting industry toward LED solutions which has seen the decline of traditional solutions
- The Group has seen a shift in LED sales, moving from 3% to 80% of total revenue in recent years

Opportunity it provides:

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

How we are responding:

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

Globalisation

What this means:

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

Opportunity it provides:

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

How we are responding:

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

Business Model

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

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

Market

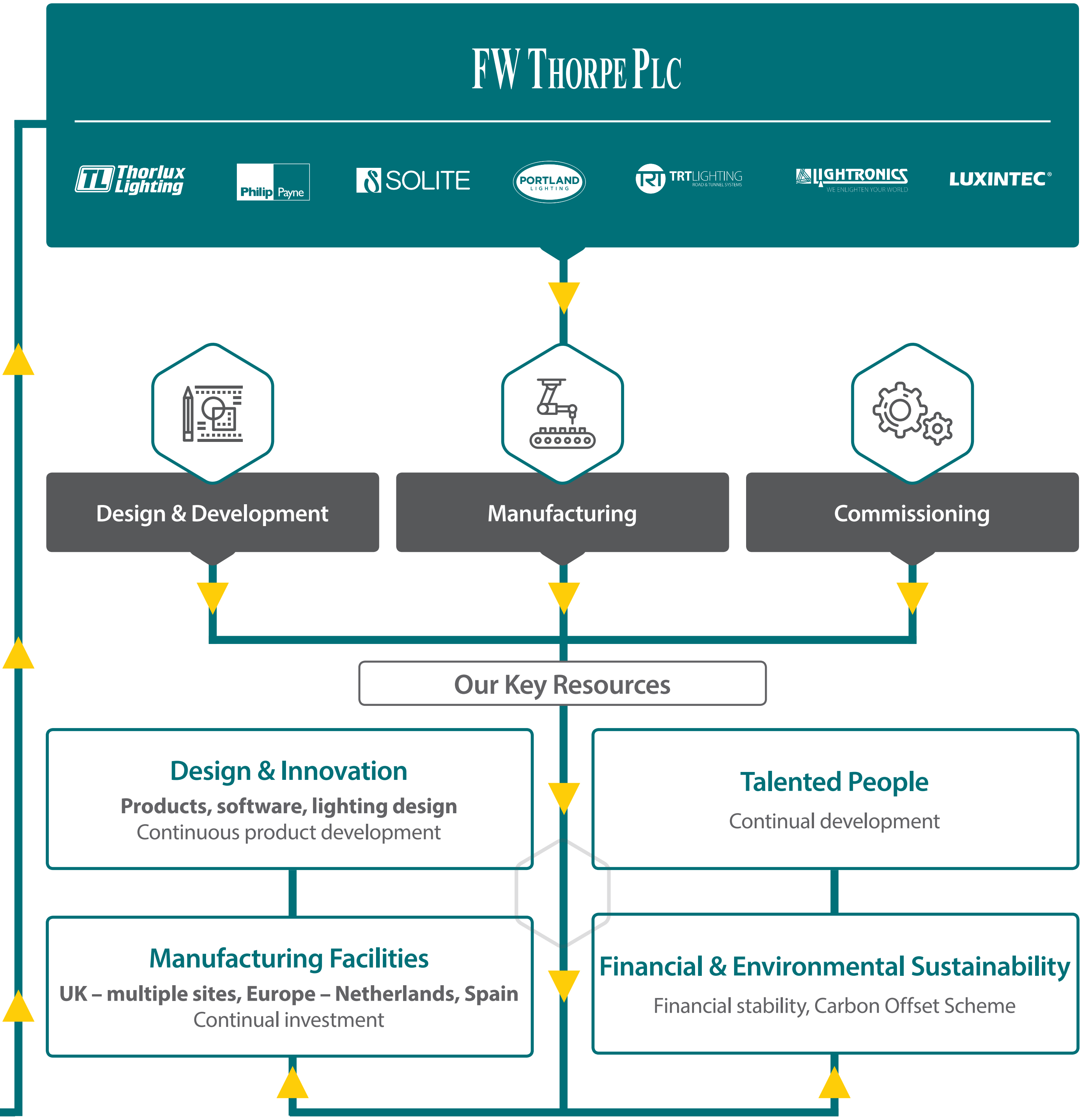
- Commercial
- Industrial
- Education
- Healthcare
- Manufacturing
- Retail
- Display
- Hospitality
- Pharmaceutical
- Research & Development
- Advertising
- Infrastructure
- Facilities
- Housing

Customers

Target Customers

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

Read about our New Luminaire Assembly Area case study on pages 30 to 31



Strategy

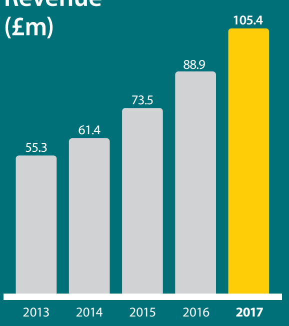
Our products are sold throughout the world. The Group management team is passionate about developing the business for the benefit of the shareholders, employees and customers. With the energy and ability of our staff we look forward to the future with enthusiasm. Our aim is to create shareholder value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

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

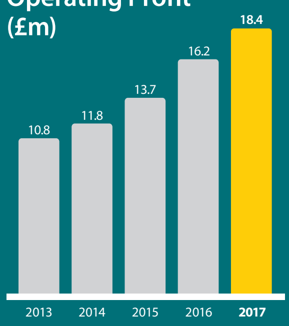
Priority		Progress to date
1	**Focus on high quality products and good leadership in technology** Customers continually require new and innovative ways in which to reduce the operating costs of their lighting installations. There is also the requirement to reduce their environmental impacts.	• Further development of features for the SmartScan wireless system • Introduction of new LED product ranges and existing ranges further enhanced • Integration of lens and optical technology into certain outdoor ranges using Luxintec
2	**Continue to grow the customer base for Group companies** With the continued investment in the product portfolio and the broad range of sectors we can service, the focus will be on expanding our customer base in new markets and territories.	• Targeted approach in the Netherlands with Thorlux industrial product portfolio • Luxintec adoption of Smart and SmartScan technology in existing product portfolio
3	**Focus on manufacturing excellence** Along with continued product development, the need to innovate the production process is essential.	• New assembly section at Thorlux • New TRT facility to improve capacity and disaster recovery for PCB and painting process at Thorlux
4	**Continue to develop high quality people** One of our main sources of competitive advantage, it is imperative we continually develop and retain talent within the business.	• Training and development • Apprentice scheme continues • Investment in management training in association with Warwick Business School

Measuring strategic performance (KPIs) for our shareholders

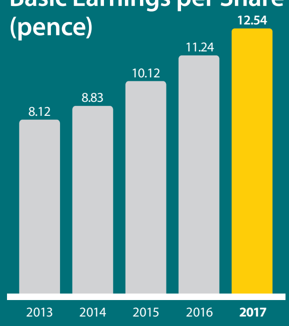
Revenue (£m)



Operating Profit (£m)



Basic Earnings per Share (pence)

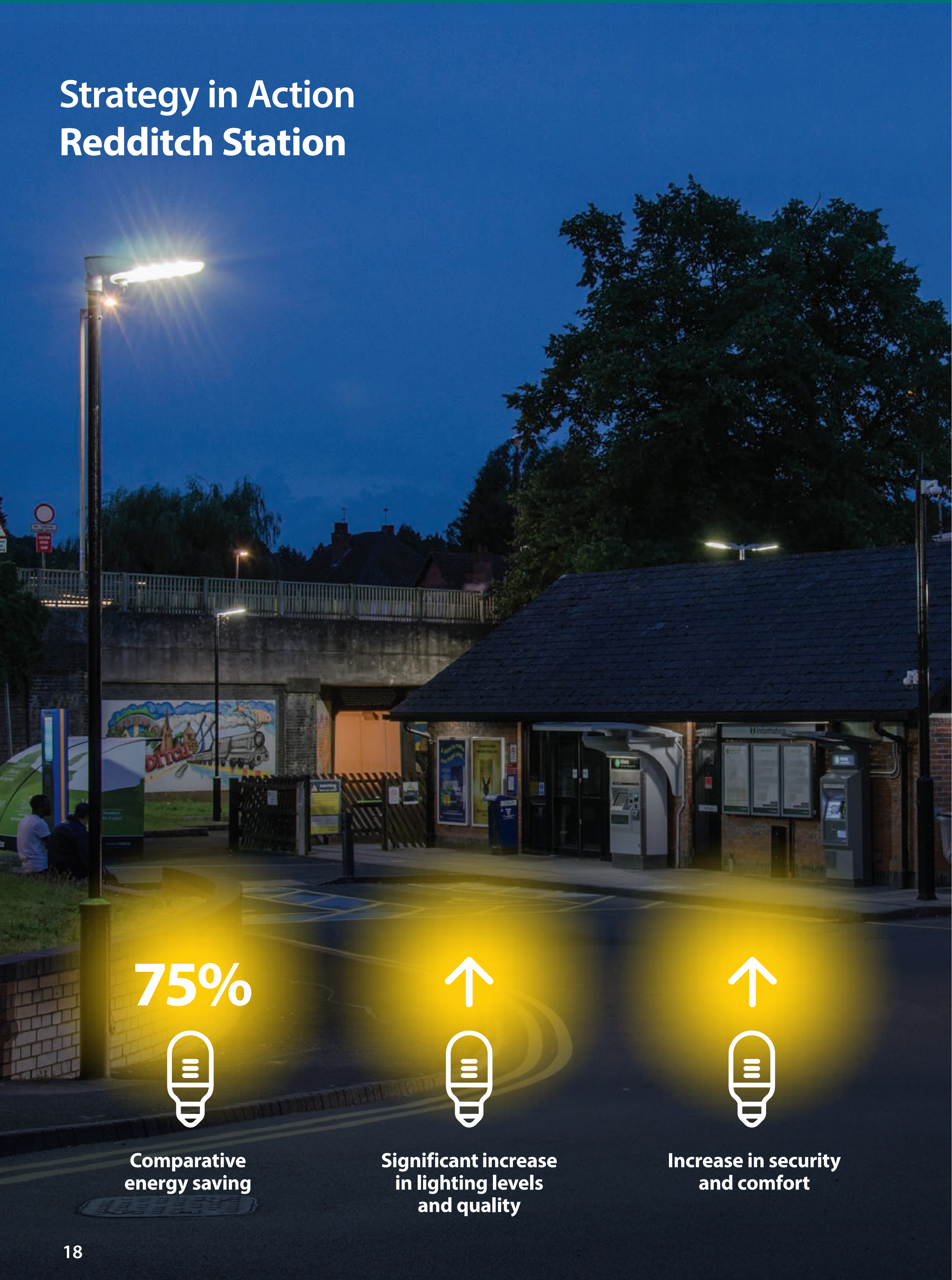


Future opportunities	Associated risks		Strategy in Action
• Further development of SmartScan • Continuous research and development • Targeted acquisition	C	• Product acceptance • Initial product introduction Read more on pages 18 to 21	**Redditch Station** 
• Consider further sales offices overseas • Potential business development investment • Investment in sales personnel in the UK and overseas • Targeted acquisition	A D G	• Short term cost increase without immediate return • Prolonged time required to establish FW Thorpe brands in new territories	**Doetinchem - Netherlands** 
• Continued investment in manufacturing facilities	E C	• Reduced productivity while changes are implemented • Learning curve on introduction of new products and processes Read more on pages 30 to 31	**New Thorlux Assembly Section** 
• Continued investment in training and personnel development	C I	• Ability to retain staff in competitive local job markets • Potential loss of UK personnel from the EU due to Brexit uncertainty Read more on page 31	**Visit of HRH Duke of Kent** 

For more information read our Chairman's Statement on pages 8 to 11

Read more about our Operational Performance on pages 22 to 29

Strategy in Action
Redditch Station



75%
Comparative energy saving

↑
Significant increase in lighting levels and quality

↑
Increase in security and comfort

Client Background

London Midland operates train services throughout the heart of England from London to Birmingham, managing 150 stations, operating 1,300 services per day and 70 million passenger journeys a year.

London Midland is embracing new energy efficient lighting technology to drive a reduction in both energy and maintenance costs, improving the customer environment and reducing its carbon footprint.

Redditch Station is the southern terminus of the Cross-City Line. The manned station consists of one platform, ticket office, waiting area and large car park. High pressure sodium, metal halide and fluorescent luminaires were previously installed throughout the station.

The Challenge

The primary objectives of the new lighting scheme were to increase the light levels, reduce energy usage and to provide a safe and comfortable environment thus increasing security and passenger confidence. Further to this, London Midland was keen to reduce its routine maintenance and emergency testing costs.

The platforms presented a particular challenge as they require specific lighting levels and uniformity in order to comply with current rail standards. The standards also require that the ticket office has a higher than average lighting level to meet the needs of the visually impaired and to ensure that both staff and customers can communicate clearly.

Before

After

Pictured: Platform, Redditch Station

Strategy in Action
Redditch Station continued

The Solution

Thorlux proposed the use of high efficiency LED luminaires combined with SmartScan energy saving controls. Projects utilising the Thorlux SmartScan system can frequently benefit from energy savings in excess of 70% when compared with conventional technology.

The factory-fitted addition of a SmartScan transceiver to a Thorlux Smart luminaire introduces the latest wireless mesh network technology and replaces the wired Motionline communication signals between luminaires with sophisticated, trouble-free wireless transmissions.

Each transceiver can be individually programmed with a SmartScan Programmer, during commissioning, and assigned to work exclusively within a particular building, or group created within that building. Energy performance data and operational status can be retrieved using the SmartScan Programmer.

SmartScan uses 868MHz secure radio communication, chosen for its excellent transmission distance and object penetration, especially useful within buildings. Each luminaire acts as a wireless node, repeating each command received onto the next luminaire, providing a robust system that will always find a communication path.

Wireless grouping was deemed an important requirement to enhance the safety of London Midland's staff and customers and to ensure that essential lighting can respond across all key areas of the site in the event of single occupancy. A further benefit of the SmartScan system is the ability to record and report all faults in real time, test and remotely monitor all emergency lighting and collect energy performance data. This information can then be uploaded using a SmartScan Gateway via GSM, without a need for LAN connection, to a secure web-based server that can be accessed remotely by London Midland authorised users by either computer or smartphone.

High performance LED luminaires were selected for both the internal and external applications. The combination of highly efficient LEDs with superb optical control from the luminaire - putting the light where it is needed most, with efficacies of up to 149 luminaire lumens per circuit watt, double that of conventional luminaires - has dramatically reduced the installed energy load. The luminaires also benefit from lifetimes of up to 100,000 hours, providing many years of reliable lighting.

Innovation in Redditch

Redditch MP, Rachel Maclean, and the Mayor of Redditch, Jenny Wheeler joined representatives from London Midland and Thorlux Lighting at the unveiling of the new Redditch Station SmartScan lighting installation.

Before

After

Pictured: Car park, Redditch Station

Key Benefits

Operational:

- Energy savings of 75% whilst increasing lighting levels to current rail safety standards.
- Presence detection providing full illumination only when areas are occupied, dimming to 10% security lighting level or switching off when vacated.
- Flexible switching zones, selectable dim levels and time delays improving safety, visual appearance upon approach and site security.
- Reduced anti-social element as the lighting is now monitoring presence after normal operational hours.
- Improved visual recognition on CCTV.

Operational Savings:

- The installation cost has been reduced substantially by using existing luminaire mounting points without requiring any additional data cabling for the control system.
- Monthly and annual emergency testing responsibility eliminated.
- Remote monitoring of all energy usage and luminaire status allowing fast, proactive maintenance, reducing future maintenance costs significantly.
- Extensive re-lamping programme has been cancelled due to 100,000 hour expected LED lifetime.
- Reduced energy costs despite increased lighting levels and longer running hours.

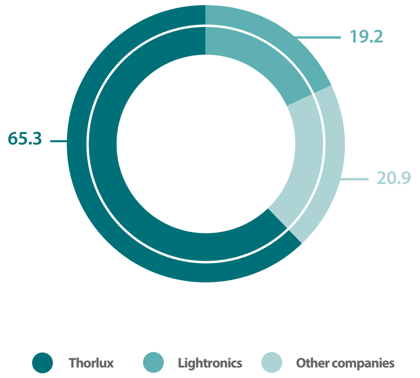
"This is another example of London Midland's commitment to using innovation to create simply better journeys for our customers. The partnership with Thorlux means we have a brighter, lighter, safer station that is also better for the environment."

Rob Hornsey
Head of Route for Cross-City services at London Midland

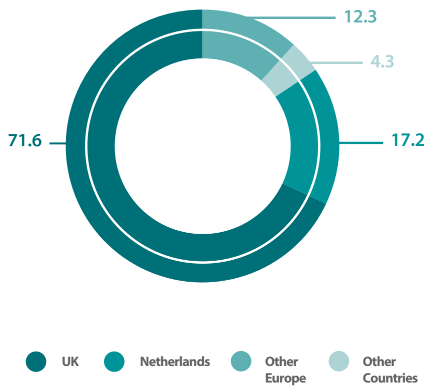
Operational Performance

FW Thorpe – Group Performance

Group total revenue (£m)
exc. Intercompany



Sales by region (£m)



2017 Group Company Overview

FW Thorpe Plc is a group of individual companies that concentrate on particular market sectors and, in recent years, certain geographical locations.

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

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

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

Pictured: Bentley Showroom, Leicester

Thorlux Lighting – Revenue £69.1m, +22%

Pictured: Network Rail Maintenance Depot, Wimbledon

"Orders received reached a record high, with an improvement in operating profit driven by the increase in revenue."

Performance was strong this year, with growth being delivered from a variety of different sectors and the successful launch of SmartScan. Orders received reached a record high, with an improvement in operating profit driven by the increase in revenue.

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

Product developments this year include the following. Further enhancements of the SmartScan platform now offer customers both the ability to review data on how their lighting installation is performing via a web portal, and the ability to change the colour temperature of the lighting, which can be useful in certain educational or healthcare scenarios. In addition, Thorlux has co-ordinated the development of a range of exterior pole-mounted luminaires with high-performance lenses for the retail sector, predominantly used for car park lighting. This collaborative development used lens design skills from Luxintec, an investment in 2016, and utilised parts developed at Lightronics, the Group's business in the Netherlands.

From a sales and orders perspective, 2016/17 has been a successful year. Revenues derived from SmartScan exceeded £7.0m in the product's first year. Projects included the new Special Vehicle Operations Centre at Jaguar Land Rover, London Midland railway stations (see pages 18 to 21 for further details), as well as some notable projects in Europe. As well as success with SmartScan, growth also came from the industrial, automotive and education sectors, with Thorlux's sales offices in Ireland, UAE and Australia all outperforming the revenue achieved in the previous year. Business in Germany was steady and is expected to push on in 2017/18, with further investment in personnel starting to pay off.

Capital investment in the manufacturing process continued. The focus this year was on utilising the space created from recent projects such as the additional vertical storage units last year and the warehouse extension a few years ago. The re-organisation of the assembly area has now been completed, which includes new assembly benches, test stations and the installation of a new electrostatic discharge floor coating to further protect electronic components during handling in the assembly process (see pages 30 to 31 for further details). These developments have enabled the company to achieve the increased levels of revenue seen this year and have laid the foundations to support growth in the future.

With continual focus on product development and on increasing business in all sectors and geographical locations, Thorlux will develop further opportunities to grow the business during the next financial year and beyond. Finding additional opportunities to expand the global footprint of the Group will be especially important, to counteract any impact of the uncertain economic climate as a result of the fragility of the current UK Government and the ongoing negotiation of trade deals with both Europe and beyond. With the building blocks of innovation and outstanding customer service, Thorlux will continue to aim for growth over the next few years.

Operational Performance continued

Compact Lighting – Revenue £4.0m, +2%

compact Compact operates in the retail, display and hospitality sectors. With challenging delivery schedules and competitive pricing, these markets can be particularly demanding. Revenue has not improved significantly in 2016/17, resulting in the business delivering a similar result to that of last year.

Projects continued with existing customers, with smaller initial orders secured with new customers but no further roll-out work forthcoming. There has been further success with the car showroom sector, with Compact becoming one of a select number of suppliers for Jaguar Land Rover car showrooms, with some initial orders this year and further orders expected in 2017/18. During this time, Compact's product portfolio has supported Thorlux to develop relationships with a few major brands in the UK retail sector and win some initial business.

Product development continued, with Compact developing LED products to broaden its portfolio to both compete with the high-end retail and display lighting companies and to differentiate the company from the competition.

Last year, the annual report commented on Compact's new relationships and its investment in both the sales organisation as well as new product tooling. Compact has not managed to improve on the results of last year, and has not managed to build on some of the new customer relationships acquired in the last few years.

At the start of 2017/18 it was decided to merge the Compact business with Thorlux. This will enable Thorlux to take advantage of Compact's wider portfolio of products and its sales presence in the retail, hospitality and display sectors. The existing Compact facility in Portsmouth will become an extension of the manufacturing capabilities of Thorlux. The result will be a focused approach to the retail, hospitality and display sector, building on the existing relationships of both companies but under the strength of the Thorlux brand.

"At the start of 2017/18 it was decided to merge the Compact business with Thorlux. The result will be a focused approach to the retail, hospitality and display sector, building on the existing relationships of both companies but under the strength of the Thorlux brand."

Pictured: Clarks Showroom, Manchester

Philip Payne – Revenue £3.0m, +19%

Pictured: National Army Museum, London

+19%

Increased revenue
Delivering a corresponding increase in operating profit

Amongst its emergency lighting peers, Philip Payne continues to be the "go to" brand for prestigious projects, and it has enjoyed another solid year both in the UK and overseas. Results for 2016/17 were impressive, with the increased revenue delivering a corresponding increase in operating profit.

Philip Payne's ability to modify standard designs to meet architectural requirements differentiates its range from those of competitors, which are generally produced in high volume and often imported. Philip Payne's clients are quite discerning and often require more than the typical trade offerings, leading to unique market opportunities.

The strategy to increase export focus, adopted a few years ago, has proved successful, with continuing growth in the UAE. Sales in this market have a similar project profile to those enjoyed in the UK, resulting in increased revenue for 2016/17. Projects varied in scale from small fit-outs for top retail brands to large new builds like the new Midfield Terminal building at Abu Dhabi International Airport, which is being introduced to handle an extra 30 million passengers per year.

In the UK, Philip Payne added more prestigious clients to its reference list, enjoying successes in retail, for example at Selfridges, Ralph Lauren, Gucci and Chanel, and in the sporting sector, with the Warner Stand redevelopment at Lord's Cricket Ground, Wimbledon No 1 Court and the Queen Elizabeth Stadium, along with heritage work at the Royal Opera House and Freemasons' Hall.

The company continues to focus on new product development to accommodate advancing technologies such as wireless communication and to meet the demands from export markets where requirements often differ from those in the UK. Investments have continued throughout the year, with new CNC machinery improving productivity and profitability.

The challenge for the new financial year will be to replicate the success of 2016/17.

Operational Performance continued

Solite – Revenue £3.5m, +33%

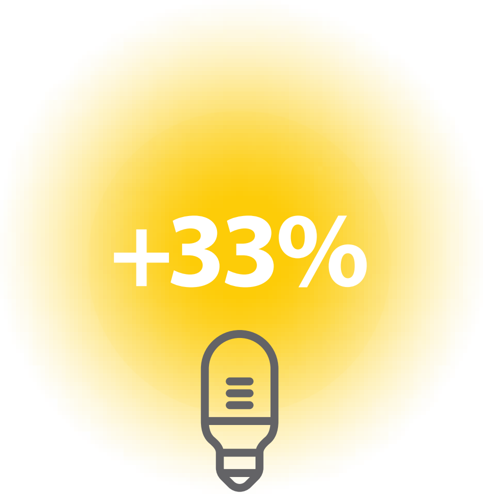
Since the Group invested in the Solite Stockport facility back in 2015, Solite has enjoyed rapid growth, with 2016/17 having the sharpest increase in its history. Growth of this nature has been a challenge to deal with at times, but Solite has responded well, delivering a dramatic improvement in operating profit for the year.

Group investment in plant and machinery, both during the year and previously, has provided the extra capacity required to meet increased customer demand. Solite offers a comprehensive range of clean area products and, like other subsidiaries, has the manufacturing flexibility to offer bespoke products too. The combination of this and, more recently, the incorporation of Thorlux-designed lighting control systems, provides Solite with a market-leading product range.

Solite enjoys strong demand from the Republic of Ireland. In a close working relationship between Solite and the Thorlux office in Dublin, the companies collaborate on projects in the pharmaceutical sector to provide a total lighting solution. On a single project, this approach provides complementary products for both the clean and general areas.

This year has seen the launch of additional new products designed for use in the custodial sector. The new range has been approved by the UK Ministry of Justice and, with government investment expected in this sector, should provide growth opportunities in the future.

The task will be to maintain the 2016/17 figures in 2017/18. Solite starts the year with a strong order book and a number of opportunities to achieve continued success.



Revenue increased
Sharpest increase in its history

Pictured: Belfast City Hospital, Belfast

Portland Lighting – Revenue £3.4m, –2%

Pictured: Greggs Bakery, Manchester

"The anticipated launch of a third-generation Ecolux luminaire with its unique features will provide further market differential."

Portland Lighting remains quite different in its route to market from the other Group companies, who immerse themselves in the process of building design and specifications. The focus of Portland remains on external shop-front sign lighting.

The company has continued its success in the brewery trade and retail sector, and with advertising billboard companies. This year has seen successful projects at high street stores for Thomas Cook, Thomson, Enterprise car hire and Co-operative, along with brewery projects for Greene King and Punch Taverns and advertising work for J C Deceaux.

Since the Group acquired Portland Lighting in 2011, the company has consistently delivered excellent operating profit returns. Sales of solar luminaires and new "super lens" optics continue to supplement those of mainstream products; however, increased competition resulted in revenue reducing slightly in the final quarter of the year.

With installers expecting same or next-day delivery, service remains at the core of Portland's ethos.

Investment in product development has continued this year, and the anticipated launch of a third-generation Ecolux luminaire with its unique features will provide further market differential.

Work continues to establish relationships overseas to increase sales into mainland Europe.

Operational Performance continued

TRT Lighting – Revenue £8.8m, +5%

TRT LIGHTING ROAD & TUNNEL SYSTEMS

Growth has continued at TRT, and, whilst at a slower rate, there have been some large scale orders in street lighting, supported by smaller tunnel projects. Street lighting projects are competitive, and, with reduced volumes in tunnel lighting, operating profits were lower than in 2015/16.

TRT has secured new street lighting projects in Telford and Redbridge, as well as continued business in Warwickshire, Worcestershire and a number of London boroughs. Projects for general amenity lighting, including in the rail sector, have been secured during the year, with TRT working alongside Thorlux. TRT street lights also formed part of a significant project in the UAE secured by the Thorlux sales office in the region, lighting the road complex within a large aluminium smelter in Abu Dhabi.

A new home for TRT was acquired, fitted out and moved into during the first half of 2017. Printed circuit board placement machinery and painting facilities will be installed throughout the coming year, establishing TRT as a self-sufficient business, and will give the capacity to deliver increased revenue in the future.

Whilst the volume of tunnel lighting projects was less than in the previous year, the projects have been no less impressive. TRT secured its first tunnel order in Australia, for the Ivory Street Tunnel in Brisbane. The project involved relighting a 193-metre tunnel in central Brisbane with Verso, TRT's LED tunnel luminaire. A bespoke solution was required that had lens optics arranged in a special configuration. The LED lenses were designed and developed by Group company Luxintec.

TRT starts 2017/18 with a good order book from a street lighting perspective, but margins will continue to come under pressure due to the weakening pound against both the US dollar and the euro. Continued product development and improved manufacturing efficiency continue to be the priority.

"TRT starts 2017/18 with a good order book."

Pictured: Ivory Street Tunnel, Australia

Lightronics – Revenue £19.5m, +25% *(constant currency +9%)*

This year (2016/17) has been another excellent year for Lightronics. Since joining the Group in April 2015, the business has outperformed the Group's original expectations. Lightronics has managed to build on a successful 2015/16 and deliver another increase in orders, revenue and profitability.

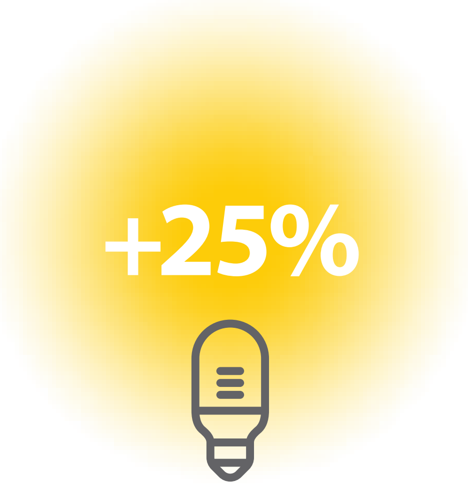
Growth this year can be attributed to the impact-proof lighting segment of the business, with a good proportion of this growth resulting from a project to relight a number of social housing facilities. Lightronics also focuses on the street and amenity lighting segments in the Netherlands and northern Europe.

The improvement in revenue continues to demonstrate key characteristics of Lightronics' business: production flexibility, supply chain management and speed of product development.

When integrating Lightronics into the Group one of the strategic objectives was to enter the industrial and emergency lighting segments of the Netherlands, utilising the existing product portfolio of the Group. Unfortunately, progress has not been as expected, given the demands placed on the business during the last two years while delivering the growth in revenues and profitability it has enjoyed. Lightronics has secured some small industrial projects for Group products, and, in an effort to increase orders, the strategy will be re-energised during the coming year.

Product development is a fundamental part of the business for all FW Thorpe companies, and Lightronics is no different. This year the focus was on its street lighting range, and in particular on updating the existing product portfolio. Lightronics continues to develop its wireless control software and hardware for street lighting, enabling users to control street lighting and retrieve operational data remotely.

In line with the other Group companies who have experienced significant growth this year, the challenge for Lightronics in 2017/18 will be to achieve a similar result. Making a breakthrough in the industrial and emergency segments by promoting Thorlux products in the Netherlands will be key to building on the successful results of this year.



Business has outperformed the Group's original expectations

Pictured: Loon op Zand, Netherlands

Strategy in Action
New Luminaire Assembly Area

Following the construction of the new distribution warehouse in 2013, it was clear that the next stage in the development of the Redditch manufacturing facility should be the re-layout of the luminaire assembly area. The continuing growth in Thorlux revenue had created a need to increase the total manufacturing capacity and also improve the overall efficiency of luminaire manufacture. In previous years, additional assembly cells had been created to satisfy demand, but had not necessarily been constructed in an optimised layout, so a target was set to increase the number of assembly cells by 50% while improving the flow of materials.

While these changes were being planned, it was decided that a number of other improvements could be incorporated into the design of the luminaire assembly area. These include creating an enhanced customer experience that demonstrates the latest luminaires in a live operational factory, and a better working environment for the assembly operators. The overall goal was to create a "visual" workplace with well-lit, clearly defined areas for assembly cells, kits of parts and finished goods. Ease of access for general maintenance, and areas for manufacturing aids such as quality documentation, assembly jigs and product drawings, were further important considerations. The new layout also enables the more efficient processing of materials such as waste cardboard, through the use of designated recycling points.

The manufacturing team became fully engaged in the design of the cells and the factory layout. The layout incorporates the new in-house-designed electrical test benches that had been installed across the whole of the Group in order to test an ever increasing portfolio of controllable LED products. The arrival of the electrical test benches provides a common test platform and the benefits of a centralised management system for maintenance schedules and software updates.

The introduction of wireless technology for the new SmartScan products had generated many new printed circuit board designs that incorporate components susceptible to electrostatic discharge. To overcome any possible damage to these components and eliminate potential failures in the field, a new floor coating incorporating a large copper grid was laid in the assembly area to prevent the build-up of static charge.

Other areas of the factory have also benefited from these layout changes. These include the component part stores area, where new pallet racking was purchased to increase the number of sheet metal sub-assembly locations, and two further vertical storage units for small parts.

All these enhancements have produced a new clean working environment that is already beginning to show the envisaged productivity gains. However, in this ever changing world, further improvements are already being initiated. In forthcoming months, shop floor wireless communication will enable the bar-coding and scanning of materials, to track their movements, and give electronic access to engineering information such as product drawings and process information.

Royal Visit

HRH The Duke of Kent KG visited Thorlux Lighting on 25 May 2017 to open the new luminaire assembly area. The Duke received a tour of the factory, met apprentices old and new, and unveiled a plaque to commemorate the occasion.

Principal Risks and Uncertainties

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

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

Area of risk	Type of risk	Description of risk
A Adverse economic conditions	Strategic	• Deferred or reduced capital investment plans in market sectors, which our products are supplied into and are key sources of revenue for the Group
B Changes in government legislation or policy	Strategic	• Reduction in public sector expenditure and changing policy increases risk to our order book • Uncertainty of free access to EU markets
C Competitive environment	Strategic	• Existing competitors, powerful new entrants and continued evolution of technologies in the lighting industry eroding our revenue and profitability
D Price changes	Operational	• Erosion of revenue and profitability
E Business continuity	Operational	• The majority of the Group's revenues are from products manufactured in the Redditch facility
F Credit risk	Financial	• The Group offers credit terms which carry risk of slow payment and default
G Movements in currency exchange rates	Financial	• The Group is exposed to transaction and translation risks. With some natural hedging in EUR this risk is primarily with changes in the GBP:USD rates
H Cyber security	Operational	• A breach of IT security could result in the inability to operate systems effectively and efficiently or the release of inappropriate information
I Exit from the European Union	Strategic	• Significant uncertainty remains over how the economic landscape might be affected in the next few years

Key

▲ Increase in risk

= No change in risk

▼ Decrease in risk

Mitigation of risk	Possible impact on performance	Strategic priorities impacted upon	Change in period
• Broad range of customers in differing sectors • High quality, technically advanced products to differentiate the Group from competitors • Actively seek to identify new opportunities to ensure we maximise our potential of winning new business	High	1 2 4	▲
• Continue to seek to diversify our customer portfolio to ensure we have an appropriate spread, mitigating the risk of any industry or specific sector spending issues • Develop sales in new markets	Medium	2 4	▲
• Offering innovative products and service solutions that are technologically advanced products to enable us to differentiate ourselves from our competitors • Investing in research and development activities to produce new and evolving product ranges • Investing in new production equipment to ensure we can keep costs low and maintain barriers to new market entrants	Medium	1 2 3 4	=
• Management reviews prices, at least annually, to take into account fluctuations in costs, in order to minimise the risk of reduction in gross margin, or the loss of market share from a lack of competitiveness	Medium	1 2	=
• High level of importance attached to environmental management systems, health and safety and preventative maintenance • Insurance cover is maintained to provide financial protection where appropriate • Increased production flexibility with the ability to build products in more than one manufacturing facility	High	2 3	=
• Credit policy includes an assessment of the bad debt risk and management of higher risk customers • The Group maintains a credit insurance policy for a significant proportion of its debtors	Low	2	=
• The Group has increased its sourcing of materials to maintain a natural hedge to offset its currency risk from EUR receivables, whilst at the same time buying EUR and USD when the exchange rate is favourable, compared to our operational rates, to minimise the risk	Low	2	▲
• New Group IT Manager recruited to strengthen our internal team • Anti-malware implemented • Disaster recovery capabilities are under review with a view to further investment	Low	1 3 4	▲
• With the Group having a manufacturing presence in two EU countries, the Netherlands and Spain, this leaves us ideally placed to react to any negative trade barriers that may be imposed on the UK • Continue to develop closer working relationship with these entities, sharing product development, market knowledge and operational expertise to ensure we have the flexibility to adapt to any changes in the future • As more details emerge we will assess the impact, in the short term the Group will review the implications based on potential outcomes	Medium	2 4	▲

Governance

Clarks Showroom, London

Board of Directors

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

Mike joined FW Thorpe Plc in 1984 as an apprentice working his way to Technical Director for Thorlux Lighting in 1998, taking responsibility for the company's design programme. He was appointed Group Technical Director in 2001 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.

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

After graduating in Business Administration, Craig qualified as a Chartered Management Accountant in 2000. He has spent time in the manufacturing and engineering sectors, more recently as UK Financial Director for Durr, which included a number of overseas ventures and projects for the wider group. He joined FW Thorpe in 2010 and was appointed Joint Group Chief Executive in July 2017.

Andrew Thorpe
Executive Director

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.

Tony Cooper
Manufacturing Director, Thorlux Lighting

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

David Taylor
Managing Director, Philip Payne

David joined FW Thorpe 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.

James Thorpe
Business Development Director, Thorlux Lighting

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.

Peter Mason
Non-Executive Director

After studying Electrical Engineering at Aberdeen University, Peter qualified as a Chartered Accountant with Price Waterhouse in 1976. He spent time with Planet Group and TI Group before joining FW Thorpe 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.

Ian Thorpe
Non-Executive Director

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

Auditors
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Cornwall Court
19 Cornwall Street
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B3 2DT

Bankers
Lloyds
Church Green East
Redditch
Worcestershire
B98 8BZ

Solicitors
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London
WC2A 1JF

Pinsent Masons LLP
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North Moons Moat
Redditch
Worcestershire
B98 9HH

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

Directors' Report

Principal Activity

The main activity of the Group continues to be the design, manufacture and supply of professional lighting equipment. Each company within the Group operates in a different market of the lighting sector.

Business Review

The trading results for the year are set out in the Consolidated Income Statement on page 52 and the Group's financial position at the end of the year is set out in the Consolidated and Company Statement of Financial Position on page 54. A review of the performance of the business during the financial year and expected future developments are contained in the Chairman's Statement and the Operational Performance section which form part of the Strategic Report.

Key Performance Indicators

The directors consider the main financial key performance indicators (KPIs) to be those disclosed on page 1 (financial highlights). The two most important KPIs to the business are revenue and operating profit.

The directors monitor non-financial areas of the business relating to energy saving and environmental responsibility, market and product development, customer service and product support on a regular basis.

Objectives are set for each company within the Group incorporating financial and non-financial targets which have appropriate measurements that reflect their nature. These are monitored regularly at local and Group Board level. During the year the majority of objectives were achieved or substantially achieved.

Principal Risks and Uncertainties

The table on pages 32 and 33 details what we consider to be the principal risks and uncertainties to the business, and how we seek to manage and mitigate these risks.

The Group has financial risks and seeks to minimise and manage these by incorporating controls into key functions as part of the normal business operation.

Details of other risk management procedures are included within the internal control section of this report and in the financial risk section within the accounting policies (note 1).

Internal Control

The Board of directors has overall responsibility for the system of internal control and for reviewing its effectiveness throughout the Group. The internal control systems are designed to meet the Group's particular needs and the risks to which it is exposed, and by their nature can only provide reasonable but not absolute assurance against misstatement or loss.

The directors have responsibility for maintaining a system of internal control which provides reasonable assurance of the effective and efficient operations, internal financial control and compliance with laws and regulations.

Internal Financial Control

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

In addition, the executive directors regularly visit all operating sites and review with local management financial and commercial issues affecting the Group's operations. Regular financial reporting includes rolling forecasts and monthly financial reports comparing performance against plan. These reports are reviewed locally with a Group representative and monitored by the Group Board. Accordingly, the directors do not consider that an internal audit department is required.

Other Areas of Control

During the year and continuing after the year end, the Board has operated a formal risk identification and evaluation process as part of a continuous review of the Group's internal controls. This process considers financial, operational and compliance risks and includes participation from senior executives from all operating subsidiaries. The results of this process to date have been utilised by the Board to focus the ongoing process for identifying, evaluating and managing the Group's significant risks. The programme is utilised to monitor the potential impact of the risks identified and, where appropriate, actions are taken to ensure they are effectively controlled. This process is extended to include a detailed review of risk, as assessed by local senior executives, and procedures have been established to ensure that the Group Board is made aware of any additional significant risks identified and to consider appropriate action. This process culminated in the provision of a certificate, by senior executives at the operating sites, confirming that they have identified and addressed the risks arising in their business and reported them to the Group Board accordingly.

Financial Review

The directors have pleasure in submitting their annual report and the audited consolidated financial statements of the Group and the company for the year ended 30 June 2017.

Results and dividends

Revenue increased by 18.6% to £105.4m. Operating profit also showed an improvement of 13.8% to £18.4m, benefiting from the improved profitability in the Thorlux and Lightronics businesses.

Net finance income became an expense of £0.3m (2016: income of £0.1m) during the year primarily due to payments made in relation to an impairment charge for loan notes and continuing low interest rates.

The taxation charge reflects an effective tax rate of 20.99% (2016: 20.10%). This is higher than the rate in the previous year due to increased profits in the Netherlands, which has a higher tax rate.

On 6 April 2017, the company paid an interim dividend of 1.35p per share (2016: 1.20p) amounting to £1,561,000 (2016: £1,387,000). A final dividend of 3.55p (2016: 2.85p) per ordinary share is proposed amounting to £4,106,000 (2016: £3,297,000) and, if approved, will be paid on 30 November 2017. Total dividends paid during the year amounted to £4,858,000 in aggregate (2016: £6,651,000). The final dividend for 2016 was paid on 24 November 2016.

Cash and liquidity management

The Group's cash is managed in accordance with the treasury policy. Cash is managed centrally on a daily basis to ensure that the Group has sufficient funds available to meet its needs and invests the remainder. The majority of cash is placed with approved counterparties either on overnight deposit or time deposit. There are a series of time deposits which are maturing on a rolling cycle in order to meet regular business payments, with a margin for larger regular and one-off payments as well as seasonal variation in cash requirements.

The Group primarily trades in sterling. There is an exposure to foreign currency as the Group buys and sells in foreign currencies and maintains currency bank accounts in US dollars, Australian dollars, UAE dirhams and euros. The activities of buying and selling in foreign currency are broadly matched with currencies bought and sold as required in order to minimise currency exposures. Larger exposures would be hedged in order to reduce the risk of adverse exchange rate movement. There were no currency hedging derivatives in place at 30 June 2017 or 30 June 2016.

Pension scheme position and funding

The latest triennial actuarial valuation was completed as at 30 June 2015. This valuation showed that the pension scheme position remains in surplus and a funding level for the future has been agreed between the trustees of the scheme and the directors of the company. The directors consider it unlikely that any changes to the present funding levels will have any significant effect on the strength of the company's statement of financial position.

Group research and development activities

The Group is committed to research and development activities in order to maintain its market share in the industrial and commercial lighting market. These activities encompass constant development of both new and existing products to ensure that a leading position in the lighting market is maintained.

During the year the Group spent £1,715,000 (2016: £1,681,000) on capitalised development costs, which includes internal labour.

Property, plant and equipment

The directors are of the opinion that the market value of the freehold land and buildings is in excess of their net book value. While it is considered that the market value is significantly greater than the net book value for many of the Group's properties as a result of being acquired between one and over 20 years ago, management consider that undertaking formal valuation exercises would be costly for limited value and consequently no formal exercise has been undertaken.

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 48 (2016: 45).

Corporate Responsibility

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

Environment

The Group is committed to minimising the environmental impact of both its manufacturing processes and its products. However, even with the most responsible approach, some carbon dioxide (CO_2) will be released into the atmosphere as an indirect result of factory and selling activities and customers' use of luminaires.

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

Directors' Report continued

Employee policies

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

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

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

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

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

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

Modern slavery

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

Charitable gifts

During the year the Group gave £11,437 (2016: £5,563) for charitable purposes. This is made up of donations to UK charities for children's welfare of £150, cancer care of £789, healthcare of £300, educational schemes of £2,500, and local causes of £7,698.

Directors

The directors of the company during the year and at the date of this report are set out on pages 36 and 37.

J E Thorpe was appointed to the Board on 3 July 2017. In accordance with the Articles of Association he will retire from office at the Annual General Meeting, but offers himself for election at that meeting.

The directors retiring by rotation are M Allcock and P D Mason who, being eligible, offer themselves for re-election. The contract for M Allcock is terminable on 24 months' notice. P D Mason does not have a service contract with the company.

Directors' Share Interests

The details of the directors' share interests are set out in the directors' remuneration report on page 45.

Directors' Indemnities

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The company also purchased and maintained throughout the financial year directors' and officers' liability insurance in respect of itself and its directors.

Board Constitution

The company continues to be proprietorial in nature and the directors act as a unitary Board and as a consequence are unable to see the benefits of splitting the Board into sub-committees and in particular of constituting audit and nomination committees as matters that would normally be considered by an audit or nomination committee are addressed by the full Board with the non-executive directors present and the auditors attending as appropriate.

A remuneration committee has been established with the following people serving on it:

P D Mason
Non-executive director and Chairman of the committee.

I A Thorpe
Non-executive director.

Terms and conditions for the operation of this committee are in place and it meets as and when required. The committee's report is presented on pages 43 to 45.

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 16 October 2017, the company had received notification of the following interests in 3% or more of the issued share capital, excluding holdings of directors:

Liontrust Investment Partners LLP 6,776,095 (5.7%)

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

Relations with Shareholders

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

Directors' Authority to Issue Shares

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

As the directors have no intention of exercising these authorities, there will be no resolution to grant these powers at the forthcoming Annual General Meeting.

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

Purchase of Own Shares

Resolution number 8 set out in the notice of the Annual General Meeting will, if it is approved, allow the company to exercise the authority contained in the Articles of Association to purchase its own shares. The Board has no firm intention that the company should make purchases of its own shares if the proposed authority becomes effective, but would like to be able to act quickly if circumstances arise in which such a purchase would be desirable.

Purchases will only be made on the Alternative Investment Market and only in circumstances where the directors believe that they are in the best interests of the shareholders generally. Furthermore, purchases will only be made if the directors believe that they would result in an increase in earnings per share.

The proposed authority will be limited by the terms of the special resolution to the purchase of 11,893,559 ordinary shares representing 10% of the company's issued ordinary share capital at 16 October 2017 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 2018. However, in order to maintain the Board's flexibility of action it is envisaged that it will be renewed at future Annual General Meetings.

Corporate Governance

As a company whose shares are traded on the Alternative Investment Market of the London Stock Exchange Plc, the company is not required to comply with the Principles of Good Governance and Code of Best Practice ("The UK Corporate Governance Code", or the "Code"). However, the Board considers the Quoted Companies Alliance's "Corporate Governance Guidelines for Smaller Quoted Companies" (the QCA Guidelines) relevant due to the size and complexity of the company. The QCA Guidelines apply key elements from the Code and other relevant guidance to the needs of small and mid-size quoted companies for which the Code may not be entirely or directly relevant.

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

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

The directors believe that the exceptions, which are more fully explained in the sections relating to the Board constitution and the directors' remuneration report, are appropriate for the size and context of the Group's business.

Statement on the Provision of Information to Auditors

Each of the directors confirms that, as far as he is aware, there is no relevant audit information of which the company's auditors are unaware, and that he has taken all the steps he ought to have as a director to make himself aware of any relevant audit information, and to establish that the auditors are aware of that information. The above is in accordance with the provisions of section 418 of the Companies Act 2006. The auditors have direct access to all members of the Board and attend and present their reports at appropriate Board meetings. The Board considers, at least annually, the relationships and fees in place with the auditors to confirm their independence is maintained.

Independent Auditors

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

Going Concern

The directors confirm that they are satisfied that the Group and company have adequate resources, with £24.7m cash and £17.0m short-term deposits, to continue in business for the foreseeable future, and for this reason, they continue to adopt the going concern basis in preparing the accounts.

Approval of Strategic and Directors' Report

The directors confirm that the information contained within the Strategic Report on pages 6 to 33 and the Directors' Report on pages 38 to 41 is an accurate representation of the Group's strategy and performance.

By order of the Board

Craig Muncaster
Director
16 October 2017

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

Company Registration Number: 317886

Statement of Directors' Responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the and company and of the profit or loss of the Group and company for that period. In preparing the financial statements, the directors are required to:

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

The directors are 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 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

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

The directors are responsible for 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.

The directors consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and company's performance, business model and strategy.

Each of the directors, whose names and functions are listed in Governance section confirm that, to the best of their knowledge:

- the company financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the company;
- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Directors' Report includes a fair review of the development and performance of the business and the position of the Group and company, together with a description of the principal risks and uncertainties that it faces.

By order of the Board

Craig Muncaster
Director
16 October 2017

Directors' Remuneration Report

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

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

Remuneration Committee

The current members of the remuneration committee are the non-executive directors P D Mason (Chairman of the committee) and I A Thorpe.

The committee has met as and when required during the financial year. No member of the committee has any personal financial interest in the matters to be decided other than as shareholders. There are no conflicts of interest arising from cross-directorships or day-to-day involvement in running the business. The committee has access to market data when considering the remuneration of the executive directors.

Remuneration Policy – Executive Directors

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

In establishing the salaries of the directors, the committee takes into account the responsibilities and performance of the individual together with data from comparable organisations and indicative trends for the business and its economic sector.

The remuneration package consists of the following elements:

1. Basic salary, benefits in kind and other benefits. The salary is determined in August each year, unless there has been a change in responsibilities, where an adjustment will be made at the same time. The benefits in kind mainly consist of the provision of a car and health insurance. A director may choose to take a cash allowance instead of a car. Other benefits consist of pension arrangements and life assurance.

2. Annual bonus. The bonus is made up of two elements. The first element relates to the operating profit of the business unit for which the director has specific performance responsibilities. The second element relates to the operating profit of the Group as a whole. The bonuses are paid in September and relate to the period ending on 30 June in the same year.

Remuneration Policy – Non-Executive Directors

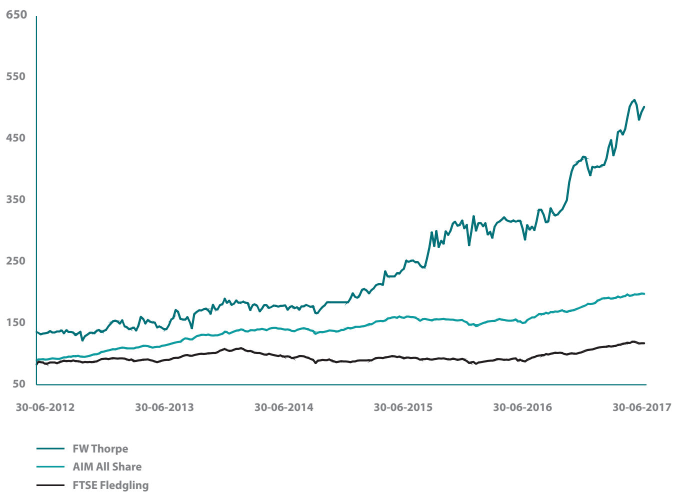
The Board as a whole determines the remuneration of the non-executive directors. The Board takes into account the contribution made and the relative time spent on the company's affairs. The non-executive directors do not receive bonuses. Their benefits in kind consist of the provision of health insurance.

Directors' Service Contracts

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

Performance Graph

The graph below shows the comparative data for the FTSE AIM share index and the FTSE Fledgling share index, rebased to 100, as these are considered to be the most appropriate comparative indices for the company's business.



Directors' Remuneration Report continued

Directors' Emoluments (Audited)

Executive directors	2017 Salary/fees £'000	2017 Bonus £'000	2017 Benefits £'000	2017 Total £'000	2016 Total £'000
A B Thorpe	215	176	28	419	384
M Allcock	226	196	14	436	384
D Taylor	117	90	16	223	196
A M Cooper	130	121	12	263	227
C Muncaster	154	124	13	291	254
J E Thorpe - appointed 3 July 2017	–	–	–	–	–
Non-executive directors					
C M Brangwin - resigned 2 December 2016	13	–	11	24	37
I A Thorpe	27	–	14	41	40
P D Mason	27	–	4	31	30
	909	**707**	**112**	**1,728**	**1,552**

The directors' emoluments exclude contributions to the pension scheme.

Directors' Pension Arrangements

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

C M Brangwin, I A Thorpe, A B Thorpe and P D Mason are retired members of the defined benefit section.

The FW Thorpe Retirement Benefits Scheme is a funded, HMRC approved occupational pension scheme. The scheme is divided into two sections – a defined benefit scheme and a defined contribution scheme. The defined benefit section was closed to new members on 1 October 1995.

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

M Allcock and A M Cooper have ceased being active members of the FW Thorpe Retirement Benefits Scheme due to HMRC limits on lifetime allowances and annual contributions. Subsequently the company has entered into pension compensation arrangements with M Allcock and A M Cooper to compensate them for the loss of these employer pension contributions. During the financial year the company paid pension compensation to M Allcock of £37,319 (2016: £nil) and to A M Cooper £2,152 (2016: £246).

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

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

	Age at year end	Normal pension age	Value of accrued pension at 30 June 2017 £pa	Director's contributions during the year £	Change in value of accrued pension since 30 June 2016 £pa
M Allcock	49	65	110,327	8,482	2,207
D Taylor	55	65	72,819	8,073	9,043

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.

	2017 £'000	2016 £'000
A M Cooper	–	8,237

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

	2017 £'000	2016 £'000
C Muncaster	**13,596**	11,933
A M Cooper	**10,000**	2,500

Directors' Shareholdings

The directors listed below were in office during the year. Directors' interests in the share capital of the company at 30 June 2017 and 1 July 2016 were as follows:

	Ordinary shares of 1p Beneficial	
Executive directors	**2017**	2016
A B Thorpe	**27,602,700**	27,602,700
M Allcock	**114,000**	114,000
D Taylor	**55,913**	55,913
A M Cooper	**84,000**	84,000
C Muncaster	**–**	–
Non-executive directors		
C M Brangwin	**7,731,550**	7,731,550
I A Thorpe	**25,047,120**	25,047,120
P D Mason	**1,626,370**	1,626,370

The market price of the company's shares at the beginning and end of the financial year was 224p and 390p respectively, and the range of market prices during the year was from 203p to 412.5p.

Executive Share Ownership Plan (ESOP)

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

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

There have been no other changes in the interests of the directors in the share capital of any company in the Group during the period 1 July 2017 to 16 October 2017.

Approved by the Board and signed on its behalf by:

Craig Muncaster
Director
16 October 2017

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 2017 and of the Group's profit and the Group's and the company's cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union and, as regards the company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise: the Consolidated and Company Statement of Financial Position as at 30 June 2017; the Consolidated Income Statement and Consolidated Statement of Comprehensive Income, the Consolidated and Company Statement of Cash Flows, and the Consolidated and Company Statements of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Our audit approach

Overview

- Overall Group materiality: £1.0m (2016: £0.8m), based on approximately 5% of profit before tax.
- Overall company materiality: £0.9m (2016: £0.8m), based on approximately 5% of profit before tax.

- We conducted an audit of the complete financial information of two financially significant reporting units: Thorlux Lighting and Lightronics, as well as five other reporting units located in the UK, such that the audit work was complete prior to finalisation of the Group financial statements.
- This has resulted in coverage of 98% of revenue, 98% of profit before tax and 99% of net assets.

- Valuation of Lightronics share appreciation rights repurchase obligation (Group and company).
- Valuation of warranty provision (Group and company).
- Valuation of capitalised development costs (Group and company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Valuation of Lightronics share appreciation rights repurchase obligation **Group and company** Refer to the critical accounting estimates and judgements in note 1 to the financial statements and note 21 for trade and other payables. On acquisition of Lightronics in FY15, share appreciation rights equivalent to 35% of the acquired business were sold back to the previous investors and management. The Group and company are obligated to repurchase these rights at an EBITDA (Earnings before Interest, Tax, Depreciation and Amortisation expense) multiple (based on an average of the previous two years) by FY21 with the option to exercise being held by the previous investors and management. Where the share appreciation rights are due to previous investors, this is accounted for as contingent consideration whereas for previous management who remain employed it is accounted for as a cash settled share based payment. Any revaluation of the contingent consideration is recognised immediately whilst any revaluation of the total share based payment charge is spread across the remaining option period, with both elements charged to administrative expenses. The valuation of repurchase obligation involves judgement with respect to both the expected EBITDA at redemption and also the redemption date.	We tested the key judgements within the repurchase obligation valuation, being the annual revenue and EBITDA growth assumptions and the timing of when the option is estimated to be exercised. With reference to the historical performance of Lightronics, the wider macroeconomic conditions, review of forecast information and discussions with Lightronics management, these assumptions on growth and timing were considered to be reasonable. We recalculated and ensured there were no changes in the split in the share appreciation rights percentage holdings between previous investors and management through enquiries with management and review of Board minutes. We considered the accounting for each tranche and ensured it was compliant with the requirements of IAS 39 – "Financial Instruments: Recognition and measurement" and IFRS 2 – "Share-based payment". We found that the valuation of the share appreciation rights repurchase obligation was consistent with the evidence obtained.
Valuation of warranty provision **Group and company** Refer to the critical accounting estimates and judgements in note 1 to the financial statements and note 23 for provisions. The Group makes provisions for warranties where it is obligated 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 though longer periods can be offered on certain product lines. Amounts have been provided based on known faults at the year-end date where rectification will be due and also based on expected failure rates as applied to sales made within the warranty period. The valuation of the warranty provision involves judgement with respect to the expected failure rate especially when applied to new products at the start of their warranty period.	We have audited the specific provisions held at year-end by inspecting correspondence to confirm rectification is required and recalculating the provision amount based on material cost and estimated labour and installation expenditure. We have enquired with management and reviewed Board minutes to ensure that no specific rectification issues have been identified which were not provided for at year-end. We have corroborated actual failure rates against the expected failure rate as used to calculate a provision where no known rectification issues have been identified. We have additionally reviewed the judgement management has made on those products where it would be too early in the sales cycle to extrapolate a failure rate across the remaining warranty term. We found that the valuation of the warranty provision was consistent with the evidence obtained and the estimates applied are not unreasonable.
Valuation of capitalised internal development costs **Group and company** Refer to the critical accounting estimates and judgements in note 1 to the financial statements and note 9 for intangibles. The Group undertakes development activities on new products and such internal development costs are capitalised where allowable under IAS 38 – "Intangible Assets". Judgement has been applied in considering whether the requirements for capitalising such internal development costs under IAS 38 have been met, the level and nature of costs which should be capitalised and also the period over which costs should be amortised.	We have assessed the development activities performed by the Group against the criteria for capitalising internal development costs under IAS 38. We have performed testing over the amounts capitalised in the year by agreeing payroll amounts to payslips and assessing the percentage of payroll costs capitalised with respect to the employee and their role in the development of products. We have assessed the amortisation period of three years across the Group with reference to the product launches and knowledge of the industry. We found that the valuation of capitalised development costs was consistent with the evidence obtained.

Independent Auditors' Report to the Members of FW Thorpe Plc continued

How we tailored the audit scope

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

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

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

In addition, we conducted the full scope audits of five reporting units located in the UK such that the audit work was complete prior to finalisation of the Group financial statements.

The audit work performed at these seven reporting units, together with additional procedures performed on centralised functions and at the Group level, including audit procedures over the consolidation, gave us the evidence we needed for our opinion on the Group financial statements as a whole.

Materiality

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

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

	Group financial statements	Company financial statements
Overall materiality	£1.0m (2016: £0.8m).	£0.9m (2016: £0.8m).
How we determined it	Approximately 5% of profit before tax.	Approximately 5% of profit before tax.
Rationale for benchmark applied	We believe that profit before tax is the primary measure used by the shareholders in assessing the performance of the entity, and is a generally accepted auditing benchmark.	We believe that profit before tax is the primary measure used by the shareholders in assessing the performance of the entity, and is a generally accepted auditing benchmark.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £45,000 and £900,000. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We agreed with the audit committee that we would report to them misstatements identified during our audit above £50,000 (Group audit) (2016: £40,000) and £50,000 (company audit) (2016: £40,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

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

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

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

Reporting on other information

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

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

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

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

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 June 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 42, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

David Teager (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
16 October 2017

Financial Statements

Veka, Burnley

Consolidated Income Statement

For the year ended 30 June 2017

	Notes	2017 £'000	2016 £'000
Continuing operations			
Revenue	2	**105,448**	88,946
Cost of sales		**(59,025)**	(50,000)
Gross profit		**46,423**	38,946
Distribution costs		**(10,598)**	(8,455)
Administrative expenses		**(17,636)**	(14,532)
Other operating income		**233**	236
Operating profit	3	**18,422**	16,195
Finance income	5	**535**	702
Finance costs	5	**(784)**	(627)
Share of profit/(loss) of joint ventures		**178**	(1)
Profit before income tax		**18,351**	16,269
Income tax expense	6	**(3,851)**	(3,270)
Profit for the year		**14,500**	12,999

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

Basic and diluted earnings per share		Notes	2017 pence	2016 pence
– Basic	Total	7	**12.54**	11.24
– Diluted	Total	7	**12.47**	11.21

The notes on pages 58 to 91 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 2017

	Notes	2017 £'000	2016 £'000
Profit for the year:		**14,500**	12,999
Other comprehensive income/(expenses)			
Items that may be reclassified to profit or loss			
Revaluation of available-for-sale financial assets			
– Arising in year	14	**287**	(74)
– Reclassified in year		**–**	–
Exchange differences on translation of foreign operations			
– Arising in year		**657**	1,627
– Reclassified in year		**–**	–
Taxation	15	**18**	60
		962	1,613
Items that will not be reclassified to profit or loss			
Actuarial loss on pension scheme	22	**(1,211)**	(1,285)
Movement on unrecognised pension scheme surplus	22	**1,071**	1,095
		(140)	(190)
Other comprehensive income for the year, net of tax		**822**	1,423
Total comprehensive income for the year attributable to equity shareholders		**15,322**	14,422

The notes on pages 58 to 91 form part of these financial statements.

Consolidated and Company Statement of Financial Position

As at 30 June 2017

	Notes	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Assets					
Non-current assets					
Property, plant and equipment	8	**18,837**	14,900	**9,547**	8,525
Intangible assets	9	**15,927**	15,183	**3,501**	3,381
Investment in subsidiaries	10	**–**	–	**13,682**	13,682
Investment property	11	**2,163**	2,131	**9,401**	6,926
Loans and receivables	12	**3,058**	4,980	**3,058**	4,980
Equity accounted investments	13	**936**	936	**968**	936
Available-for-sale financial assets	14	**3,630**	3,348	**3,630**	3,348
Deferred tax assets	15	**19**	27	**–**	–
		44,570	41,505	**43,787**	41,778
Current assets					
Inventories	16	**22,592**	18,863	**14,595**	11,311
Trade and other receivables	17	**18,995**	21,914	**21,456**	22,988
Other financial assets at fair value through profit or loss	18	**389**	389	**389**	389
Loans and receivables	12	**750**	–	**750**	–
Short-term financial assets	19	**16,981**	14,910	**16,981**	14,910
Cash and cash equivalents	20	**24,678**	18,295	**22,528**	16,471
Total current assets		**84,385**	74,371	**76,699**	66,069
Total assets		**128,955**	115,876	**120,486**	107,847
Liabilities					
Current liabilities					
Trade and other payables	21	**(17,826)**	(16,700)	**(14,438)**	(13,504)
Current income tax liabilities		**(1,606)**	(1,963)	**(866)**	(1,601)
Total current liabilities		**(19,432)**	(18,663)	**(15,304)**	(15,105)
Net current assets		**64,953**	55,708	**61,395**	50,964
Non-current liabilities					
Retirement benefit deficit	22	**–**	–	**–**	–
Other payables	21	**(5,774)**	(4,619)	**(5,729)**	(4,619)
Provisions for liabilities and charges	23	**(1,537)**	(1,088)	**(548)**	(507)
Deferred income tax liabilities	15	**(920)**	(799)	**(666)**	(600)
Total non-current liabilities		**(8,231)**	(6,506)	**(6,943)**	(5,726)
Total liabilities		**(27,663)**	(25,169)	**(22,247)**	(20,831)
Net assets		**101,292**	90,707	**98,239**	87,016
Equity					
Share capital	24	**1,189**	1,189	**1,189**	1,189
Share premium account	25	**656**	656	**656**	656
Capital redemption reserve	25	**137**	137	**137**	137
Foreign currency translation reserve	25	**2,263**	1,606	**–**	–
Retained earnings		**97,047**	87,119	**96,257**	85,034
Total equity		**101,292**	90,707	**98,239**	87,016

The Group profit includes a profit of £15.8m (2016: £13.7m) for the company.

The notes on pages 58 to 91 form part of these financial statements.

The financial statements on pages 52 to 91 were approved by the Board on 16 October 2017 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 2017

	Notes	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Foreign currency translation reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 July 2015		1,189	656	137	–	80,882	82,864
Comprehensive income/(expense)							
Profit for the year to 30 June 2016		–	–	–	–	12,999	12,999
Actuarial loss on pension scheme	22	–	–	–	–	(1,285)	(1,285)
Movement on unrecognised pension scheme surplus	22	–	–	–	–	1,095	1,095
Revaluation of available-for-sale financial assets	14	–	–	–	–	(74)	(74)
Movement on associated deferred tax	15	–	–	–	–	14	14
Impact of deferred tax rate change	15	–	–	–	–	46	46
Transfer to foreign currency translation reserve		–	–	–	(21)	21	–
Exchange differences on translation of foreign operations		–	–	–	1,627	–	1,627
Total comprehensive income		–	–	–	1,606	12,816	14,422
Transactions with owners							
Dividends paid to shareholders	26	–	–	–	–	(6,651)	(6,651)
Share based payment charge	27	–	–	–	–	72	72
Total transactions with owners		–	–	–	–	(6,579)	(6,579)
Balance at 30 June 2016		**1,189**	**656**	**137**	**1,606**	**87,119**	**90,707**
Comprehensive income/(expense)							
Profit for the year to 30 June 2017		–	–	–	–	14,500	14,500
Actuarial loss on pension scheme	22	–	–	–	–	(1,211)	(1,211)
Movement on unrecognised pension scheme surplus	22	–	–	–	–	1,071	1,071
Revaluation of available-for-sale financial assets	14	–	–	–	–	287	287
Movement on associated deferred tax	15	–	–	–	–	(50)	(50)
Impact of deferred tax rate change	15	–	–	–	–	68	68
Exchange differences on translation of foreign operations		–	–	–	657	–	657
Total comprehensive income		–	–	–	657	14,665	15,322
Transactions with owners							
Dividends paid to shareholders	26	–	–	–	–	(4,858)	(4,858)
Share based payment charge	27	–	–	–	–	121	121
Total transactions with owners		–	–	–	–	(4,737)	(4,737)
Balance at 30 June 2017		**1,189**	**656**	**137**	**2,263**	**97,047**	**101,292**

The notes on pages 58 to 91 form part of these financial statements.

Company Statement of Changes in Equity

For the year ended 30 June 2017

	Notes	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 July 2015		1,189	656	137	78,160	80,142
Comprehensive income/(expense)						
Profit for the year to 30 June 2016		–	–	–	13,661	13,661
Actuarial loss on pension scheme	22	–	–	–	(1,285)	(1,285)
Movement on unrecognised pension scheme surplus	22	–	–	–	1,095	1,095
Revaluation of available-for-sale financial assets	14	–	–	–	(74)	(74)
Movement on associated deferred tax	15	–	–	–	14	14
Impact of deferred tax rate change	15	–	–	–	42	42
Total comprehensive income		–	–	–	13,453	13,453
Transactions with owners						
Dividends paid to shareholders	26	–	–	–	(6,651)	(6,651)
Share based payment charge	27	–	–	–	72	72
Total transactions with owners		–	–	–	(6,579)	(6,579)
Balance at 30 June 2016		**1,189**	**656**	**137**	**85,034**	**87,016**
Comprehensive income/(expense)						
Profit for the year to 30 June 2017		–	–	–	15,800	15,800
Actuarial loss on pension scheme	22	–	–	–	(1,211)	(1,211)
Movement on unrecognised pension scheme surplus	22	–	–	–	1,071	1,071
Revaluation of available-for-sale financial assets	14	–	–	–	287	287
Movement on associated deferred tax	15	–	–	–	(50)	(50)
Impact of deferred tax rate change	15	–	–	–	63	63
Total comprehensive income		–	–	–	15,960	15,960
Transactions with owners						
Dividends paid to shareholders	26	–	–	–	(4,858)	(4,858)
Share based payment charge	27	–	–	–	121	121
Total transactions with owners		–	–	–	(4,737)	(4,737)
Balance at 30 June 2017		**1,189**	**656**	**137**	**96,257**	**98,239**

The notes on pages 58 to 91 form part of these financial statements.

Consolidated and Company Statement of Cash Flows

For the year ended 30 June 2017

	Notes	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Cash flows from operating activities					
Cash generated from operations	28	**22,380**	18,946	**15,806**	13,737
Tax paid		**(3,840)**	(3,323)	**(3,044)**	(2,307)
Net cash generated from operating activities		**18,540**	15,623	**12,762**	11,430
Cash flows from investing activities					
Purchases of property, plant and equipment		**(5,400)**	(2,543)	**(2,131)**	(1,782)
Proceeds from sale of property, plant and equipment		**262**	122	**169**	85
Purchase of intangibles		**(2,148)**	(1,764)	**(1,570)**	(1,404)
Purchase of subsidiary (inclusive of cash acquired)		**240**	–	**–**	–
Purchase of investment property		**(100)**	(28)	**(2,651)**	(24)
Purchase of available-for-sale financial assets		**–**	(404)	**–**	(404)
Sale of available-for-sale financial assets		**5**	–	**5**	–
Investment in associate		**–**	(936)	**–**	(936)
Property rental and similar income		**31**	74	**315**	348
Dividend income		**210**	177	**4,524**	1,973
Net purchase of short-term financial assets		**(2,071)**	(5,552)	**(2,071)**	(5,552)
Interest received		**393**	314	**396**	217
Receipt of loan notes		**1,090**	200	**1,090**	200
Net cash used in investing activities		**(7,488)**	(10,340)	**(1,924)**	(7,279)
Cash flows from financing activities					
Dividends paid to company's shareholders	26	**(4,858)**	(6,651)	**(4,858)**	(6,651)
Net cash used in financing activities		**(4,858)**	(6,651)	**(4,858)**	(6,651)
Effects of exchange rate changes on cash		**189**	487	**77**	103
Net increase/(decrease) in cash in the year		**6,383**	(881)	**6,057**	(2,397)
Cash and cash equivalents at beginning of year	20	**18,295**	19,176	**16,471**	18,868
Cash and cash equivalents at end of year		**24,678**	18,295	**22,528**	16,471

The notes on pages 58 to 91 form part of these financial statements.

Notes to the Financial Statements

For the year ended 30 June 2017

1 Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements and company financial statements (the "financial statements") are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

FW Thorpe Plc is incorporated in England and Wales. The company is domiciled in the UK. The company is a public limited company which is listed on the Alternative Investment Market. The address of its registered office is Merse Road, North Moons Moat, Redditch, Worcestershire, B98 9HH.

Basis of preparation

The consolidated and company financial statements of FW Thorpe Plc have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), IFRIC interpretations and the Companies Act 2006 applicable to Companies reporting under IFRS. The financial statements have been prepared on a going concern basis, under the historical cost convention, as modified by available-for-sale financial assets, financial assets and financial liabilities (including derivative instruments) at fair value through the profit and loss.

The company and Group has adopted all IAS and IFRS adopted in the EU except for IAS 34, as AIM-listed companies are not required to adopt IAS 34. The company and Group has not early adopted any other standards or interpretations not yet endorsed by the EU.

New or amended standards adopted for the year ending 30 June 2017 are:

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

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

The Group has not yet adopted certain new standards, amendments and interpretations to existing standards, which have been published but are only effective for our accounting periods beginning on or after 1 January 2017 or later periods. These new pronouncements are listed below:

Amendment to IAS 7, "Statement of cash flows" on disclosure initiative (effective 1 January 2017)
Amendment to IAS 12, "Income taxes" on recognition of deferred tax assets for unrealised losses (effective 1 January 2017)
IFRS 9 "Financial Instruments" (effective 1 January 2018)
IFRS 15 "Revenue from contracts with customers" (effective 1 January 2018)
IFRIC 22, "Foreign currency transactions and advance consideration" (effective 1 January 2018)
Amendments to IFRS 2, "Share based payments" - Classification and measurement (effective 1 January 2018) (subject to EU endorsement)
Amendments to IFRS 4, Amendments regarding implementation of IFRS 9 (effective 1 January 2018) (subject to EU endorsement)
Amendment to IFRS 9, 'Financial instruments', on general hedge accounting (effective date 1 Jan 2018)
Amendments to IAS 40, 'Investment property' transfer of property (effective 1 January 2018) (subject to EU endorsement)
Annual improvements 2014-2016 cycle (effective 1 January 2018) (subject to EU endorsement)
IFRS 16 "Leases" (effective 1 January 2019)
FRIC 23, "Uncertainty over income tax" (effective 1 January 2019)
IFRS 17 "Insurance Contracts" (effective 1 January 2021)

The directors are currently evaluating the impact of the adoption of these standards, amendments and interpretations in future periods, although it is anticipated that these will have an immaterial impact on reported profits. With specific regard to IFRS 15, the directors do not expect this to have a material impact on reported profits. For IFRS 16, the directors, although not expecting any material impacts on reported profits, are evaluating the effect on the statement of financial position.

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

1 Accounting Policies continued

The preparation of financial information in conformity with the basis of preparation described above requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's and Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial information, are disclosed in the critical accounting estimates and judgements section.

Basis of consolidation

The financial statements for FW Thorpe Plc incorporate the financial statements of the company and its subsidiary undertakings.

A subsidiary is a company controlled directly by the Group and all the subsidiaries are wholly owned by the Group. The Group achieves control over the subsidiaries by being able to influence financial and operating policies so as to obtain benefits from their activities.

Intra-group transactions, balances, income and expenses are eliminated in preparing consolidated financial statements.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

Equity accounted investments

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

Joint ventures are all entities over which the Group exercised joint control. Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Investments in joint ventures and associates are accounted for by the equity method of accounting and are initially recognised at cost.

The Group discloses its share of the result of the equity accounted investments on the face of the income statement. The Group also discloses its share of the net assets on the face of the statement of financial position.

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

The carrying amount of each equity accounted investment is tested for impairment by comparing its recoverable amount with its carrying amount whenever there is an indication that the investment may be impaired.

Revenue recognition

The Group recognises revenue when the amount of revenue can be reliably measured, when it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Revenue is subsequently recognised based upon the goods and services provided, when these goods have been delivered to the customer or the service performed, excluding VAT and trade discounts.

Interest income

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

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

Dividend income

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

Notes to the Financial Statements continued

For the year ended 30 June 2017

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 nine operating segments based on the products and customer base in the lighting market. The largest businesses, on an ongoing basis, are Thorlux and Lightronics Participaties B.V. The seven remaining operating segments have been aggregated into the "other companies" reportable segment based upon their size, comprising the entities Compact Lighting Limited, Philip Payne Limited, Solite Europe Limited, Portland Lighting Limited, TRT Lighting Limited, Thorlux Lighting LLC and Thorlux Australasia PTY Limited.

Pension costs

The Group operates a hybrid defined benefit and defined contribution pension scheme. The basis of the Group's hybrid pension scheme provides benefits to members based upon the following:

- Service before 1 October 1995, benefits provided are defined benefit in nature (the "pure" defined benefit element);
- Service after 1 October 1995, has two elements:
- For members joining pre-1 October 1995, benefits provided are the maximum of their defined contribution pension and their defined benefit pension (the "defined benefit underpin" element);
- For members joining post-1 October 1995, benefits provided are defined contribution in nature (the "pure defined contribution" element).

The contributions of all three elements are paid into one pension scheme, where the contributions and assets are segregated and ring-fenced from each other. The assets of the scheme are invested and managed independently of the finances of the Group. Pension costs are assessed in accordance with the advice of an independent qualified actuary. Costs include the regular cost of providing benefits, which it is intended should remain at a substantially level percentage of current and expected future earnings of the employees covered. Variations from the regular pensions cost are spread evenly through the income over the remaining service lives of current employees. Contributions made to the defined benefit scheme are charged to the income statement in the period in which they are made.

The liability or surplus recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the statement of financial position date less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. In the defined benefit underpin element of the scheme the liabilities reflect the greater of the defined contribution or defined benefit liabilities.

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

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in the statement of comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

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

1 Accounting Policies continued

Foreign currencies

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

Taxation

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

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

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

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

Dividend distribution

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

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

Property, plant and equipment

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

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

Freehold land	Nil
Buildings	2%–10%
Plant and equipment	10%–50%

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

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

Leases

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

Notes to the Financial Statements continued

For the year ended 30 June 2017

1 Accounting Policies continued

Intangible assets

Development costs

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

- It is technically feasible to complete the intangible asset so that it will be available for use;
- Management intends to complete the intangible asset and use or sell it;
- There is an ability to use or sell the intangible asset;
- It can be demonstrated how the intangible asset will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- The expenditure attributable to the intangible asset during its development can be reliably measured. Other development expenditures that do not meet these criteria are recognised as an expense as incurred.

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

The economic success for development activities is uncertain and carrying amounts are reviewed at each statement of financial position date for impairment in accordance with IAS 36.

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

Fishing rights

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

Goodwill

Goodwill is stated at cost less accumulated impairment where applicable. Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary undertaking at the date of acquisition. Goodwill is reviewed for impairment at least annually or more frequently if events or changes in circumstances indicate a potential impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Software costs

Software costs are stated at cost less accumulated amortisation and impairment where applicable. Amortisation is calculated on a straight-line basis to write down the cost less estimated residual value over its useful life. The amortisation rates are between 20% and 50% per annum.

Patent costs

Patents are stated at cost less accumulated amortisation. Amortisation is calculated on a straight-line basis to write down the cost less estimated residual value over its useful life. The amortisation rate is 20%.

Other intangible assets

An intangible asset acquired in a business combination is recognised at fair value to the extent it is probable that the expected future economic benefits attributable to the asset will flow to the Group and that its cost can be measured reliably. Intangible assets principally relate to brand names and technology which were valued discounting estimated future net cash flow from the asset. The cost of intangible assets is amortised through the income statement on a straight-line basis over their estimated economic life.

1 Accounting Policies continued

Investment properties

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

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

Investments in subsidiaries

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the first-in, first-out (FIFO) method.

The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. Provision is made against the cost of slow-moving, obsolete and other stock lines based on the net realisable value.

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within "distribution costs". When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against "distribution costs" in the income statement.

Financial assets at fair value through profit and loss

Financial assets at fair value through profit and loss are financial assets held for trading and are measured at their fair values.

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable.

Short-term financial assets

Short-term financial assets are defined as cash term deposits with banks with an original term of three months and over.

Cash and cash equivalents

Cash and cash equivalents are defined as cash in hand, on demand deposits and short-term deposits with banks with an original term less than three months.

Current asset investments

Current asset investments are valued at fair value. Changes in fair value are recognised in the income statement.

Available-for-sale financial assets

The fair value of quoted investments is based on current bid prices. Changes to fair value are recognised in the statement of comprehensive income.

Trade payables

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

Notes to the Financial Statements continued

For the year ended 30 June 2017

1 Accounting Policies continued

Provisions

Provisions are recognised in the statement of financial position when a Group company has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the statement of financial position date.

If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced to those affected by it. In accordance with the Group's published environmental policy and applicable legal requirements, a provision for site restoration in respect of contaminated land is recognised when land is contaminated.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimates	**Warranty** The Group makes provisions for the warranty provided with the terms and conditions of sale to the customer based on past experience together with specific provisions for known issues. There are quality control procedures in place to ensure that products reaching customers are of a high standard. The technical support areas record all warranty issues in order that problems can be identified that may affect a wider customer base. Additionally, product failures are tested thoroughly to examine technical failures and strategies are developed to minimise and correct issues arising from that examination. The Group works closely with its suppliers to ensure a low failure rate for components. **Lightronics share appreciation rights** The Group has an obligation to purchase the share appreciation rights from the management and former shareholders of the Lightronics business. In arriving at this value the recent performance and future expectations of the Lightronics business have been analysed to forecast the EBITDA upon which the obligation is based. The key assumptions considered are changes in revenue, the EBITDA % and changes in forecast costs, up to the sixth year after acquisition when the option is expected to be exercised. The impact of this assessment are changes to the cash settled share based payment charge and the obligation to purchase the share appreciation rights. This analysis is reviewed and updated each year and, if necessary, adjustments are made to ensure that the provision value is sufficient to cover the expected obligation.
Judgements	**Development costs** The Group undertakes development activities and the commercial viability of these activities is assessed on a continual basis. The Group makes assumptions about the future value of the work based on past experience of similar development projects and the feedback from the marketplace about future expectations for technological development. The Group seeks to minimise the risk of product development failure by engaging with others to overcome technological difficulties and by regularly assessing the expectation of the market. **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.

Financial risk factors

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

1 Accounting Policies continued

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the euro, US dollar, Australian dollar and Arab Emirate dirham. Foreign exchange risk arises from future commercial transactions denominated in a currency that is not the entity's functional currency as well as bank account balances, trade and other receivables as well as trade and other payables denominated in currencies other than sterling. The Group has carried out an exercise to evaluate the effect of a movement of 1% in each currency other than sterling, and the results are not significant. The risk is managed by maintaining relatively low currency balances and selling or buying currency when required.

(ii) Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated statement of financial position either as available-for-sale or at fair value through profit or loss.

The Group has investments in UK listed securities of other entities and these are publicly traded on the London Stock Exchange. The nature of the list of investments held means the investments can go up and down in value.

(iii) Commodity price risk

The Group has an exposure to the risk of commodity price changes, in particular, metals. The Group seeks to minimise the risk by agreeing prices with major suppliers in advance.

(iv) Interest rate risk

The Group is exposed to interest rate risk because it has cash investments and short-term financial assets which are mostly interest-bearing. The effect of a reduction in interest rates is to reduce financial income. There are no borrowings and the Group has no exposure to the risk of increased interest cost other than pension scheme interest cost.

(b) Credit risk

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

(c) Liquidity risk

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

Capital risk management

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

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

Notes to the Financial Statements continued

For the year ended 30 June 2017

1 Accounting Policies continued

The Group has a long-standing policy not to utilise debt within the business, providing a robust capital structure even within the toughest economic conditions. The Group's significant cash resources allow such a position, but also require close management to ensure that sufficient returns are being generated from these resources. The Group's policy with regard to the cash resources is to ensure they generate sufficient returns, whether by investment in business activities, such as plant and equipment, or assessing suitable opportunities to grow the business, or the physical investment of these funds to ensure appropriate returns to investors.

The Group is able to maintain its current capital structure because there are no externally imposed capital requirements, and there were no changes in the Group's approach to capital management during the year.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

Fair value estimation

Financial instruments

Financial instruments that are measured at fair value are disclosed in the consolidated financial statements in accordance with the following fair value measurement hierarchy:

i. Quoted prices (unadjusted) in active markets for identical assets and liabilities (level 1)

ii. Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices), or indirectly (that is, derived from prices) (level 2)

iii. Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3)

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques.

These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Other assets and liabilities

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

Share capital

Ordinary shares are classified as equity.

Where any Group company purchases the company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from the equity attributable to the company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the company's equity holders.

Share based payments

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

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

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 nine 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 acquired Lightronics business is a material subsidiary, and is therefore disclosed separately. The seven remaining operating segments have been aggregated into the "other companies" reportable segment based upon their size, comprising the entities Compact Lighting Limited, Philip Payne Limited, Solite Europe Limited, Portland Lighting Limited, TRT Lighting Limited, Thorlux Lighting LLC and Thorlux Australasia Pty Ltd.

FW Thorpe's chief operating decision-maker (CODM) is the Group Board. The Group Board reviews the Group's internal reporting in order to monitor and assess performance of the operating segments for the purpose of making decisions about resources to be allocated. Performance is evaluated based on a combination of revenue and operating profit. Assets and liabilities have not been segmented, which is consistent with the Group's internal reporting.

	Thorlux £'000	Lightronics £'000	Other companies £'000	Inter-segment adjustments £'000	Total continuing operations £'000
Year to 30 June 2017					
Revenue to external customers	**65,323**	**19,243**	**20,882**	**–**	**105,448**
Revenue to other group companies	**3,794**	**304**	**4,364**	**(8,462)**	**–**
Total revenue	**69,117**	**19,547**	**25,246**	**(8,462)**	**105,448**
Operating profit/(loss)	**14,162**	**2,372**	**2,163**	**(275)**	**18,422**
Net finance expense					**(249)**
Share of profit of joint venture					**178**
Profit before income tax					**18,351**
Year to 30 June 2016					
Revenue to external customers	54,157	15,524	19,265	–	88,946
Revenue to other group companies	2,409	60	2,401	(4,870)	–
Total revenue	56,566	15,584	21,666	(4,870)	88,946
Operating profit	11,699	2,103	2,189	204	16,195
Net finance income					75
Share of loss of joint venture					(1)
Profit before income tax					16,269

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

b) Geographical analysis

The Group's business segments operate in four main areas, the UK, the Netherlands, the rest of Europe and the rest of the World. The home country of the company, which is also the main operating company, is the UK.

	2017 £'000	2016 £'000
UK	**71,547**	64,231
Netherlands	**17,243**	14,113
Europe	**12,348**	8,529
Other countries	**4,310**	2,073
	105,448	88,946

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

Notes to the Financial Statements continued

For the year ended 30 June 2017

3 Group Operating Profit

	2017 £'000	2016 £'000
Profit on sale of Property, Plant & Equipment	**(119)**	(89)
Rental income from investment property	**(131)**	(126)
Depreciation of investment property	**68**	68
Depreciation of Property, Plant & Equipment		
– owned property	**1,629**	1,455
Operating lease rentals		
– land and buildings	**272**	239
– other	**320**	245
Amortisation of intangible assets and impairment	**2,302**	2,277
Research and development expenditure credit	**(233)**	(236)
Currency losses/(gains) recognised in income statement	**9**	(45)

Services provided by the company's auditors

	2017 £'000	2016 £'000
Fees payable to company's auditors for audit of financial statement	**85**	89
Fees payable to the company's auditor and its associates for other services		
Audit of company's subsidiaries	**48**	48
Taxation advisory services	**6**	–
	139	137

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

Other operating income consists of the research and development expenditure credit of £233,000 (2016: £236,000). This is a credit provided by the UK government for carrying out research and development. In prior years this credit was included as a deduction from the tax expense.

4 Employee Information

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

	Group		Company	
Average headcount	**2017 Number**	2016 Number	**2017 Number**	2016 Number
Production	**288**	273	**173**	167
Sales and distribution	**153**	135	**99**	93
Administration	**198**	183	**144**	134
Total average headcount	**639**	591	**416**	394

Employment costs of all employees (including executive directors)

	Group		Company	
	2017 £'000	2016 £'000	**2017 £'000**	2016 £'000
Wages & salaries	**24,319**	20,519	**16,362**	13,693
Social security costs	**2,544**	2,115	**1,748**	1,476
Other pension costs	**1,226**	1,074	**833**	785
	28,089	23,708	**18,943**	15,954

Other pension costs include contributions to pension schemes and other employer's pension related charges comprising life assurance of £98,000 (2016: £80,000), pension administration and professional charges of £77,000 (2016: £94,000) and private pension schemes amounting to £56,000 (2016: £71,000).

Contributions to the defined contribution section amounted to £248,000 (2016: £261,000) and contributions to other schemes administered independently of the FW Thorpe pension schemes amounted to £460,000 (2016: £327,000).

Directors' Emoluments

	Group		Company	
	2017 £'000	2016 £'000	**2017 £'000**	2016 £'000
Aggregate emoluments	**1,728**	1,552	**1,505**	1,356
Contributions to money purchase schemes	**24**	23	**24**	23
	1,752	1,575	**1,529**	1,379

Highest paid director

	Group		Company	
	2017 £'000	2016 £'000	**2017 £'000**	2016 £'000
Total of emoluments and amounts receivable	**436**	384	**436**	384

At 30 June 2017 retirement benefits were accruing to M Allcock and D Taylor (2016: M Allcock and D Taylor) under the defined benefit scheme and to A M Cooper (2016: A M Cooper) under the defined contribution scheme.

Further details are provided in the directors' remuneration report on pages 43 to 45.

Notes to the Financial Statements continued

For the year ended 30 June 2017

5 Net finance income/expense

	2017 £'000	2016 £'000
Finance income		
Current assets		
Interest receivable	**266**	396
Non-current assets		
Fair value adjustments on loans	**–**	45
Dividend income on available-for-sale financial assets	**210**	177
Net rental income	**59**	84
	535	702
Finance cost		
Current liabilities		
Interest payable	**2**	3
Share appreciation right distribution	**582**	624
Non-current assets		
Impairment charge on loan notes	**200**	-
	784	627
Net finance (expense)/income	**(249)**	75

6 Income Tax Expense

Analysis of income tax expense in the year:

	2017 £'000	2016 £'000
Current tax		
Current tax on profits for the year	**4,374**	3,726
Adjustments in respect of prior years	**(662)**	(268)
Total current tax	**3,712**	3,458
Deferred tax		
Origination and reversal of temporary differences	**139**	(188)
Total deferred tax	**139**	(188)
Income tax expense	**3,851**	3,270

The tax assessed for the year is higher (2016: higher) than the standard rate of corporation tax in the UK of 19.75% (2016: 20.00%). The differences are explained below:

	2017 £'000	2016 £'000
Profit before income tax	**18,351**	16,269
Profit on ordinary activities multiplied by the standard rate in the UK of 19.75% (2016: 20.00%)	**3,624**	3,254
Effects of:		
Expenses not deductible for tax purposes	**498**	349
Accelerated tax allowances and other timing differences	**241**	(158)
Adjustments in respect of prior years	**(662)**	(268)
Foreign profit taxed at higher rate	**150**	97
Other	**–**	(4)
Tax charge	**3,851**	3,270

The effective tax rate was 20.99% (2016: 20.10%). Adjustments in respect of prior years include the release of tax provisions in relation to research and development costs.

The change to the UK corporation tax rate from 19% to 17% from 1 April 2020 was substantively enacted on 6 September 2016 with deferred tax balances being re-calculated to reflect this change.

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	2017	2016
Weighted average number of ordinary shares in issue	115,675,590	115,675,590
Profit attributable to equity holders of the company (£'000)	14,500	12,999
Basic earnings per share (pence per share) total	12.54	11.24

Diluted	2017	2016
Weighted average number of ordinary shares in issue (diluted)	116,303,503	115,938,805
Profit attributable to equity holders of the company (£'000)	14,500	12,999
Diluted earnings per share (pence per share) total	12.47	11.21

8 Property, Plant and Equipment

	Group			Company		
	Freehold land and buildings £'000	Plant and equipment £'000	Total £'000	Freehold land and buildings £'000	Plant and equipment £'000	Total £'000
Cost						
At 1 July 2016	11,541	18,410	29,951	5,867	14,614	20,481
Acquisition of a subsidiary	–	44	44	–	–	–
Additions	2,935	2,715	5,650	325	1,909	2,234
Disposals	–	(2,131)	(2,131)	–	(1,875)	(1,875)
Transfers	80	(80)	–	–	–	–
Currency translation	–	32	32	–	–	–
At 30 June 2017	**14,556**	**18,990**	**33,546**	**6,192**	**14,648**	**20,840**
Accumulated depreciation						
At 1 July 2016	2,567	12,484	15,051	1,718	10,238	11,956
Acquisition of a subsidiary	–	9	9	–	–	–
Charge for the year	222	1,407	1,629	112	994	1,106
Disposals	–	(1,988)	(1,988)	–	(1,769)	(1,769)
Currency translation	–	8	8	–	–	–
At 30 June 2017	**2,789**	**11,920**	**14,709**	**1,830**	**9,463**	**11,293**
Net book amount						
At 30 June 2017	**11,767**	**7,070**	**18,837**	**4,362**	**5,185**	**9,547**
Cost						
At 1 July 2015	11,079	16,585	27,664	5,403	13,549	18,952
Additions	462	2,074	2,536	464	1,285	1,749
Disposals	–	(349)	(349)	–	(225)	(225)
Transfers	–	80	80	–	5	5
Currency translation	–	20	20	–	–	–
At 30 June 2016	11,541	18,410	29,951	5,867	14,614	20,481
Accumulated depreciation						
At 1 July 2015	2,358	11,472	13,830	1,618	9,486	11,104
Charge for the year	209	1,246	1,455	100	889	989
Disposals	–	(316)	(316)	–	(197)	(197)
Transfer	–	80	80	–	60	60
Currency translation	–	2	2	–	–	–
At 30 June 2016	2,567	12,484	15,051	1,718	10,238	11,956
Net book amount						
At 30 June 2016	8,974	5,926	14,900	4,149	4,376	8,525

Freehold land which was not depreciated at 30 June 2017 amounted to £1,033,000 (2016: £1,033,000) (Group and company).

Notes to the Financial Statements continued

For the year ended 30 June 2017

9 Intangible Assets

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

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

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

Amortisation and impairment of £2,302,000 (2016: £2,277,000) is included in the administrative expenses. Included in goodwill are amounts of £2,618,000 (2016: £2,618,000) arising from the acquisition of Portland Lighting in 2011 and €7,784,000 (£6,835,000) (2016: €7,784,000; £6,469,000) arising from the acquisition of Lightronics BV in 2015. This goodwill is not amortised. The goodwill for Lightronics is revalued annually to the closing exchange rate, as it is denominated in euros, with the movement recorded in exchange differences on translation of foreign operations in the Statement of Changes in Equity.

The Group tests intangible assets annually for impairment, or more frequently if there are indications of impairment. A discounted cash flow analysis is computed to compare the discounted estimated future operating cash flows to the net carrying value of the goodwill and other intangible assets for each operating segment or business as appropriate.

9 Intangible Assets continued

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

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

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

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.

Notes to the Financial Statements continued

For the year ended 30 June 2017

10 Investments in Subsidiaries

The cost of investment in subsidiaries is as follows:

	Company	
	2017 £'000	2016 £'000
Investment in subsidiaries – cost	**13,682**	**13,682**

The movement in the investment and provisions is as follows:

	Costs £'000	Provision £'000
At 1 July 2016 and 30 June 2017	**13,682**	**–**

11 Investment Property

	Group			Company		
	Freehold land and buildings £'000	Other £'000	Total £'000	Freehold land and buildings £'000	Other £'000	Total £'000
Cost						
At 1 July 2016	1,009	1,190	2,199	6,672	1,190	7,862
Additions	–	100	100	2,551	100	2,651
Disposals	–	–	–	–	–	–
Transfers	(20)	20	–	(95)	95	–
At 30 June 2017	**989**	**1,310**	**2,299**	**9,128**	**1,385**	**10,513**
Accumulated depreciation						
At 1 July 2016	58	10	68	936	–	936
Charge for the year	58	10	68	160	16	176
Disposals	–	–	–	–	–	–
Transfer	–	–	–	(41)	41	–
At 30 June 2017	**116**	**20**	**136**	**1,055**	**57**	**1,112**
Net book amount						
At 30 June 2017	**873**	**1,290**	**2,163**	**8,073**	**1,328**	**9,401**

The following amounts have been recognised in the income statement:

	Group		Company	
	2017 £'000	2016 £'000	**2017 £'000**	2016 £'000
Rental income	**131**	126	**410**	394
Direct operating expenses arising from investment properties that generate rental income	**(135)**	(96)	**(243)**	(205)

The investment property and land, for the Group, consists of property held for investment purposes, a property with land and fishing rights by the River Wye, and land designated for woodland in Monmouthshire. The associated fishing rights for the property by the River Wye are included in intangible assets.

Investment property of £1,335,000 (2016: £1,318,000) is freehold land and therefore not depreciated; the property element includes accumulated depreciation of £406,000 (2016: £337,000) which relates to the property occupied by Mackwell Electronics Ltd. At the date of disposal of this business, the cumulative value of depreciation of the property occupied by Mackwell Electronics Ltd was £269,000.

An external fair value exercise was undertaken in June 2017 of the land by the River Wye and the land in Monmouthshire which has resulted in a value of £1.65m, which is greater than the carrying value of those specific investment properties.

The 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 Loans and receivables

Mackwell Electronics Limited

Following the disposal of Mackwell Electronics Limited on 2 December 2011, the Group acquired loan notes of £2,000,000 as part of the consideration. The loan notes outstanding at the end of the year of £950,000 (2016: £950,000) were due for repayment on 2 December 2016 however, final repayment is now due in December 2017, following an extension of 12 months.

No repayment was received during the year, thus the balance due at 1% over the Bank of England base rate is £950,000 (2016: £950,000). The balance due at the higher interest rate of 4% above the Bank of England base rate is £nil (2016: £nil).

Sugg Lighting Limited

Following the disposal of Sugg Lighting Limited on 6 February 2015 the Group acquired loan notes of £1,634,000 secured on the freehold property. As at 30 June 2017, the outstanding value of these loan notes was £1,472,720 (2016: £1,576,920).

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

Lightronics Participaties B.V.

Part of the acquisition of Lightronics Participaties B.V. included partial funding of the 35% share appreciation rights held by existing shareholders and management. This was achieved by the issue of a loan of €4,200,000, of which €1,000,000 were repaid immediately after the completion of the acquisition. At the date of the financial statements, the loan notes balance was €1,805,000 (2016: €2,952,000) equating to £1,585,000 (2016: £2,453,000) at the end of year exchange rate. The loan notes are repayable on or before the sixth anniversary (1 April 2021) and attract an interest rate of 4%.

As at the date of these financial statements, the Group and company have made a provision of £200,000 (2016: £nil) for loan notes.

13 Equity Accounted Investments

The Group had a joint venture in Australia with its local agent. The venture was jointly controlled with equal voting rights with the Group holding a 51% interest. Thorlux Lighting Australasia Pty Ltd is registered in Queensland and operates from a sales office in Melbourne. The Group previously applied the equity method of accounting to recognise this interest. On the 1 July 2016, the Group increased its shareholding to 100%, by purchasing the 49% shareholding of LCA Holdings PTY Ltd for a nominal sum.

The Group has a joint venture in United Arab Emirates. Thorlux Lighting LLC is registered in United Arab Emirates and operates from a sales office in Abu Dhabi. The Group has applied the proportionate consolidation method of accounting to recognise this interest. Additions of £32,000 (2016: £nil) reflects the 49% of the share capital the company owns of this joint venture.

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

	Group		Company	
	2017 £'000	2016 £'000	**2017 £'000**	2016 £'000
At 1 July	**936**	–	**936**	–
Additions	–	**936**	**32**	**936**
Disposals	**(178)**	–	–	–
Share of profit/(loss)	**178**	**(1)**	–	–
Exchange rate movement	–	**1**	–	–
At 30 June	**936**	**936**	**968**	**936**

Notes to the Financial Statements continued

For the year ended 30 June 2017

14 Available-for-sale Financial Assets

Group and company	30 June 2017 £'000	30 June 2016 £'000
Beginning of year	**3,348**	3,018
Net (disposals)/additions	**(5)**	404
Revaluation	**287**	(74)
	3,630	3,348

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

There were no impairment provisions on available-for-sale financial assets in 2017 or 2016.

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

None of these assets is either past due or impaired.

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

15 Deferred Income Tax

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

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Deferred tax assets	**19**	27	**–**	–
Deferred tax liabilities	**(920)**	(799)	**(666)**	(600)
Net deferred tax liabilities	**(901)**	(772)	**(666)**	(600)

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

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Beginning of year	**(772)**	(1,004)	**(600)**	(835)
Income statement charge	**(139)**	188	**(79)**	179
Tax credited directly to equity	**18**	60	**13**	56
Currency translation	**(8)**	(16)	**–**	–
End of year	**(901)**	(772)	**(666)**	(600)

15 Deferred Income Tax continued

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

Deferred tax asset	Accelerated tax depreciation £'000	Retirement benefit obligations £'000	Other £'000	Total £'000
At 1 July 2015	17	–	–	17
Credited to the income statement	11	–	–	11
Charged directly to equity	(1)	–	–	(1)
At 1 July 2016	27	–	–	27
Charged to the income statement	(5)	–	–	(5)
Charged directly to equity	(3)	–	–	(3)
At 30 June 2017	**19**	**–**	**–**	**19**

Deferred tax liabilities	Accelerated tax depreciation £'000	Research & development £'000	Fair value & other timing differences £'000	Total £'000
At 1 July 2015	164	728	129	1,021
Charged/(credited) the income statement	(104)	10	(83)	(177)
(Credited) directly to equity	(4)	(37)	(20)	(61)
Currency translation	16	–	–	16
At 1 July 2016	72	701	26	799
Charged/(credited) to the income statement	267	50	(183)	134
Charged/(credited) to equity	(5)	(64)	48	(21)
Currency translation	2	6	–	8
At 30 June 2017	**336**	**693**	**(109)**	**920**

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 2015	60	646	129	835
Credited to the income statement	(27)	(70)	(82)	(179)
Credited directly to equity	(3)	(32)	(21)	(56)
At 1 July 2016	30	544	26	600
Charged/(credited) to the income statement	268	(7)	(182)	79
Charged/(credited) to equity	(3)	(57)	47	(13)
At 30 June 2017	**295**	**480**	**(109)**	**666**

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

	Group		Company	
Deferred tax credited/(charged) to equity	**2017 £'000**	2016 £'000	**2017 £'000**	2016 £'000
Tax on revaluation for sale of financial assets	**(50)**	14	**(50)**	14
Impact of deferred tax rate change	**68**	46	**63**	42
	18	60	**13**	56

Notes to the Financial Statements continued

For the year ended 30 June 2017

16 Inventories

	Group		Company	
	2017 £'000	2016 £'000	**2017 £'000**	2016 £'000
Raw materials	**14,840**	12,806	**7,412**	5,457
Work in progress	**1,735**	1,882	**1,495**	1,660
Finished goods	**6,017**	4,175	**5,688**	4,194
	22,592	18,863	**14,595**	11,311

The cost of inventories recognised as an expense and included in cost of sales amounted to £44,503,000 (2016: £38,052,000). The amount of write-down in inventory to net realisable value is £1,051,000 (2016: £672,000).

17 Trade and Other Receivables

	Group		Company	
Current	**2017 £'000**	2016 £'000	**2017 £'000**	2016 £'000
Trade receivables	**17,216**	19,879	**11,063**	12,882
Other receivables	**528**	688	**497**	674
Prepayments and accrued income	**1,251**	1,347	**929**	741
Amounts owed by subsidiaries	**–**	–	**8,967**	8,691
Total	**18,995**	21,914	**21,456**	22,988

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	
	2017 £'000	2016 £'000	**2017 £'000**	2016 £'000
Trade receivables past due date not provided	**1,849**	995	**866**	786

A significant proportion of the amounts past due date were settled shortly after the end of the financial year, and taken together with the credit insurance policy and good credit history, the directors consider that there is no impairment and the trade receivables are therefore stated at their fair value, which equals their book value.

Provisions are made for bad debts when an undisputed debt is three months past due date or earlier if an adverse event occurs. A significant proportion of the trade receivables are insured. The policy covers 90% of the debt in the event of a claim for default. The bad debt provision includes the remaining 10% of the default in the event of a potential claim. No bad debt provision is made in respect of trade receivables from Government departments or agencies. At 30 June 2017 the bad debt provision for the Group amounted to £128,000 (2016: £78,000) and for the company £nil (2016: £4,000).

During the year the following amounts were written off:

	Group		Company	
	2017 £'000	2016 £'000	**2017 £'000**	2016 £'000
Bad debts written off	**10**	15	**8**	7
Bad debts recovered	**(14)**	(8)	**–**	–
Net bad debt (credit)/expense	**(4)**	7	**8**	7

At 30 June 2017, trade receivables were due to the Group and company in the following currency denominations:

	Group		Company	
	2017 £'000	2016 £'000	**2017 £'000**	2016 £'000
Due in £ sterling	**13,131**	14,583	**10,132**	10,800
Due in € euro	**3,550**	4,095	**931**	1,220
Due in UAE dirham	**386**	339	**–**	–
Due in Australian dollars	**139**	695	**–**	695
Due in $ United States dollars	**10**	167	**–**	167
	17,216	19,879	**11,063**	12,882

The other assets within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

18 Other Financial Assets at Fair Value Through Profit and Loss

The Group and company have units in a sterling cash fund. At 30 June 2017 this amounted to £389,000 (2016: £389,000).

	30 June 2017 £'000	30 June 2016 £'000
Sterling cash fund	**389**	389

19 Short-term Financial Assets

Group and company	**2017 £'000**	2016 £'000
Beginning of year	**14,910**	9,358
Net purchases	**2,071**	5,552
End of year	**16,981**	14,910

The short-term financial assets consist of term cash deposits in sterling with an original term in excess of three months.

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

20 Cash and Cash Equivalents

	Group		**Company**	
	2017 £'000	2016 £'000	**2017 £'000**	2016 £'000
Cash at bank and in hand	**24,678**	18,295	**22,528**	16,471

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

21 Trade and Other Payables

	Group		**Company**	
Current liabilities	**2017 £'000**	2016 £'000	**2017 £'000**	2016 £'000
Trade payables	**9,147**	7,920	**5,948**	4,502
Other payables	**849**	1,334	**249**	387
Social security and other taxes	**1,220**	2,328	**411**	1,498
Accruals and deferred income	**6,610**	5,118	**4,593**	3,852
Amounts owed to subsidiaries	**–**	–	**3,237**	3,265
	17,826	16,700	**14,438**	13,504
Non-current liabilities				
Other payables	**5,774**	4,619	**5,729**	4,619
	5,774	4,619	**5,729**	4,619

Amounts owed to subsidiaries, except cash balances, are unsecured, interest free and have no fixed date of repayment. Amounts owed in relation to cash balances generate interest in line with the Group's deposit facilities. Non-current liabilities is a commitment to purchase the outstanding share appreciation rights in the subsidiary, Lightronics Participaties B.V. and post employment employment benefits at Thorlux Australasia Pty Ltd and Thorlux Lighting LLC.

Notes to the Financial Statements continued

For the year ended 30 June 2017

22 Pension Scheme

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

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

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

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

The assets of the scheme are held separately from the assets of the Group, being invested in Managed Funds. Contributions by the Group to the scheme during the year ended 30 June 2017 amounted to £675,000 (2016: £691,000). Contributions are determined by an independent qualified actuary on the basis of triennial valuations using the Project Unit Method.

The date of the most recent actuarial valuation was 30 June 2015, and at that date the value of the fund was £31,704,000. This was sufficient to cover 102% of the value of the benefits accrued to members after allowing for future increases in earnings. In arriving at the actuarial valuation, the following assumptions were adopted:

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

The figures at 30 June 2015 have been updated as at the statement of financial position dates in order to assess the additional disclosures required under IAS 19 as at 30 June 2017 by an independent qualified actuary using the following major assumptions:

	2017	2016	2015	2014	2013
Price inflation	**3.50%**	3.00%	3.40%	3.50%	3.40%
Salary increases	**3.50%**	3.00%	3.40%	3.50%	3.50%
Discount rate	**2.60%**	2.90%	3.80%	4.30%	4.60%
Revaluation for deferred pensioners	**2.50%**	2.00%	2.40%	2.50%	2.50%
Pension increases in payment of 5% pa or RPI if less	**3.30%**	2.90%	3.30%	3.30%	3.30%
Pension increases in payment of 2.55% pa or RPI if less	**2.20%**	2.00%	2.20%	2.20%	2.25%
Life expectancy at age 65 – men	**23.0 years**	23.0 years	23.0 years	22.9 years	24.2 years
Life expectancy at age 65 in 20 years – men	**24.7 years**	24.0 years	24.4 years	24.3 years	26.2 years
Life expectancy at age 65 – women	**25.3 years**	25.0 years	24.9 years	24.8 years	26.6 years
Life expectancy at age 65 in 20 years – women	**27.1 years**	26.0 years	26.4 years	26.3 years	28.5 years

22 Pension Scheme continued

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

	30 June 2017		30 June 2016		30 June 2015		30 June 2014		30 June 2013	
	Expected long-term rate of return £'000	**Value £'000**	Expected long-term rate of return £'000	Value £'000	Expected long-term rate of return £'000	Value £'000	Expected long-term rate of return £'000	Value £'000	Expected long-term rate of return £'000	Value £'000
Equities	**2.60%**	**12,152**	2.90%	14,968	n/a	13,696	n/a	12,796	n/a	11,829
Bonds	**2.60%**	**25,859**	2.90%	19,311	3.80%	16,486	4.30%	14,707	4.60%	13,267
Other	**2.60%**	**413**	2.90%	1,237	n/a	1,522	n/a	1,448	0.50%	1,545
Total market value of assets		**38,424**		35,516		31,704		28,951		26,641
Present value of scheme liabilities		**(37,710)**		(33,731)		(28,824)		(26,053)		(24,959)
Surplus in the scheme		**714**		1,785		2,880		2,898		1,682

Amounts recognised in the statement of financial position

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

	2017 £'000	2016 £'000
Present value of funded obligations	**(37,710)**	(33,731)
Fair value of plan assets	**38,424**	35,516
Surplus in the scheme	**714**	1,785
Less restriction of surplus recognised in the statement of financial position	**(714)**	(1,785)
Asset recognised in the statement of financial position	**–**	–

Movement in defined benefit obligation

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

	2017 £'000	2016 £'000
At 1 July	**(33,731)**	(28,824)
Current service cost	**(535)**	(501)
Interest cost	**(975)**	(1,092)
Contributions by plan participants	**(327)**	(342)
Actuarial losses	**(3,383)**	(4,010)
Benefits paid	**1,241**	1,038
At 30 June	**(37,710)**	(33,731)

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:

	2017 £'000	2016 £'000
At 1 July	**35,516**	31,704
Expected return in plan assets	**1,026**	1,205
Actuarial gains	**2,121**	2,612
Employer contributions	**675**	691
Employee contributions	**327**	342
Benefits paid	**(1,241)**	(1,038)
At 30 June	**38,424**	35,516

Notes to the Financial Statements continued

For the year ended 30 June 2017

22 Pension Scheme continued

Amounts recognised in income statement

The amounts recognised in the income statement are as follows:

	2017 £'000	2016 £'000
Current service cost	535	501
Net interest cost	–	–
	535	501

Actuarial gain recognised in statement of comprehensive income for the year

	2017 £'000	2016 £'000
Actual return less expected return on pension scheme assets	2,121	2,612
Experience losses arising on the scheme liabilities	(1,129)	(1,401)
Changes in assumptions underlying the present value on the scheme liabilities	(2,254)	(2,609)
Movement in recovery plan liability	–	–
Net interest income	51	113
Restriction of pension scheme surplus	1,071	1,095
Actuarial loss recognised in the statement of comprehensive income	(140)	(190)

	2017 £'000	2016 £'000
Cumulative actuarial loss recognised in the statement of comprehensive income at 1 July	(4,321)	(3,036)
Actuarial loss recognised in the statement of comprehensive income for the year	(1,211)	(1,285)
Cumulative actuarial loss recognised in the statement of comprehensive income at 30 June	(5,532)	(4,321)

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 (2016: £189,000) is included in Other Payables.

The expected return on plan assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the statement of financial position date. Expected returns on equity and property investments reflect long-term real rates of return experienced in the respective markets.

The actual return on plan assets over the year ending 30 June 2017 was £3,147,000 (2016: £3,817,000) or 8.9% (2016: 12.0%). The Group expects to pay £647,000 contributions (2016: £627,000) into the pension scheme during the forthcoming year.

22 Pension Scheme continued

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

	2017		2016		2015		2014		2013	
	£'000	**%**	£'000	%	£'000	%	£'000	%	£'000	%
Difference between the expected and actual return on scheme assets	**2,121**		2,612		1,304		767		1,061	
Percentage of scheme assets		**6%**		7%		4%		3%		4%
Experience (loss)/gain on scheme liabilities	**(1,129)**		(1,401)		(142)		(99)		(438)	
Percentage of the present value of scheme liabilities		**3%**		4%		0%		0%		2%
Changes in assumptions underlying the present value of the scheme liabilities	**(2,254)**		(2,609)		(1,553)		58		191	
Percentage of the present value of scheme liabilities		**6%**		8%		5%		0%		1%
Movement in recovery plan liability	**–**		–		–		(189)		–	
Percentage of the present value of scheme liabilities		**0%**		0%		0%		1%		0%
Net interest income	**51**		113		144		87		47	
Percentage of the present value of scheme liabilities		**0%**		0%		0%		0%		0%
Amount which has been recognised in the SOCI	**(1,211)**		(1,285)		(247)		624		861	
				4%		1%		2%		3%

23 Provision for Liabilities & Charges

	Group			Company		
	WEEE provision £'000	**Warranty provision £'000**	**Total £'000**	**WEEE provision £'000**	**Warranty provision £'000**	**Total £'000**
At 1 July 2016	102	986	1,088	102	405	507
Additions	–	582	582	–	150	150
Utilisation	–	(161)	(161)	–	(109)	(109)
Currency translation	–	28	28	–	–	–
At 30 June 2017	**102**	**1,435**	**1,537**	**102**	**446**	**548**

	Group		Company	
Analysis of total provisions	**2017 £'000**	2016 £'000	**2017 £'000**	2016 £'000
Non-current	**1,537**	1,088	**548**	507
Total	**1,537**	1,088	**548**	507

WEEE provision

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

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

Although the timescale of the utilisation of this provision cannot be predicted with certainty, it is expected that it will not be utilised before 30 June 2018.

Warranty provision

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

Notes to the Financial Statements continued

For the year ended 30 June 2017

24 Share Capital

	Group and Company 2017 £'000	2016 £'000
Allotted and fully paid		
118,935,590 ordinary shares of 1p each (2016: 118,935,590 ordinary shares of 1p each)	**1,189**	1,189

The ordinary shareholders each have one vote per share.

	Group and Company 2017 £'000	2016 £'000
Movements in treasury shares included in share capital		
Share capital at 1 July and 30 June	**33**	33
Number of shares held in treasury at 30 June	**3,260,000**	3,260,000

There were no shares issued during the year (2016: nil). There are 2,159,126 (2016: 1,700,000) share options outstanding at the year end.

25 Other Reserves

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Share premium account	**656**	656	**656**	656
Capital redemption reserves	**137**	137	**137**	137
Foreign currency translation reserve	**2,263**	1,606	**–**	–
	3,056	2,399	**793**	793

26 Dividends

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

Dividends paid (pence per share)	**2017**	2016
Final dividend	**2.85**	2.55
Special dividend	**–**	2.00
Interim dividend	**1.35**	1.20
Total	**4.20**	5.75

A final dividend in respect of the year ended 30 June 2017 of 3.55p per share, amounting to £4,106,000 is to be proposed at the Annual General Meeting on 23 November 2017 and, if approved, will be paid on 30 November 2017 to shareholders on the register on 27 October 2017. The ex-dividend date is 26 October 2017. These financial statements do not reflect this dividend payable.

Dividends proposed (pence per share)	**2017**	2016
Final dividend	**3.55**	2.85

Dividends paid	**2017 £'000**	2016 £'000
Final dividend	**3,297**	2,950
Special dividend	**–**	2,314
Interim dividend	**1,561**	1,387
Total	**4,858**	6,651

Dividends proposed	**2017 £'000**	2016 £'000
Final dividend	**4,106**	3,297

27 Share Based Payment Charge

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

The Executive Share Ownership Plan (ESOP) allows for the vesting of options subject to the achievement of performance targets, being annual growth of pre-tax Earnings per Share in excess of RPI plus 3% over a five-year period.

During the year the Group introduced a Save As You Earn (SAYE) for UK based employees that matures in October 2021.

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

Under IFRS 2, an expense is recognised in the income statement for share based payments, calculated on the fair value at the settlement date. The application of IFRS 2 gave rise to a charge of £121,000 (2016: £72,000) for the period.

At 30 June 2017, there were no options exercisable (2016: nil) under the ESOP or SAYE schemes.

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

	ESOP Scheme		SAYE Scheme		**Total**
	Options	Exercise price (p/s)	Options	Exercise price (p/s)	Options
Outstanding at 1 July 2016	1,700,000	124	–	–	1,700,000
Granted during the year	–	–	463,000	209	463,000
Exercised during the year	–	–	–	–	–
Forfeited during the year	–	–	(3,874)	–	(3,874)
Lapsed during the year	–	–	–	–	–
Outstanding at 30 June 2017	**1,700,000**	**124**	**459,126**	**209**	**2,159,126**

The weighted average contractual life of the share based payments outstanding at the end of the year is 7.3 years for the ESOP scheme and 4.8 years for the SAYE scheme.

b) Fair value calculations

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

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

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

Cash-settled share based payment charge

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

Under IFRS 2, an expense is recognised in the income statement for share based payments, calculated on the fair value at the settlement date. The application of IFRS 2 gave rise to a charge of £234,000 (2016: £122,000) for the period. The total liability at 30 June 2017 was £382,000 (2016: £148,000).

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

Notes to the Financial Statements continued

For the year ended 30 June 2017

28 Cash Generated from Operations

Cash generated from continuing operations	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Profit before income tax	**18,351**	16,269	**18,360**	16,040
Depreciation charge	**1,697**	1,523	**1,282**	1,164
Amortisation/impairment of intangibles	**2,302**	2,277	**1,323**	1,732
Profit on disposal of property, plant and equipment	**(119)**	(89)	**(63)**	(57)
Net finance expense/(income)	**249**	(75)	**(4,198)**	(4,346)
Retirement benefit contributions in excess of current and past service charge	**(140)**	(190)	**(140)**	(190)
Share of (profit)/loss from joint venture	**(178)**	1	**–**	1
Share based payment charge	**337**	193	**121**	46
Research and development expenditure credit	**(233)**	(236)	**(170)**	(165)
Effects of exchange rate movements	**113**	182	**33**	182
Changes in working capital				
– Inventories	**(3,646)**	(1,128)	**(3,284)**	506
– Trade and other receivables	**2,156**	(2,094)	**3,511**	(3,057)
– Payables and provisions	**1,491**	2,313	**(969)**	1,881
Cash generated from continuing operations	**22,380**	18,946	**15,806**	13,737

29 Commitments

(a) Capital commitments

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

	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Property, plant and equipment	**477**	84	**462**	77

(b) Operating lease commitments

The Group leases premises under non-cancellable operating lease agreements. The lease terms are between one and four years (2016: one and four years), and the lease agreements are renewable at the end of the lease period at market rate.

Additional information

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

Group	Land and buildings 2017 £'000	Other 2017 £'000	Total 2017 £'000	Land and buildings 2016 £'000	Other 2016 £'000	Total 2016 £'000
Within one year	**298**	**144**	**442**	267	148	415
Within two to five years	**36**	**240**	**276**	275	253	528
Over five years	**–**	**–**	**–**	–	–	–
	334	**384**	**718**	542	401	943

Company	Land and buildings 2017 £'000	Other 2017 £'000	Total 2017 £'000	Land and buildings 2016 £'000	Other 2016 £'000	Total 2016 £'000
Within one year	**10**	**5**	**15**	9	–	9
Within two to five years	**–**	**8**	**8**	3	–	3
Over five years	**–**	**–**	**–**	–	–	–
	10	**13**	**23**	12	–	12

30 Financial Instruments by Category

All financial instruments measured at fair value are categorised as level 2 in the fair value measurement hierarchy, whereby the fair value is determined by using valuation techniques, except for £4,019,000 (2016: £3,737,000) of fixed rate listed investments included in available-for-sale and other financial assets at fair value through profit or loss that are classified as level 1. The valuation techniques for level 2 instruments use observable market data where it is available, for example quoted market prices, and rely less on estimates.

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

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

Group	Loans and receivables £'000	Available-for-sale £'000	Assets at fair value through the profit and loss £'000	Total £'000
30 June 2016				
Assets as per statement of financial position				
Loans and receivables	4,980	–	–	4,980
Available-for-sale financial assets	–	3,348	–	3,348
Other financial assets at fair value through the profit and loss	–	–	389	389
Trade and other receivables	20,567	–	–	20,567
Short-term financial assets	14,910	–	–	14,910
Cash and cash equivalents	18,295	–	–	18,295
Total	58,752	3,348	389	62,489

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

Notes to the Financial Statements continued

For the year ended 30 June 2017

30 Financial Instruments by Category continued

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

The above analysis excludes prepayments.

	Group		Company	
Liabilities as per the statement of financial position	**30 June 2017 £'000**	30 June 2016 £'000	**30 June 2017 £'000**	30 June 2016 £'000
Trade and other payables (excluding statutory liabilities)	**16,608**	14,372	**14,027**	12,006
Post employment benefits	**45**	–	–	–
Deferred consideration	**5,729**	4,472	**5,729**	4,427

Financial liabilities are measured at amortised cost.

The Group and company did not have derivative financial instruments at 30 June 2017 or 30 June 2016. All assets and liabilities above are considered to be at fair value.

31 Related Party Transactions

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

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

31 Related Party Transactions continued

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

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**	
	2017 £'000	2016 £'000	**2017 £'000**	2016 £'000
Compact Lighting Limited	**(35)**	(51)	**1,309**	1,339
Philip Payne Limited	**(909)**	(813)	**10**	15
Solite Europe Limited	**(574)**	(510)	**7**	128
Portland Lighting Limited	**(1,527)**	(1,675)	**2**	10
TRT Lighting Limited	**(175)**	(216)	**2,851**	4,243
Thorlux Lighting LLC	**–**	–	**1,105**	1,101
Lightronics Participaties B.V.	**(17)**	–	**2,095**	1,708
Thorlux Australasia PTY Limited	**–**	–	**1,588**	–
Total	**(3,237)**	(3,265)	**8,967**	8,544

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

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

The key management personnel are the Group Board directors; their interests are disclosed in the directors' remuneration report on pages 43 to 45. There are 4 employees who are related parties (2016: 4). Total remuneration for the period was £195,000 (2016: £199,000).

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 £5,000 (2016: £nil), purchased goods amounting to £84,000 (2016: £73,000), and sold services of £nil (2016: £nil). At the year end there were trade balances due to Luxintec S.L. of £2,000 (2016: £nil) and £5,000 due from Luxintec S.L. (2016: £nil).

Notes to the Financial Statements continued

For the year ended 30 June 2017

32 Group Companies

The parent company has the following investments as at 30 June 2017 and 30 June 2016:

			Proportion of nominal value of issued shares held by Group and Company	
Name of undertaking	Country of incorporation	Description of shares held	30 June 2017	30 June 2016
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%
Lightronics GmbH	Germany	Ordinary €1 shares	100%	100%
Thorlux Australasia PTY Limited	Australia	Ordinary $1 shares	100%	51%
Thorlux Lighting L.L.C.	United Arab Emirates	Ordinary AED 1,000 shares	49%	49%
Luxintec S.L.	Spain	Ordinary €1 shares	40%	40%

The registered office addresses of these Group companies are:

Compact Lighting Limited	Merse Road, North Moons Moat, Redditch, Worcestershire, B98 9HH, England
Philip Payne Limited	Merse Road, North Moons Moat, Redditch, Worcestershire, B98 9HH, England
Solite Europe Limited	Merse Road, North Moons Moat, Redditch, Worcestershire, B98 9HH, England
Portland Lighting Limited	Merse Road, North Moons Moat, Redditch, Worcestershire, B98 9HH, England
TRT Lighting Limited	Merse Road, North Moons Moat, Redditch, Worcestershire, B98 9HH, England
Lightronics Participaties B.V.	Spuiweg 19, 5145 NE Waalwijk, Netherlands
Lightronics B.V.	Spuiweg 19, 5145 NE Waalwijk, Netherlands
Lightronics 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
Luxintec S.L.	Calle Pino Negral, parcelas 13-14, Sector Industrial El Brizo II, Aldeamayor de San Martin, 47162, Valladolid, Spain

The principal activities of these Group companies are:

Compact Lighting Limited	– design and manufacture of lighting solutions for retail applications
Philip Payne Limited	– design and manufacture of illuminated signs
Solite Europe Limited	– design and manufacture of clean room lighting equipment
Portland Lighting Limited	– design and manufacture of lighting for signs
TRT Lighting Limited	– design and manufacture of lighting for roads and tunnels
Lightronics Participaties B.V.	– holding company
Lightronics B.V.	– design and manufacture of external and impact resistant lighting
Lightronics GmbH	– sale of external and impact resistant lighting
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
Luxintec S.L.	– design and manufacture of LED luminaires and lenses

33 Acquisition Of Subsidiary

On 1 July 2016 the Group acquired the remaining 49% of the share capital of Thorlux Australasia PTY Limited for a nominal sum.

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

	£'000
Cash	240
Property, plant and equipment	35
Inventories	64
Trade and other receivables	51
Trade and other payables	(40)
Total identifiable assets	**350**
Goodwill	524
Total purchase consideration	**874**
Total purchase consideration satisfied by:	
Cash	–
Waiving of previous receivable	696
Fair value of previously held balances	178
Total consideration	**874**
Net cash outflow arising on acquisition	
Cash consideration	–
Less cash in subsidiary acquired	(240)
Cash (inflow) on acquisition	**(240)**

A fair value exercise has been performed on the assets and liabilities, the results were that property, plant and equipment, trade and other receivables and trade and other payables were assessed and book value was considered fair value.

The goodwill relates to the fair value of the net assets.

34 Events After The Statement Of Financial Position Date

On the 27 September 2017 a new loan agreement was made for the benefit of Mackwell Electronics Limited. This replaces existing agreements that were due for repayment in 2017. The new loans are due for repayment in September 2020 and September 2022.

Notice of Meeting

Notice is hereby given that the eightieth Annual General Meeting of FW Thorpe Plc will be held at Merse Road, North Moons Moat, Redditch, Worcestershire, B98 9HH on 23 November 2017 at 3.15 pm to transact the following business:

Ordinary business

1. To receive and adopt the Annual Report and Accounts for the year ended 30 June 2017.
2. To declare a final dividend.
3. To re-elect Mr M Allcock as a director.
4. To re-elect Mr P D Mason as a director.
5. To elect Mr J E Thorpe as a director.
6. To re-appoint PricewaterhouseCoopers LLP as auditors of the company, to hold office until the conclusion of the next General Meeting at which accounts are laid before the company and to authorise the directors to fix the auditors' remuneration.

Special business

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

7. That the directors' remuneration report (as set out on pages 43 to 45 of the Annual Report and Accounts) for the year ended 30 June 2017 be approved.
8. That the company be generally and unconditionally authorised to make market purchases (within the meaning of section 693(4) of the Companies Act 2006) of ordinary shares of 1p each of the company provided that:
    (a) the maximum number of ordinary shares hereby authorised to be acquired is 11,893,559;
    (b) the minimum price which may be paid for any such share is 1p;
    (c) the maximum price which may be paid for any such share is an amount equal to 105% of the average of the middle market quotations for an ordinary share in the company as derived from the Alternative Investment Market for the five business days immediately preceding the day on which such share is contracted to be purchased;
    (d) the authority hereby conferred shall expire on the date of the Annual General Meeting of the company in 2018; and
    (e) the company may make a contract to purchase its ordinary shares under the authority hereby conferred prior to the expiry of such authority, which contract will or may be executed wholly or partly after the expiry of such authority, and may purchase its ordinary shares in pursuance of any such contract.

Notes

1. Copies of the directors' service contracts will be available for inspection during usual business hours, at the registered office of the company on any weekday (Saturdays and public holidays excepted) from the date of this notice until the date of the meeting and also at the meeting for at least 15 minutes prior to, and until the conclusion of, the meeting.
2. To be entitled to attend and vote at the meeting (and for the purposes of the determination by the company of the votes they may cast), members must be registered in the Register of Members of the company at 6.30 pm on 21 November 2017 (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 21 November 2017 or 48 hours before the time appointed for any adjourned meeting or, in the case of a poll taken subsequent to the date of the meeting or adjourned meeting, so as to be received no later than 24 hours before the time appointed for taking the poll.

6. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the Annual General Meeting and any adjournment(s) thereof by utilising the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members (www.euroclear.com), and those CREST members who have appointed (a) voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

   In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent ID RA19, by 3.15 pm on 21 November 2017 (or, in the case of an adjournment of the Annual General Meeting, not later than 48 hours before the time fixed for the holding of the adjourned meeting). For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

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

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

7. As at 16 October 2017 (being the last practicable day prior to the publication of this notice), the company's issued share capital consists of ordinary shares of 1p each, carrying one vote each. Excluding 3,260,000 shares held in treasury, the total voting rights in the company as at 16 October 2017 are 115,675,590.

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

By order of the Board

Craig Muncaster
Director

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

16 October 2017

Financial Calendar

2017

23 October	Posting of the Annual Report and Accounts
23 November	Annual General Meeting
30 November	Payment of final dividend

2018

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

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