FW Thorpe Plc

Annual Report and Accounts **2019**

Welcome to the 2019 Annual Report

Who We Are

We specialise in designing and manufacturing professional lighting systems.

We currently employ over 650 people and although each company works autonomously, our skills and markets are complementary.

Our Purpose

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

Our Vision

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

Our Values

- Integrity
- Honesty
- Longevity

Investment Case

01 A well positioned portfolio of companies over seven different countries

Read more on pages 02 to 05

02 Innovative products with market-leading technology

Read more on pages 28 to 35

03 Strong profit margins and robust balance sheet

Read more on pages 36 and 37

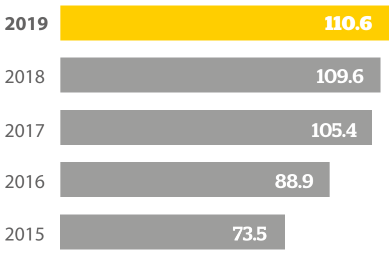
Visit us online at:
www.fwthorpe.co.uk

Pictured on front cover: Swansea University Library, Swansea

Highlights

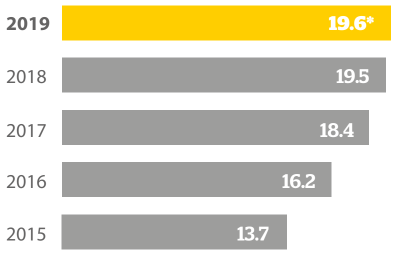
Revenue (£m)

+0.9%



Operating Profit (£m)

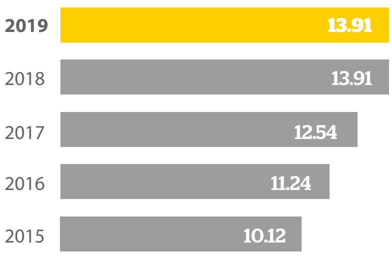
+0.5%



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

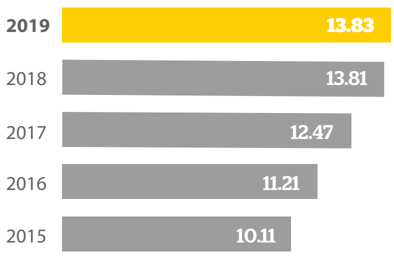
Basic Earnings per Share (Pence)

–%



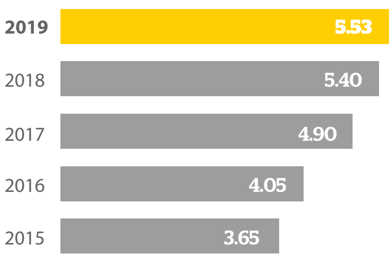
Diluted Earnings per Share (Pence)

+0.1%



Dividend per Share (Pence)

+2.4%



Operational Highlights

1. Revenue growth supported by Lightronics and Famostar
2. Improved second half performance of Thorlux
3. Operating result supported by sale of Portsmouth property
4. Continued investment in the Group – Thorlux factory equipment investments, Lightronics and TRT facilities

Contents

FW Thorpe at a Glance

The complete service offering we provide...

Design & Development

£1.8m

Group spend on capitalised R&D

(2018: £1.6m)

Manufacturing

+20%

Punch/Bend capacity

+100%

Laser cutting capacity

Commissioning

£0.7m

Revenue from this service

(2018: £0.7m)

Read about our service offering on pages 14 and 15

Our Strategic pillars...

- Focus on high quality products and good leadership in technology
- Continue to grow the customer base for Group companies
- Focus on manufacturing excellence
- Continue to develop high quality people

Read about our strategic pillars on pages 16 and 17

FW Thorpe Timeline

1936 Established by Frederick William Thorpe and his son Ernest Thorpe. Spinning circular reflectors

1940-1960 Moved to larger premises twice to cope with the expansion into linear fluorescent luminaires, and to enter 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 Transferred to AIM

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

Our Global Footprint

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

2 Netherlands
Lightronics, Famostar

3 Ireland
Thorlux Lighting

4 Germany
Thorlux Lighting

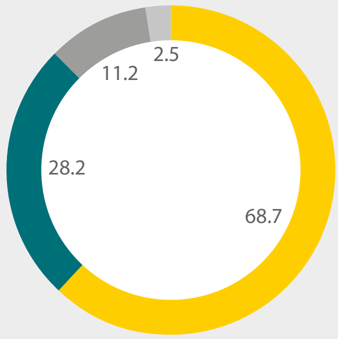
5 United Arab Emirates
Thorlux Lighting

6 Australia
Thorlux Lighting Australasia

7 Spain
Luxintec

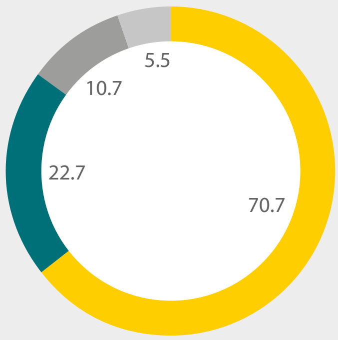
Revenue by region (£m)

2019



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

2018



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

2009
Acquired Solite Europe Lighting for clean rooms

2011
Acquisition of Portland Lighting

Mackwell Electronics disposal

2013
Start-up company TRT Lighting

Entered the street lighting market

2014
Creation of an in-house LED printed circuit board production line

Ability to place 400,000 components per day

2015
Acquisition of Lightronics – Netherlands

Develop European market

Sugg Lighting disposal

2016
Investment in Luxintec – Spain

Target Spanish market and acquire lens specialism

2017
Acquired remaining share capital in Thorlux Australasia

Target Australian market, improve performance

2018
Acquired Famostar – Netherlands

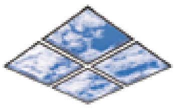
Improved emergency lighting product offering

2019
Compact Lighting business successfully merged with Thorlux Lighting

Portsmouth facility sold

FW Thorpe at a Glance continued

Thorlux Lighting



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

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

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

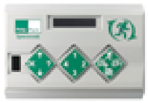
Thorlux is well known throughout the world and provides a comprehensive range of professional lighting and control systems for a wide variety of applications.

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

Read more on page 29

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.

Key products
- Emergency exit signage
- Emergency lighting systems

Market sectors
- Commercial
- Hospitality
- Healthcare

Read more on page 30

Solite

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

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

Key products
- Clean room luminaires

Market sectors
- Pharmaceutical
- Healthcare
- Education/Research

Read more on page 31

Portland Lighting

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

The company operates from a modern 1,300m^2 facility in Walsall, which was purposely designed to enable the fast turnaround of customer orders.

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

Key products
- Lighting for signs

Market sectors
- Retail
- Hospitality
- Advertising

Read more on page 32

TRT LIGHTING
ROAD & TUNNEL SYSTEMS

Description

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

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

Key products

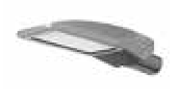
- Road and tunnel lighting
- Amenity lighting

Market sectors

- Infrastructure
- Facilities – car parking

Read more on page 33

LIGHTRONICS
WE ENLIGHTEN YOUR WORLD



Description

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

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

Key products

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

Market sectors

- Infrastructure
- Facilities – car parking
- Housing

Read more on page 34

Famostar

Description

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

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

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

Key products

- Emergency exit signage
- Emergency lighting systems

Market sectors

- Commercial
- Industrial
- Education
- Retail & Hospitality

Read more on page 35

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

Pictured: BuroHappold, Leeds

Chairman's Statement

“Overall, Management are pleased with the recovery and satisfied that, to the best of our judgement, the Group has gained market share in tough trading conditions.”

£42m
Revenue from outside the UK

(2018: £39m)

Despite a tremendous effort by Group employees, and as forecast in the interim results announcement, operating profit before disposals for the 2018/19 financial year took a step backwards when compared with last year's record. As reported, UK operations suffered from a significant general downturn in market conditions in the first half of the year, and despite an excellent recovery of orders in the second half and good contributions by Lightronics and Famostar in the Netherlands, revenue increased only marginally over the year. It is, however, pleasing to report that despite ongoing uncertain economic conditions in the UK, orders closed ahead of the previous year and the Group entered the new financial year with a healthy order book.

Group results

In 2018/19, Group revenue reached £110.6m, an increase of 0.9%, but underlying operating profit was down by 9.3% to £17.6m. A reduction in operating profit was experienced across a number of our UK operations, but most notably at the Group's largest company, Thorlux Lighting, as a result of costs associated with closing down the Portsmouth factory, reduced efficiency due to managing the slowdown followed by a sudden ramp-up of production, and a slight squeeze on margins. Overall, Management are pleased with the recovery and satisfied that, to the best of our judgement, the Group has gained market share in tough trading conditions.

Both revenue and operating profit are supplemented by the first full-year inclusion of Famostar; the prior year only represented six months' results for the Netherlands business. Operating profit and profit before tax were supported by the sale of the Thorlux Portsmouth and Sugg Lighting factories for £4.8m, realising a £1.9m gain on disposal. Revenue generated outside the UK was £42m, or 38% of the total, the majority from European countries served by Group acquisitions in the last few years. Organic growth for exporting products from the Group's UK companies remains a firm target, but this year took a step backwards despite the weak pound. In particular, Australia and the UAE suffered from a lack of significant projects, each region with its own unique set of trading and economic difficulties. The pressure remains on, and I remain committed to offsetting risk within the Group by ensuring the companies are as multinational as practical in their trading.

There is a detailed summary of each company's performance later in the Annual Report and Accounts, but I would like to recognise the improvement in profitability at the Group's UK-based street lighting producer, TRT Lighting (£0.8m, up 103%), further improvements at Lightronics, and, after only a short time as part of the Group, how Famostar has made an excellent contribution, increasing its own profits considerably and making a real impact on the overall figures.


University of Worcester Arena, Worcester

During the year, numerous acquisition opportunities have presented themselves. Each of these has been investigated, several in some detail. Within the Board, we continue to try and find the right companies that fit the Board's criteria, including for them to be non-competing, complementary, and to have potential synergies with other Group companies.

The Board has continued and committed to invest to underpin Group companies and to support growth. To that end: the construction of new facilities for Portland Lighting continues at pace (£1.6m); the Group acquired the present factory and offices for Famostar (£2.3m), after the year end, from the leaseholder, together with a significant amount of adjoining land, in anticipation of future expansion (£0.3m); the extension and renovation of the Lightronics building was completed (£1.0m); and the Group invested in the sheet metal factory at Thorlux Lighting, with new state of the art metal-piercing machines (£1.6m). I am proud to report that the roof of Thorlux Lighting's sheet metal factory now supports 909 solar panels, contributing 225,000 kWh of annual electricity, providing continuation of the Group's green manufacturing and distribution policy, and even charging the hybrid electric cars of myself and my colleagues with near zero-carbon electricity during our working days.

Performance as a whole for the year to 30 June 2019 allows the Board to recommend a final dividend of 4.10p per share (2018: 4.00p), which gives a total for the year of 5.53p (2018: 5.40p).

In recent years, I have reported on the difficulties in finding organic revenue growth during tough trading conditions. I believe the current challenges are caused by several factors. Among these, of course, is the Brexit situation, which is hitting general business confidence, as can be seen in our sales to certain sectors in the UK. While the Brexit debate continues, the Government is not focussed on general everyday tasks, which is also arguably affecting an amount of potential revenue from customers reliant upon government investment. Finally, customer interest in LED luminaire technology has peaked because of the smaller improvements in LED chip performance; in particular, short-payback retrofit projects are fewer.

It is pleasing that in such changing times, the Group can still produce a set of creditable figures.

The Group companies do, however, need to keep improving, and in particular be more agile. All Group companies operate on annually reviewed objectives and key performance indicators, set by each board at the start of each financial year. In addition, the Group Board has a longer term strategy and planning review.

The product life cycle of lighting products used to be long; however, LED luminaires and control systems now need updating regularly. The lighting industry should be proud of what it has achieved in recent years, with LED luminaires and control systems often using 70% less power than their conventional counterparts, and as such making a real contribution to government energy-reduction objectives. However, with such large reductions in power usage, and associated environmental impacts, control system effectiveness is less pronounced and monetary paybacks are extended. Therefore, systems now need to provide greater benefits in addition to energy saving alone.

Nowadays, within the Group we are changing our emphasis, and our sales engineers talk far more about other factors as well as energy saving. These changes are exciting whilst also a threat. If we change and adapt, like we did for the "LED revolution" years ago and the "wireless revolution" not so long ago, then our luminaires can provide data and status information for numerous reasons, including, for example, users' presence-detection profiling to determine operational efficiency improvements, and automatic emergency lighting testing to provide health and safety compliance. We can also fine-tune lighting automatically, for example its colour temperature, to follow a natural daylight rhythm. People in the workplace are expensive; if we can help people be more efficient and provide an environment in which they can be more productive, through good quality lighting, then that can deliver a return on investment more quickly than energy savings ever did.

The SmartScan emergency lighting system has found synergies across most Group companies. Using a common software "backbone" allows Thorlux to tailor the system to suit individual company needs such as branding or local

Chairman's Statement continued

+2.4%
Dividend

(2018: +10.2%)

testing nuances. Philip Payne and Solite already use SmartScan technology, and by the end of this calendar year SmartScan will be launched at Famostar, TRT and Lightronics. In the near future, there are plans to extend the SmartScan platform further, to bring other non-lighting devices into its web portal, for example to provide warehouse dock door monitoring and solar panel energy logging.

Thorlux introduced its new Flex System last year, but full production only started recently. This new range builds on the theme of providing lighting for workplace well-being. Please see the article on pages 20 to 21 in this Annual Report for details, or the Thorlux website. The system has several patented elements and is a rather radical approach to lighting a space. It certainly looks the part in the newly refurbished Lightronics building, and I hope customers will feel the same.

Personnel

I would like to thank my whole team for their continued support and diligence. We all have objectives to meet, and whilst these are challenging, they are necessary to continue on the path of steady, sustainable and profitable growth.

Andrew Thorpe retired from executive duties on 28 June 2019. Further to my announcement at the time, I would like to repeat, on behalf of the Board and all employees, our thanks to Andrew for his diligence in his many years working for our company. Andrew will be a welcome visitor every month for board meetings and at any time in between.

I am also pleased to share with you that we have added two relative "youngsters" to the Thorlux Board; one started with us as an apprentice and the other as a trainee.

Outlook

It has never been possible for the Board to predict order income beyond the next few months; in the current climate, predictions seem even more challenging. All we can do is to remain focussed and capable to flex with the times.

I strongly believe that if we, within the Group, continue to develop products that our customers desire, then that is a good starting point. Beyond that, we then have to continually assess our methods and routes to market and be prepared to change to suit the times. We also need to ensure we are showing our wares to as many customers as possible, through better marketing and targeted sales.

The Group Board has targets and plans in place for all of the Group's companies; Board members remain committed to resume a path of steady growth. We are, at this moment, however, subject to unpredictable economic conditions, particularly in the UK, with the threat of a disorderly exit from the EU and the Government in disarray. Whilst we have some plans in place to mitigate these impacts, current uncertainty only serves to weigh on our customers' confidence to invest in capital projects. We can only hope that, whatever the outcome over the next few months, any downturn in some sectors will be offset by some reinvigoration in government-led investment.

Michael Allcock

Mike Allcock
Chairman and Joint Chief Executive

18 October 2019

Pictured right: Lightronics Offices, Waalwijk

Marketplace

Q **Which market sectors are growing?**

A The main growth areas have been healthcare and logistics. This continues to justify our investment in business development for these areas. We will consider some further investment in targeted selling resource during 2020.

The growth in these areas, however, was offset by reductions in public sector related and industry spending.

Q **Which sectors are you focusing on?**

A Our product and solution portfolio continues to evolve and can cater for a variety of different sectors. We continue to focus on the healthcare, logistics and retail sectors but with some renewed endeavour on transport and education.

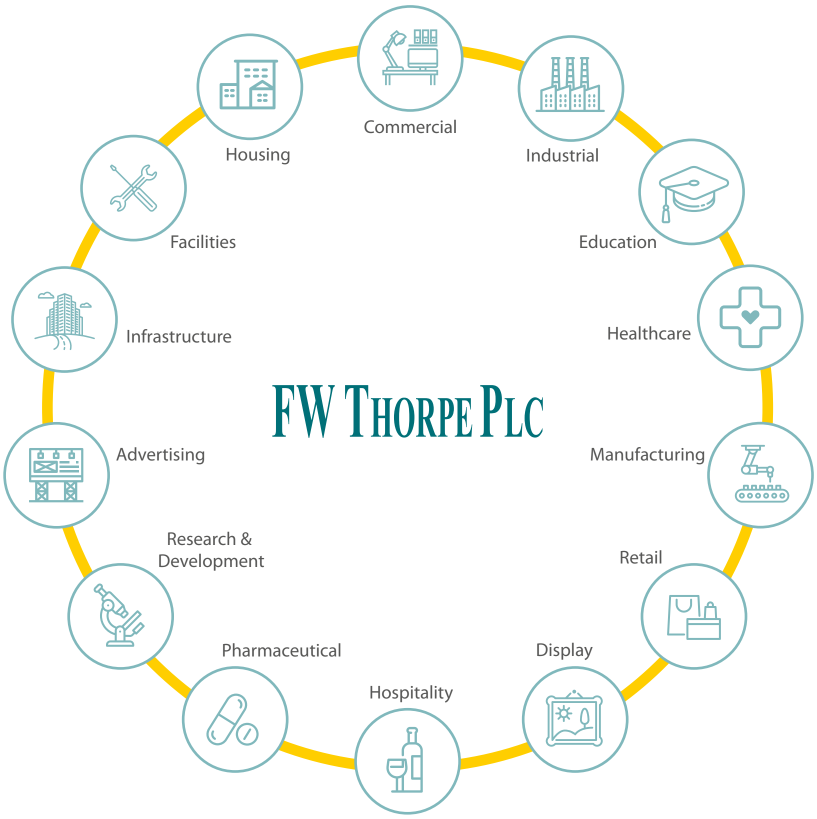
Q **Do your competitors have an interest in each of these markets as well?**

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

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

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

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 overarching trends that affect us as a Group.



UK
Revenue

-3%

- Weakened demand in some traditional sectors. Increased business from healthcare and logistics

Netherlands
Revenue

+24%

- Increased percentage driven by full year of Famostar and growth at Lightronics

Rest of Europe
Revenue

+4%

- Additional business in Norway, France, Germany

Rest of the World
Revenue

-54%

- Caused by lack of demand in Australia and the UAE
- Lower level of project activity

Increase in demand for technology

What this means:

- Evolution of controls technology – wireless
- Connectivity with the internet and other devices – the internet of things
- Ability to offer customers additional functionality by adding different sensor technology and presenting data, e.g. air quality data, occupancy profiling

Opportunity it provides:

- Improves ability to hold specification business with our own controls offering
- Potential to supply retrofit projects with wireless controls where wired controls were cost prohibitive
- Offer solutions to provide additional data specific to the market sector, i.e. occupancy sensing for logistics and facilities management

How we are responding:

- Well placed with introduction of SmartScan in 2016
- Further development of the SmartScan platform, bringing other non-lighting devices into the web portal
- Occupancy profiling, air quality sensing, and the ability to change colour temperature are all features

Adoption of LED technology and decline of fluorescent lighting

What this means:

- During the last few years there has been a technology shift in the lighting industry toward LED solutions which has seen the decline of traditional solutions
- The Group has seen a shift in LED sales, moving from 3% to 90% 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
- Offer previous fluorescent customers opportunity to upgrade

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.

The key resources we utilise...

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

Talented People
Continual development

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

Financial & Environmental Sustainability
Financial stability, Carbon Offset Scheme

The brands we operate through...

FW Thorpe Plc

Thorlux Lighting

Philip Payne

Solite

Portland Lighting

TRT Lighting

Lightronics

Famostar

Luxintec

The key markets we serve...

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

The service offering we provide...

Design & Development

£1.8m

Group spend on capitalised R&D

(2018: £1.6m)

Manufacturing

+20%

Punch/Bend capacity

+100%

Laser cutting capacity

Commissioning

£0.7m

Revenue from this service

(2018: £0.7m)

Solutions provided for our customers...

Target Customers

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

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

The value generated...

Customers

Short-term
Replacement of ageing technology with improved lighting systems

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

Shareholders

Short-term
Opportunity to invest in a company that pays a progressive dividend

Long-term
Sustainable profit growth drives future shareholder returns

Employees

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

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

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.	• Continued enhancement of features for the SmartScan wireless system – occupancy profiling, air quality, colour changing capability and further data capture • Introduction of the Flex System – a new innovative method of general illumination • Integration of lens and optical technology into certain ranges using Luxintec
2 **Continue to grow the customer base for Group companies** With the continued investment in the product portfolio and the broad range of sectors we can service, the focus will be on expanding our customer base in new markets and territories.	• Targeted approach in the Netherlands with Thorlux industrial product portfolio • Luxintec adoption of Smart and SmartScan technology in existing product portfolio • Introduce Famostar product portfolio to territories where the Group has a presence
3 **Focus on manufacturing excellence** Along with continued product development, the need to innovate the production process is essential.	• TRT facility expanded to improve capacity and disaster recovery for PCB and painting process at Thorlux • Expanded and refurbished Lightronics facility – increased capacity and showcase Group's products • Acquired new facility for Portland
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

Our Values

Integrity

Honesty

Longevity

Read more about our Principal Risks and Uncertainties on pages 38 and 39

Future opportunities	Associated risks		Strategy in Action
• Further development of SmartScan • Continuous research and development • Targeted acquisition	C	• Product acceptance • Initial product introduction	**Case Study:** Queen's Award 2019 Winner Read more on page 19
• Consider further sales offices overseas • Potential business development investment • Investment in sales personnel in the UK and overseas • Targeted acquisition	A C D	• Short term cost increase without immediate return • Prolonged time required to establish FW Thorpe brands in new territories	**Case Study:** On the road with the SmartScan van Read more on pages 26 and 27
• Development of Lightronics facilities – introduce Application Centre concept • Continued investment in manufacturing facilities • Acquire Famostar facility and neighbouring land	E C	• Reduced productivity while changes are implemented • Learning curve on introduction of new products and processes	**Case Study:** Investing in a greener future Read more on pages 24 and 25
• 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	

Risks key

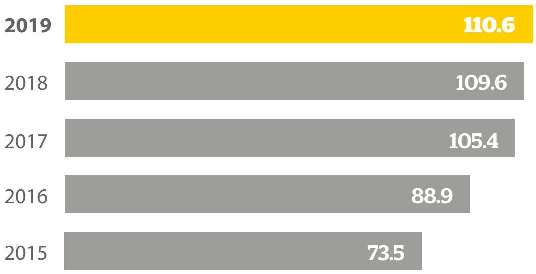
- A Adverse economic conditions
- B Changes in government legislation or policy
- C Competitive environment
- D Price changes
- E Business continuity
- F Credit risk
- G Movements in currency exchange
- H Cyber security
- I Exit from the European Union

Key Performance Indicators

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

Revenue (£m)

+0.9%

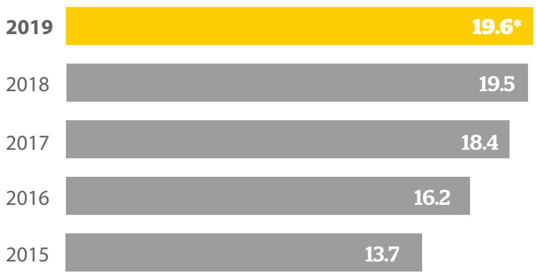


Performance in 2019

- Increase supported by first full year inclusion of Famostar (+£4.1m)
- Revenue reduced at Thorlux, UAE and Australia
- Lightronics ahead with most subsidiary companies similar to last year

Operating Profit (£m)

+0.5%



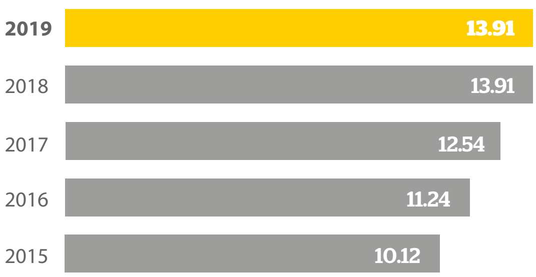
* 2019 includes profit on the disposal of property of £1.9m

Performance in 2019

- Operating profit supported by profit on disposal of property – sale of Portsmouth facility
- Additional profit from first full year of Famostar +£0.6m, significant improvement by TRT
- Thorlux, UAE and Australia lower than last year
- Increased provision for Lightronics earn-out reduced operating profit by £0.7m compared to 2018

Basic Earnings per Share (Pence)

–%



Performance in 2019

- Driven by operating results
- Increased number of shares due to exercise of executive share options

Strategy in Action

Queen's Awards 2019 Winner

We are delighted to announce that the Prime Minister and Her Majesty the Queen have selected Thorlux Lighting as a winner of the Queen's Award for Enterprise in the Innovation category. This prestigious accolade is for the development of the SmartScan wireless lighting management system.

Established in 1965, the Queen's Awards for Enterprise are the most prestigious business awards in the country with winning businesses able to use the esteemed Queen's Award emblem for the next five years.

"It is a huge honour to receive a Queen's Award for Enterprise," Thorlux Managing Director, Mike Allcock said. "This is a most welcome recognition of our commitment to supporting technological innovation in the UK and of our contribution to the manufacturing sector. It is a reflection of the tremendous energy and commitment of our staff as well as their pursuit of the very best in product innovation."

Mike Allcock receiving the Queen's Award from Vice Lord-Lieutenant, The Hon. Lady Morrison

Vice Lord-Lieutenant, The Hon. Lady Morrison with Tony Cooper

Andrew Thorpe and Mike Allcock at Buckingham Palace

Strategy in Action continued

Product Innovation: Flex System

"LED technology affords fresh thinking when it comes to luminaire design."

In 2019, Thorlux launched the revolutionary Flex System range. Flex System provides a radical solution for suspended ceiling systems and comprises two luminaire types, Flexline and Flexview.

With people's health and wellbeing becoming a primary consideration in building and services design, this new luminaire range has been developed to coincide with this focus. Flex System offers a highly efficient, low glare yet striking and inspirational lighting solution for a variety of applications.

Choice of luminaires

Flexline is a super-narrow linear luminaire that breaks from convention by taking the lighting outside the ceiling tile. With sophisticated and highly efficient low glare optics, designed in conjunction with Luxintec, Flexline offers a radically different solution to conventional 600 x 600 luminaires. An extruded anodised aluminium body, just 24 mm wide, houses the very latest LED printed circuit boards with high performance optics. This linear system simply clips to the ceiling T bar using tool-free connection springs. The linear T bar mounted approach now has a patent granted in the UK, and the EU patent is progressing.

Flexview is a recessed lay-in luminaire with a dual light engine combining low power edge-lit technology for its picture window, with separate high performance low glare optics for main space illumination. By separating the lighting elements and having dedicated main space illumination, light output, efficiency and quality are not affected, unlike the situation often found with other picture panel type luminaires. The separate-optic concept now has a patent granted in the UK, and the EU patent is progressing.

Creating inspirational spaces

Both Flexline and Flexview are available in a variety of pre-configured kits which comprise different shapes and sizes of luminaire. This range provides lighting designers with a level of creativity never seen before, allowing them to produce inspirational and imaginative lighting layouts.

"LED technology affords fresh thinking when it comes to luminaire design, as we are not bound by conventional lamp forms. It's time to think 'outside the box'. Flex System is a prime example of this, allowing a new and exciting approach to lighting spaces whilst still providing a highly efficient and low glare solution," says Richard Caple, Marketing Director - Thorlux Lighting.

Pictured: Flex System installed at Lightronics, Waalwijk

Comfortable, glare free lighting
Poor glare control from lighting can be distracting and cause discomfort, which may lead to headaches, eye strain and fatigue. The optics within the Flex System range have been developed from within the FW Thorpe group in association with Luxintec. The patented optical system provides high efficiency by focusing the light from the LED onto a nano-prism optic, which de-glares the brightness of the LED as well as distributing the light in the desired direction. A louvre system then provides 360-degree glare control and is available in white, metallised and black finishes to fine-tune the control depending on the application.

Flexibility
Luminaires are supplied with a wattage selector switch mounted to the gear enclosure, providing a choice of four outputs from one fixture. This new innovation not only simplifies ordering for customers, it also provides great flexibility, allowing the output to be adjusted to suit the needs of the user and the space. In addition, for Thorlux, the overall stock holding of finished luminaires is reduced. The Flex System revolutionises the way spaces are illuminated, by combining sophisticated low glare optics, innovative luminaire design, high performance LEDs and simple tool free installation, Flex System is challenging people to rethink their lighting possibilities.

Strategy in Action continued

Product Innovation: Optio

"During the product development stage, there were four key elements of focus."

Optio is the new residential street lighting range from TRT, which has been developed through gathering feedback from customers and listening to the daily challenges they face.

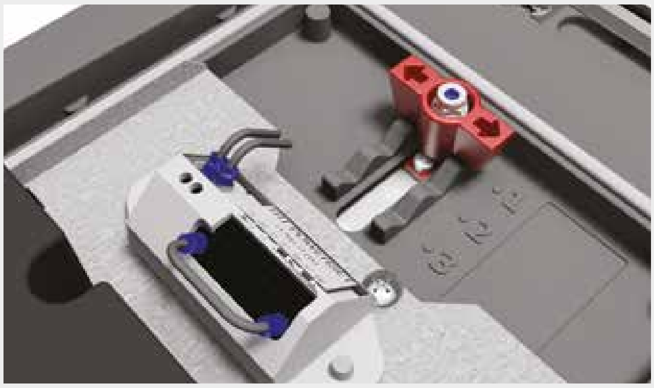
High volume roll-out projects are primarily cost driven and often ignore the practical and technical issues associated with lantern replacements in the field, which can lead to indirect additional cost, revisits and unnecessary complexity. Optio has been designed to address these technical issues and achieve compliance with multiple roadway challenges by offering unparalleled flexibility.

Optio's cast aluminium body and hinged canopy are both pre-treated with a full polyester powder coated finish to meet the rigorous demands of the external environment. Optio's low weight and low windage surface area render it ideal for retrofitting to existing columns. A sleek and modern aesthetic makes Optio suitable for any residential street lighting replacement programme.

During the product development stage, there were four key elements of focus following feedback from customer consultation:

Multi-optic design

Optio incorporates a unique patent-pending OptiSet feature, which allows on-site adjustment of the lens system to set the desired optical distribution according to the needs of the application. One luminaire type is therefore suitable for residential, footpath or area lighting. The high performance lens system, designed in association with Luxintec, provides excellent uniformity and comfort. There is also the ability to retrofit light shields, providing the installer with further refinement for sensitive areas where light trespass is an issue.



Adjustable light output

Using the well-established TRT PowerSet module, the power output of each Optio luminaire can be configured during installation, further increasing the flexibility of the luminaire. PowerSet, in conjunction with the OptiSet lensing arrangement, means Optio meets the needs of all residential lighting standards without over lighting or producing unwanted spill light.

Adaptable mounting bracketry

A vast number of existing column and mounting styles are installed on our highways. Optio therefore incorporates TRT's unique patent-pending MountSet feature, which facilitates mounting on any existing or a newly chosen lighting column or bracket. MountSet not only simplifies installation, but also removes the need for installing contractors to stock a myriad of costly adaptors.

Reduced stock holding

Combining the OptiSet, PowerSet and MountSet features into one product out of a single box, Optio provides the equivalent solution to over 100 variations of a typical competitor's street light. Optio therefore allows customers to reduce their stock holding. Each product can be set to perfectly suit its application, whether set in the workshop prior to installation, or on the top of the column.

Strategy in Action continued

Investing in a greener future

“The system is estimated to produce 224,470 kWh of electricity per annum.”

Thorlux manufactures over 400,000 luminaires per annum at its modern self-contained factory in Redditch, Worcestershire, UK. Energy-intensive processes, such as sheet metal punching, laser cutting and forming, powder coating and assembling LED printed circuit boards, take place in the factory.

The company is continually measuring and improving its environmental credentials, and for many years has had an energy-monitoring programme in place which is independently audited and accredited to ISO 14001.

In 2009, Thorlux invested in its own carbon offsetting programme, planting trees on its own land in Monmouthshire to offset the CO_2 generated in its manufacturing and selling activities. The company has planted an incredible 150,000 trees over the last ten years. However, even with this responsible and proactive approach, the company thought that further improvements could be made to reduce its environmental impact and carbon footprint.

Thorlux has, therefore, installed solar photovoltaic units on the roof of its manufacturing facility. The system is estimated to produce 224,470 kWh of electricity per annum, helping to power the plant and equipment as well as charging the company’s fleet of hybrid vehicles. Over its operational lifetime, through reduced consumption from the National Grid, the installation will deliver a total CO_2 reduction of 1,580 tonnes and financial savings of over £1 million.

Pictured: Solar Photovoltaic installation at Thorlux, Redditch


RANGE ROVER
TH05 LUX

Strategy in Action continued

On the road with the SmartScan van

University of Birmingham

Worcester NHS

10
Countries visited

23,721
Miles travelled

138
SmartScan demos completed

In the summer of 2018, Thorlux invested in a custom-made SmartScan demonstration van. The vehicle is fitted out with the latest SmartScan technology and product innovations and travels throughout the UK and mainland Europe visiting potential and existing customers.

Visitors to the van get the chance to see first hand the SmartScan system in operation and speak to our expert product managers.

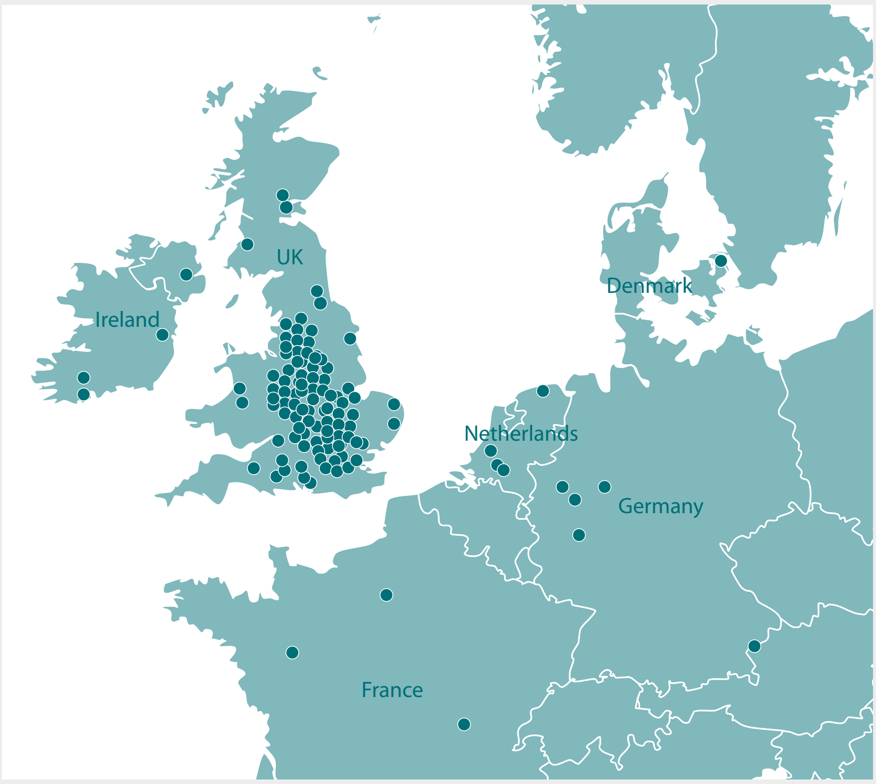
One of the recent successes following a visit by the SmartScan van is a project supplying Hi-Bar luminaires with SmartScan wireless controls to the brand new offices of BuroHappold in Leeds.

Slim and elegant, the Hi-Bar combines supreme efficiency and longevity with design flexibility. Integral sensors monitor ambient light and presence, control output to the correct level, dim and switch when there is sufficient daylight and illuminate only when the area is occupied.

SmartScan installation at BuroHappold offices in Leeds

Thorlux Thursday event at Thorlux in Redditch

Lightronics, Netherlands



SmartScan van destinations over the last 12 months

Jakub Kaczorek

The Man Behind the Wheel – Jakub Kaczorek

1 What do you enjoy the most about the job?

I enjoy all parts of my job, but mostly interacting with people. I think this job is a great platform to learn about marketing and sales, and is almost like an apprenticeship for marketing. The job covers everything and constantly provides new experiences. I also enjoy visiting different places and that my job is never the same in the sense that one day I could be in France, and the next at an exhibition in the Netherlands.

2 Which is your favourite of the places you have visited?

I loved the people in Ireland and the Netherlands, and have great memories of those places. Enjoying the landscape in Snowdonia was also one of my favourite experiences, likewise with the scenery in Austria.

3 What don't you like about your job?

The ferries! I enjoy travelling with my job – but not on the ferries, so I try and avoid them as much as I can. Other than that, nothing.

4 Are there any places you would particularly like to visit?

I would like to go to Poland, and I am also excited to visit Aerospace Bristol for our Thorlux Thursday. I like visiting any new places and meeting a variety of people.

5 Is there anything you would change about your job?

My job is perfect for me, but I would like to use it as a platform to be more involved in marketing.

6 What surprises people most about SmartScan?

Probably that it's completely wireless, and people are always surprised by how practical and simple maintenance is. People expect the system to be complex, but the five year warranty and simple design mean the lights are easy to maintain.

7 Where are you going next?

Over the next four weeks I am visiting France, the Netherlands and then Denmark.

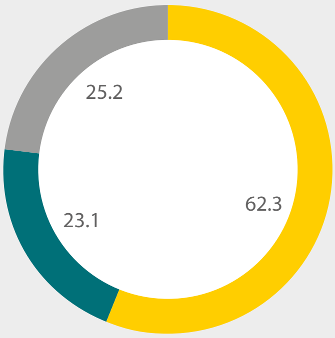
Operational Performance

FW Thorpe: Group Performance

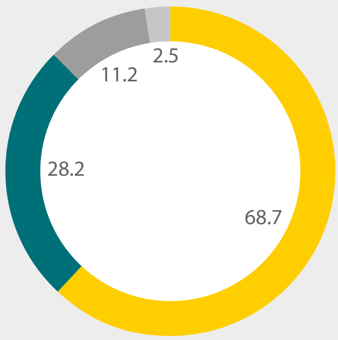
2019 Group Company Overview

FW Thorpe Plc encompasses individual companies that concentrate on particular market sectors and geographical locations. The companies provide the Group with diversity as well as risk mitigation by not directly competing and by being complementary.

Group Total Revenue (£m)
Excluding Intercompany



Revenue by region (£m)
Excluding Intercompany



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

Group performance was below the best-ever results of last year, although this year's results are supported by the first full-year inclusion of Famostar following its acquisition in December 2017. During the year, the Group has been impacted by economic and political uncertainty and has taken the decision to carry additional stock of certain components in case of disruption from a disorderly exit from the European Union.

Continued new product introductions, investment in manufacturing facilities, and sales into new markets have helped the Group deliver results ahead of those of its peers in the lighting market. The business continues to be underpinned by the development of market-leading lighting equipment and the delivery of excellent customer service.

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

Coventry University, Coventry

Thorlux Lighting

The 2018/19 financial year has been a "game of two halves", with revenue and operating profit improving in the second half, but not enough to match the results of last year. Coupled with significantly reduced demand in the first quarter of the year, additional costs were incurred to meet a sudden and sustained increase in demand over a number of months. There were also additional costs for closing the Portsmouth factory, which weighed heavily on the result. Order income finished strongly, ending marginally ahead of that of the prior year – a great turnaround, providing a healthy order book with which to commence the new financial year.

Thorlux services the broadest portfolio of sectors and with the most complex range of products of any group company. Question marks remain over the construction sector, with uncertainty hanging over some major contractors, and the demise of some others; this only serves to dampen demand. Sectors Thorlux has actively targeted have seen revenue increase during the year – in particular, healthcare, logistics and rail; however, this has been offset by weakness in sectors where Thorlux has been traditionally strong.

Innovation remains at the forefront for Thorlux. For example, the new Flex System was introduced during 2019; this patented system provides a new way of lighting a space, utilising the ceiling grid, as well as offering the opportunity to bring the outside in with the view of the sky incorporated into the ceiling. See pages 20 and 21.

SmartScan continues to deliver increased revenues, with over £22.0m (2018: £14.0m) of revenue delivered during the year. New features for this wireless system are currently being developed for specific sectors, underlining Thorlux's commitment to satisfy its customers' needs for data collection and presentation. New features introduced this year include dynamic drawings, providing users with the ability to interactively and graphically view detailed data and analytics for selected lighting from a single lighting point through to that for a whole building. In addition, occupancy profiling information and air quality measurement and reporting are now being offered to customers.

Overseas offices disappointed this year, with notable exceptions in both Ireland and Germany. Thorlux will continue to focus on improving international sales.

Thorlux's strategic pillars include investment in manufacturing; this has continued again in 2018/19. New punching capacity was added in the second half of the year, with a new laser/punch machine being added in the first quarter of 2019/20. These investments will improve the company's response to peaks in demand and minimise the increase in labour costs seen this year. Process improvement remains key, with continual investment in software systems to improve day-to-day activities; Thorlux expects to see further commitments in this regard in the years to come.

In the current economic and political climate, orders continue to be hard-fought. The company will continue to invest in product development and will market its capabilities, perhaps a little more aggressively than in the past. Whilst revenue has disappointed this year, the Group should take heart from order income growth, since we believe that the order income of many of Thorlux's peers has been significantly down in recent times. More targeted selling activities, either sector or territory driven, will be required, but these will be balanced with acting on those investments that have not performed.

Thorlux will continue to aim to achieve the record sales seen in the last few years. The current order book and average monthly revenue in the company's second-half performance should give the Group confidence; however, this needs to be tempered, given the current political and economic backdrop.

Thorlux Lighting

> "The current order book and average monthly revenue in the company's second-half performance should give the group confidence."

£65.9m

Revenue:

–4% (2018: –1%)

Lightronics offices, Waalwijk

Operational Performance continued

Philip Payne

The architect's choice, Philip Payne, delivered yet another set of positive results, with both revenue and operating profit increasing again this year. Providing modified standard products for a discerning client base continues to be a key to ongoing success.

"This year Philip Payne will commence active cooperation in the UK with Famostar."

£3.4m

Revenue

+2% (2018: +11%)

Specto XT installation at Chambers Square, Edinburgh

SpectoWeb, Philips Payne's wireless emergency lighting system, developed out of and sharing synergies with the Thorlux platform, provides an important component of building safety and ensures regulatory compliance with minimal disruption and few installation considerations. The investment in this system, with Philip Payne working alongside Thorlux, has paid off, with revenues increasing to £0.4m (2018: £0.3m).

It is traditional to list successes with prestigious clientele, and this year is no exception. Clients have included Edinburgh University, Godolphin Stables, Goldman Sachs, The Palace of Westminster, Gleneagles, the Glenfiddich Distillery and Louis Vuitton.

Overseas revenues did not reach new heights this year. UAE revenues have suffered in line with the overall revenues for the Group in this territory. There have been some successes in mainland Europe and further afield in Mauritius.

Philips Payne's investment in digital printing last year has paid dividends. Not only has this given the company the flexibility to react to demand, it has also supported Thorlux's product development of the Flexview system, which utilises the facility to print images on panels to give the sky effect mentioned in the Thorlux report. See page 29.

For 2019/20, the target is to build on the success of the last few years. An investment in selling resource has been undertaken, and we expect this to deliver some positive progress. This year Philip Payne will commence active cooperation in the UK with Famostar.

Solite

Following three solid years of growth, Solite has taken a small step backwards this year. Solite is very much a project-orientated business, servicing the pharmaceutical and healthcare sectors in the main. In a similar way to Thorlux, Solite has seen some positive momentum in the second half of the year, with total order income for the year finishing ahead of that for last year; this gives some optimism for the year ahead.

RAL Space, Didcot

The success of Solite depends on its ability to deliver special variations of its product portfolio; whilst this gives a competitive advantage, it also puts pressure on the manufacturing process. To provide support, some minor investments have been made in the facilities at Solite this year, re-organising the factory layout to improve operational efficiency and adding vertical storage capability by utilising equipment from Thorlux's closed Portsmouth facility.

The business in Ireland, working alongside Thorlux, is an important element of the Solite business. It gives the Group the ability to sell both companies' products into the market and maximise any opportunities where both specialist clean area and more general lighting products are required.

Following on from its Ministry of Justice product approval last year, Solite continues to target the custodial sector. A number of small projects were delivered during the year; however, revenue was not at the levels expected. Effort will be increased to ensure that investments in products and selling resource pay off.

The challenge for next year is to achieve revenue levels in keeping with, if not surpassing, those of the years before. Focus continues on product development to ensure Solite remains at the forefront from a technology perspective as well as delivering to customer expectations. The order book closes the year at normal levels but with a number of sizeable opportunities for 2019/20.

SOLITE

“Effort will be increased to ensure that investments in products and selling resource pay off.”

£3.4m
Revenue

–5% (2018: +3%)

Operational Performance continued

Portland Lighting

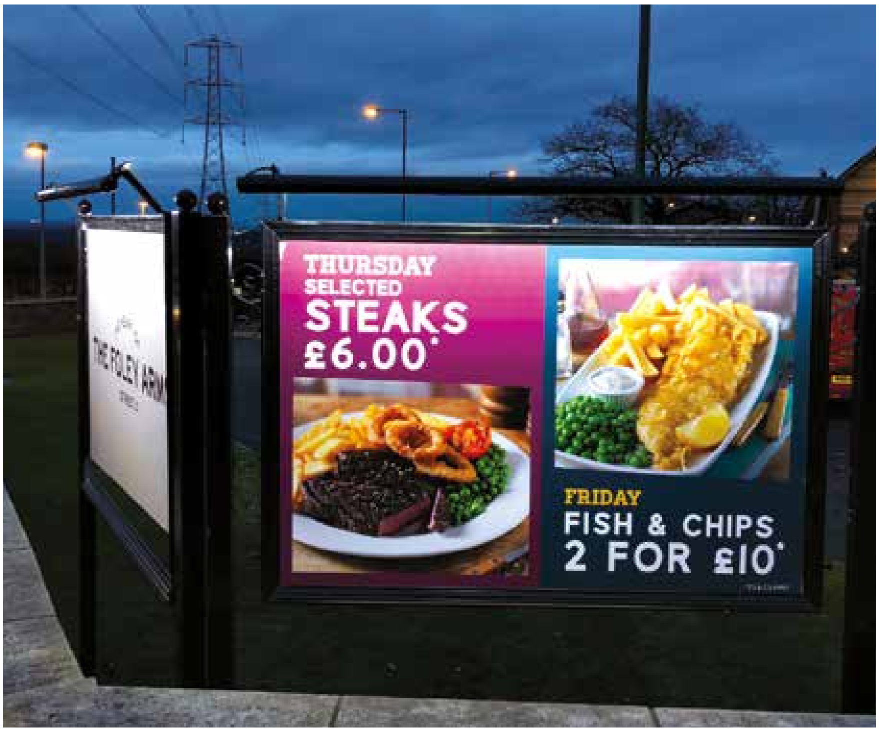
Whilst Portland's return-on-sales ratio remains the best in the Group, revenues have declined for another year. This can partially be explained by the dependence on the high street retail sector – a sector which seems to have been subject to a much-publicised decline over the last few years.

PORTLAND LIGHTING

"Improving sales outside the domestic market remains a key focus."

£3.0m
Revenue

–10% (2018: –4%)



Ecolux Mini illuminating signage at The Foley Arms, Sutton Coldfield

As well as the retail sector, Portland provides products for the brewery and advertising billboard trade. Projects this year include work with JC Decaux and JD Wetherspoon, with retail business coming from Lidl, Ikea and Carphone Warehouse. There has also been some collaboration with TRT: the companies have worked together to deliver a solution for lighting handrails at the Millennium Bridge in Newcastle.

Improving sales outside the domestic market remains a key focus, and results this year have been disappointing. There has been no lack of effort though in this regard, with a new agent for the Benelux region appointed, some minor sales in France, and some trade show success in the Netherlands being among some of Portland's positive achievements for the year.

Aside from next-day delivery, continued product development is key to maintaining competitive advantage. During 2019, development commenced of a specific product to target a new sector; this is still in the early stages, but we hope to see some commercial benefits in 2020.

The target remains to arrest the decline in revenue. It is unlikely that the domestic market will improve in the short term; however, the development of a new product line and the pursuit of export opportunities remain key in achieving an increase in revenue.

TRT Lighting

Revenue slipped slightly again this year, but operating profit certainly did not, improving over 100% from a difficult 2017/18. This has been achieved by improving operational efficiency in the final assembly of products, in the main, but also with a renewed focus on material costs.

Part of a 19,000+ fitting roll out, Telford

TRTLIGHTING
ROAD & TUNNEL SYSTEMS

> "The Optio product is finally ready to hit the market."

£8.5m
Revenue

–1% (2018: –2%)

As is true for all Group companies, continual product development and enhancements are essential. The Optio product is finally ready to hit the market. TRT believes that Optio will differentiate the business in street lighting, with key features including selectable light distributions and power settings, as well as an adjustable column mounting that will result in a one-product-fits-all solution (see pages 22 to 23).

This year also saw the introduction of a new product line: lighting bollards. These bollards have been developed in conjunction with Luxintec, the Group's investment in Spain, and Thorlux, with the latter adding the product to its portfolio.

2018/19 resulted in some long-awaited tunnel work, albeit at a low level. This has been an opportunity to sell TRT's retrofit kits, where the company believes there will be further opportunities in the near future, as well as a new tunnel product, the X Range. There have been plenty of projects in the pipeline for a number of years; we are hopeful that the release of some smaller opportunities will lead to larger projects shortly.

In June 2019, the extension to the TRT factory was completed to house a new painting facility. This will make TRT self-sufficient and reduce the pressure on the Thorlux facility, as well as adding some disaster recovery capability for the Group for this particular process. We expect this facility to be operational by the end of 2019.

The new financial year starts with a solid order book from a street lighting perspective and some opportunities to convert some tunnel projects into revenue; the latter has been a rare occurrence in the last few years, due to delays in government spending in this area. TRT will continue to focus on operational efficiency and margin improvement in 2019/20 as well as aiming to grow revenue.

Operational Performance continued

Lightronics

Lightronics delivered another good set of results, with orders, revenue and operating profit increasing again this year. Growth has been supported by street lighting this year, as it was last year. Major projects included various city projects in the Netherlands and Germany.

Hollanderwijk, Leeuwarden

“The strategy of growing Lightronics’ industrial and emergency lighting sales continues.”

£23.5m

Revenue

+12% (2018: +8%)
(constant currency +12% (2018: +7%))

New product developments during the year include updates to high volume street lighting luminaires, a new wall and ceiling luminaire for outdoor applications, and a number of shared developments with both Thorlux and TRT. Lighting controls remain an important focus area for Lightronics, with more of the range becoming “SmartScan ready” and further shared development with Thorlux on sensor technology to be launched in 2020.

The strategy of growing Lightronics’ industrial and emergency lighting sales continues, with some positive results this year. With continued investment and closer collaboration, sales of £0.4m were generated for Thorlux industrial products this year, an improvement on last year. Industrial and emergency lighting sales will continue to be a focus, particularly in the Netherlands, where demand should be created with environmental legislation becoming more stringent on energy usage by businesses with the drive to reduce CO_2 emissions.

During the year, the management completed the first phase of the refurbishment of the facilities at Lightronics. The neighbouring buildings have been linked together to create increased manufacturing and warehousing capacity to support recent and future growth. The office and meeting spaces have been refreshed, utilising the latest Thorlux and Famostar products, providing a great live example for our sales teams to demonstrate to potential customers. The second phase will see the creation of the Group’s European Applications Centre later this year.

The challenge remains of how to maintain and improve these results during the next financial year. Creating demand for Thorlux products in the Netherlands remains a potential source of growth. Margins have been under pressure this year, and whilst there is an action plan in place to improve this during 2019/20 it could put some pressure on results.

Famostar

This is the first full year inclusion of the Famostar business following its introduction in the second half of 2017/18. The Group acquired the business in December 2017, with the support of the management at Lightronics, as a specialist in emergency lighting for a range of market sectors.

Focus Filmtheater, Arnhem

Famostar

“One strategic action has been to embed the SmartScan emergency system into selected products.”

£7.9m
Revenue

+13% (versus equivalent 12 months)

Famostar has a different route to market when compared to other group businesses. The focus is on end users as target customers to create demand, as it is with the majority of our businesses; however, that demand is ultimately satisfied via the wholesaler network in the Netherlands.

Currently, Famostar's business is very much in the Netherlands. Famostar will look to improve revenue, working alongside Lightronics domestically, but will also aim to expand into other territories where the Group has a presence, starting with the UK in 2020.

One strategic action has been to embed the SmartScan emergency system into selected products in the Famostar range. There has been good progress during the year, but there is still some work to be done.

As Famostar closed out the 2018/19 financial year, FW Thorpe demonstrated its commitment to invest in the business by agreeing to purchase the building and neighbouring land where Famostar is currently located. This gives Famostar a stable platform for the foreseeable future and the flexibility to organise its operations to meet needs as and when appropriate.

Famostar has exceeded expectations this year with a much-improved result compared to that of the prior year. The challenge with setting such high expectations is to maintain and improve the performance further; we are hopeful of another promising performance for 2019/20.

Financial Performance

> Underlying operating profit was dampened by a number of issues in 2019. This was partially offset with improvements at Lightronics and TRT."

£21.6m

Net cash generated from operating activities

(2018: £20.7m)

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 2019.

Results and dividends

Revenue increased by 0.9% to £110.6m with underlying operating profit (before profit on disposal) decreasing by 9.3% to £17.6m, the profit on the disposal of the Thorlux Portsmouth building of £1.9m resulted in the operating profit lifting to £19.6m.

Underlying operating profit was dampened by a number of issues in 2019. The operating result for Thorlux was lower due to a fall in sales revenue and one off costs associated with the closure of the Thorlux Portsmouth facility. This was partially offset with improvements at Lightronics and TRT, as well as the full year inclusion of Famostar compared with only six months last year.

The operating results were further suppressed by the provision of a further £2.2m (2018: £1.5m) for the expected payouts on the Lightronics and Famostar earn-outs due to the continuing success of both businesses.

Net finance income was marginally positive (2018: £0.1m). The net income has reduced from previous years due to the accounting treatment of the Lightronics and Famostar acquisitions and continued low interest rates on our cash deposits.

The taxation charge represents an effective rate of 17.52% (2018: 17.67%). This is broadly similar to the rate in the previous year, with the rate lower than the headline corporation tax rate in the UK due to patent box relief driven by the Group's product innovations.

On 18 April 2019, the Company paid an interim dividend of 1.43p per share (2018: 1.40p) amounting to £1,660,000 (2018: £1,623,000). A final dividend of 4.10p (2018: 4.00p) per ordinary share is proposed amounting to £4,763,000 (2018: £4,639,000) and, if approved, will be paid on 29 November 2019. Total dividends paid during the year amounted to £6,299,000 in aggregate (2018: £5,737,000). The final dividend for 2018 was paid on 29 November 2018.

Cash and liquidity management

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

The Group primarily trades in sterling. There is an exposure to foreign currency as the Group buys and sells in foreign currencies and maintains currency bank accounts in US dollars, Australian dollars, UAE dirhams and euros. The activities of buying and selling in foreign currency are broadly matched with currencies bought and sold as required in order to minimise currency exposures. Larger exposures would be hedged in order to reduce the risk of adverse exchange rate movement. There were no currency hedging derivatives in place at 30 June 2019 or 30 June 2018.

Pension scheme position and funding

The latest triennial actuarial valuation was completed as at 30 June 2018. This valuation showed that the pension scheme position remains in surplus and a funding level for the future has been agreed between the trustees of the scheme and the directors of the Company. The directors consider it unlikely that any changes to the present funding levels will have any significant effect on the strength of the Company's statement of financial position.

Group research and development activities

The Group is committed to research and development activities in order to maintain its market share in the 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 £1,791,000 (2018: £1,605,000) on capitalised development costs, which includes internal labour.

Property, plant and equipment

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

Investment this year included freehold property in Walsall for Portland and Velp – Netherlands for Famostar, the extension and renovation of the Lightronics building acquired last year, as well as increased sheet metal working capacity at Thorlux Lighting and a new painting facility at TRT.

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 44 (2018: 38). 2018 saw the introduction of the duty to report on payment practices and performance.

Internal financial control

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

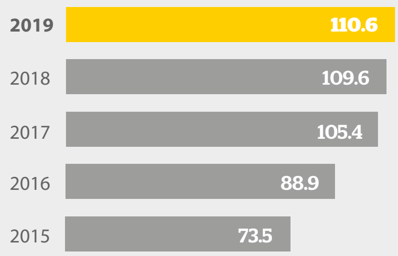
In addition, the executive directors regularly visit all operating sites and review with local management financial and commercial issues affecting the Group's operations. Regular financial reporting includes rolling forecasts and monthly financial reports comparing performance against plan. These reports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

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

18 October 2019

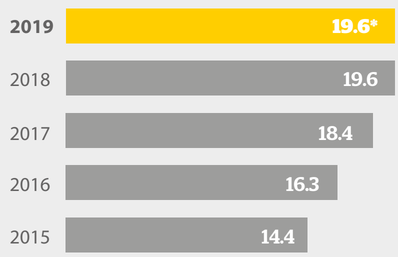
Group Total Revenue (£m)
Excluding Intercompany

+0.9%



Group PBT (£m)
Profit before tax

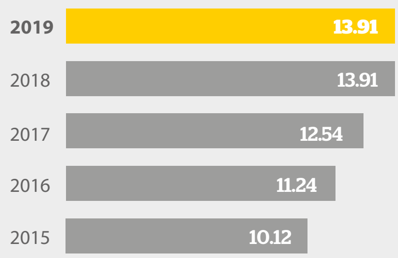
–%



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

Underlying Basic EPS (Pence)
Earnings per share

–%



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 is currently taking in order to manage them.

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

Strategic Priorities key

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

Risks key

▲ Increase in risk
▶ No change in risk
▼ Decrease in risk

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

Sustainability

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

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

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

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

FW Thorpe, making a meaningful difference: our contributions in 2019

Economic – we generate value

Contribution to UK economy
£17.9m
Tax paid, collected
(2018: £17.7m)

We are investing in the future
£1.8m
Capitalised R&D expenditure
(2018: £1.6m)

We support the national wage bills
£31m
(2018: £30m)

Community

£27,733
Charitable donations
(2018: £26,310)

26
Number of charities
(2018: 38)

health and safety, disabled people are given full and fair consideration for job vacancies. Depending on their skills and abilities, disabled people enjoy the same career prospects as other employees, and if employees become disabled every effort is made to ensure their continued employment, with appropriate training where necessary.

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

Charitable Gifts
During the year the Group gave £27,733 (2018: £26,310) for charitable purposes. This is made up of donations to UK charities for children's welfare of £1,305, cancer care of £1,303, healthcare of £3,926, educational schemes of £3,680, and local causes of £17,519.

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

Innovation

12 Patents

6 Granted

6 Pending

Queen's Award for innovation

See page 19

Employee engagement

666 People employed

(2018: 720)

15 Apprentice employment

(2018: 14)

Environment

149,849 Total trees planted

(2018: 149,849)

224,470 kWh of electricity per annum (estimated production)
Solar panels

Read more on pages 24 to 25

2,600 tonnes
CO_2 offset per annum 2017/18

(2016/17: 3,287)

Our Governance

Pictured: Lightronics offices, Waalwijk

Board of Directors

Mike Allcock

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

Appointment/Background: Mike joined FW Thorpe Plc in 1984 as an apprentice working his way to Technical Director for Thorlux Lighting in 1998, taking responsibility for the Company's design programme. He was appointed Group Technical Director in 2001 and became Managing Director of Thorlux Lighting in 2003. Mike is a Chartered Electrical Engineer and a Fellow of the Institution of Engineering and Technology. He is passionate about developing innovative, high technology, market leading products. He became Joint Group Chief Executive of FW Thorpe in 2010 and Chairman in July 2017.

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

Craig Muncaster

Joint Group Chief Executive, Group Financial Director and Company Secretary

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

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

James Thorpe

Business Development Director, Thorlux Lighting

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

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

Tony Cooper

Director, Thorlux Lighting

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

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

Committee key

(R) Remuneration Committee

David Taylor

Managing Director, Philip Payne

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

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

Andrew Thorpe

Non-Executive Director

Appointment/Background: Andrew is the grandson of the Company founder, Frederick William Thorpe. After serving an apprenticeship with the Company, he has worked in various parts of the business, leading to the positions of Export Sales Director, Manufacturing Director and then Managing Director of Thorlux Lighting. In 2000, he became Joint Group Chief Executive and in 2003 Group Chairman, positions he held until July 2017. In July 2019 Andrew became a non-executive director and member of the remuneration committee.

Key Areas of Expertise/Responsibility:
(R) Manufacturing, Product Design/Management, Sales & Marketing, Industry Knowledge, Strategy, Governance

Peter Mason

Non-Executive Director

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

Key Areas of Expertise/Responsibility:
(R) Financial Management, Governance, Company Secretarial, Industry Knowledge

Ian Thorpe

Non-Executive Director

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

Key Areas of Expertise/Responsibility:
(R) Manufacturing, Human Resources, Governance, Industry Knowledge

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

Bankers
Lloyds
Church Green East
Redditch
Worcestershire
B98 8BZ

Solicitors
Keystone Law
48 Chancery Lane
London
WC2A 1JF

Pinsent Masons LLP
19 Cornwall Street
Birmingham
B3 2FF

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

Registrars
Equiniti
Aspect House
Spencer Road
Lancing
BN99 6DA

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

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

Directors' Report

The directors present their Directors' report with the audited consolidated financial statements of the Group and the Company for the financial year ended 30 June 2019.

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 64 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 66. A review of the performance of the business during the financial year and expected future developments are contained in the Chairman's Statement, the Operational Performance section and the Financial Performance section which form part of the Strategic Report.

Key Performance Indicators
The directors consider the main financial key performance indicators (KPIs) to be those disclosed on page 18 (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 38 and 39 details what we consider to be the principal risks and uncertainties to the business, and how we seek to manage and mitigate these risks.

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

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

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

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

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

Proposed Dividend
Details of the proposed dividend are disclosed in the Financial Performance section on pages 36 and 37.

Directors
The directors of the Company during the year and at the date of this report are set out on pages 44 and 45.

The directors retiring by rotation are I A Thorpe, D Taylor and J E Thorpe who, being eligible, offer themselves for re-election. D Taylor and J E Thorpe have service contracts terminable on 12 months' notice.

Directors' Share Interests
The details of the directors' share interests are set out in the directors' remuneration report on page 54.

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

Board Constitution

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

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

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

A B Thorpe
Non-executive director.

I A Thorpe
Non-executive director.

Terms and conditions for the operation of this committee are in place and it meets as and when required. The committee's report is presented on pages 52 to 55.

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 18 October 2019, 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
6,244,917 (5.3%)

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

Relations with Shareholders

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

Directors' Authority to Issue Shares

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

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

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

Purchase of Own Shares

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

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

The proposed authority will be limited by the terms of the special resolution to the purchase of 11,893,559 ordinary shares representing 10% of the Company's issued ordinary share capital at 18 October 2019 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 2020. However, in order to maintain the Board's flexibility of action it is envisaged that it will be renewed at future Annual General Meetings.

Corporate Governance

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

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

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

Directors' Report continued

Principle	Extent of current compliance	Commentary	Further disclosure
1 Establish a strategy and business model which promote long-term value for shareholders	Compliant	The Group's business strategy is detailed in our Annual Report & Accounts and focuses on delivering long term growth and stability, achieved through four key strategic priorities: • Focus on high quality products and good leadership in technology • Continue to grow the customer base for Group companies • Focus on manufacturing excellence • Continue to develop high quality people	Find out more in the **Strategic Report** on pages 08 to 41 Read about our **Strategy** on pages 16 and 17 Read about our **Business Model** on pages 14 and 15
2 Seek to understand and meet shareholders needs and expectations	Compliant	Meetings are held with shareholders as required, this includes visits to our various company locations being organised and encouraged where possible. In addition, all announcements include contact details for shareholders to contact the Company if they so choose. The AGM is another forum for dialogue with our shareholders. The Notice of Meeting is sent to shareholders at least 21 days before the meeting. Any feedback during these meetings is encouraged and acted upon where appropriate.	Find out more in the **Directors' Report** on page 46
3 Take into account wider stakeholder and social responsibilities and their implications for long-term success	Compliant	Feedback from employees, customers, suppliers and other stakeholders is actively encouraged. Our employees are an important stakeholder group and we actively encourage dialogue with the Company via various employee committees within our companies. Reports from these meetings are distributed to the Board.	Find out more in the **Strategic Report** on pages 08 to 41 and in our **Sustainability** section on pages 40 and 41
4 Embed effective risk management, considering both opportunities and threats, throughout the organisation	Compliant	The Board operates a continuous risk identification and evaluation process. The results are utilised by the Board to manage any significant risks. In addition, the executive directors regularly visit all operating sites and review financial and commercial issues with an executive director responsible for each individual company. The Board has overall responsibility for the system of internal control and for reviewing its effectiveness throughout the Group. Internal financial control is driven by Group finance who visit each company to assess compliance against key controls. This includes regular financial reporting that is compared against plan and previous year's performance.	Find out more about our **Principal Risk and Uncertainties** on pages 38 and 39 and in the **Directors' Report** on page 46
5 Maintain the board as a well-functioning, balanced team led by the chair	Partially Compliant	Total of eight directors, five executive directors and three non-executive directors. The non-executives are not considered fully independent. The Board considers that the non-executive directors are appropriate as they bring significant experience and expertise in the sector. In addition, as the directors retire on a three-year rotation, shareholders have a regular opportunity to ensure that the composition of the board is in line with their interests. There is a Remuneration Committee but no Audit Committee, with matters that would normally be tabled at an Audit Committee put to the full Board.	Find out more in **Our Governance** on pages 44 to 61 Read about our **Board of Directors** on pages 44 and 45 Read our **Directors' Report** on pages 46 and 47

Principle	Extent of current compliance	Commentary	Further disclosure
6 Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities	Compliant	The current composition of the Board provides the necessary skills, experience and capabilities for the size and context of the Group. The composition and succession of the Board are subject to review, considering the future needs of the Group.	Find out more in **Our Governance** on pages 44 to 61 Read about our **Board of Directors** on pages 44 and 45 Read our **Directors' Report** on pages 46 to 50
7 Evaluate board performance based on clear and relevant objectives, seeking continuous improvement	Partially Compliant	There is no formal evaluation process, however, the Chairman is responsible for Board performance and accordingly actively encourages feedback on the content and function of board meetings. The composition and succession of the Board are subject to constant review, considering the ever-changing needs of the Group. In addition, the directors retire by rotation every three years giving shareholders the opportunity to ensure that the board is aligned with their interests.	
8 Promote a corporate culture that is based on ethical values and behaviours	Compliant	Our core aim is for long term growth and stability. The Group management team is passionate about developing the business for the benefit of the shareholders, employees and customers. With our focus on excellence, we ensure our Group's culture is consistent with the aim of long term growth and stability. In order to achieve and maintain such a culture, we invest in training our employees, as mentioned in the Annual Report & Accounts.	Find out more in the **Strategic Report** on pages 08 to 41 Read about our **Strategy** on pages 16 and 17
9 Maintain governance structures and processes that are fit for purpose and support good decision making by the board	Compliant	The Board as a whole is responsible for robust governance practices. The roles and responsibilities of each director are clear and responsibilities understood. The Board meets at least eight times each year, with additional meetings as required.	Find out more in the **Directors' Report** on pages 46 to 50 Read about our **Board of Directors** on pages 44 and 45
10 Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	Compliant	The Company communicates through the Annual Report & Accounts, full-year and interim announcements, the AGM and one-to-one meetings with existing or potential shareholders. A range of corporate information is also available on the Company's website. Meetings with shareholders, employee groups, management and other representative groups provide a platform for raising any concerns relating to corporate governance.	Find out more online at: **www.fwthorpe.co.uk**

Directors' Report continued

The Board considers that the Company applies the principles of best practice with the exception of the matters listed below:

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

The Board believes that the exceptions, which are more fully explained in the sections relating to the Board constitution and the Directors' Remuneration Report, are appropriate for the size and context of the Group.

Statement on the Provision of Information to Independent Auditors

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

Independent Auditors

The auditors, PricewaterhouseCoopers LLP, have expressed their willingness to continue in office and a resolution for their 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 £30.8m cash and £26.5m 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' Reports

The directors confirm that the information contained within the Strategic Report on pages 08 to 41 and the Directors' Report on pages 46 to 50 is an accurate representation of the Group's strategy and performance.

By order of the Board

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

18 October 2019

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

Company Registration Number: 317886

Statement of Directors' Responsibilities
in respect of the Financial Statements

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

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

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

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

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

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

Directors' confirmations

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

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

By order of the Board

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

18 October 2019

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), I A Thorpe, and A B Thorpe.

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

Remuneration Policy

Executive Directors

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

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

The remuneration package consists of the following elements:

1. Basic salary, benefits in kind and other benefits. The salary is determined in August each year, unless there has been a change in responsibilities, where an adjustment will be made at the same time. The benefits in kind mainly consist of the provision of a car and health insurance. A director may choose to take a cash allowance instead of a car. Other benefits consist of pension arrangements and life assurance.
2. Annual bonus. The bonus is made up of two elements. The first element relates to the operating profit of the business unit for which the director has specific performance responsibilities. The second element relates to the operating profit of the Group as a whole. The bonuses are paid in September and relate to the period ending on 30 June in the same year.
3. Long term incentive scheme. This scheme consists of the "Executive Share Ownership Plan" (ESOP) details of which are shown on page 55.

Non-Executive Directors

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

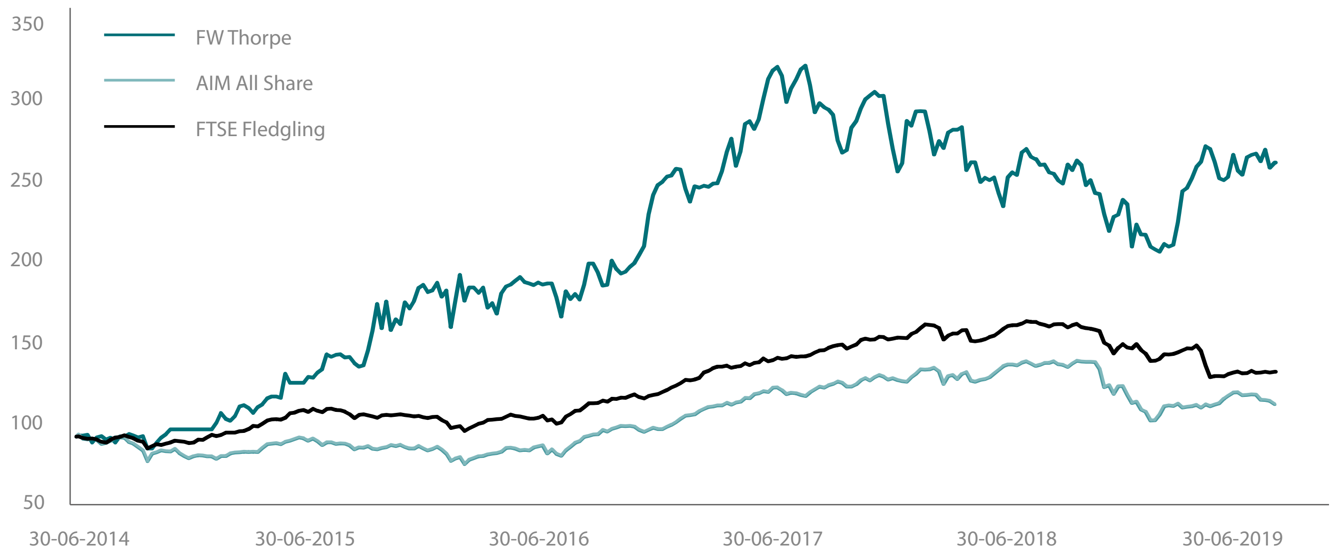
Directors' Service Contracts

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

Performance Graph

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

Total shareholder return



Directors' Emoluments (Audited)

Executive directors	2019 Salary/ fees £'000	2019 Bonus £'000	2019 Benefits £'000	2019 Total £'000	2018 Total £'000	2019 Share options £'000	2018 Share options £'000	2019 Total £'000	2018 Total £'000
A B Thorpe	**94**	**84**	**28**	**206**	213	**50**	72	**256**	285
M Allcock	**235**	**167**	**14**	**416**	474	**26**	76	**442**	550
D Taylor	**124**	**102**	**13**	**239**	262	**52**	98	**291**	360
A M Cooper	**141**	**104**	**15**	**260**	293	**6**	98	**266**	391
C Muncaster	**235**	**167**	**12**	**414**	434	**19**	44	**433**	478
J E Thorpe	**104**	**88**	**18**	**210**	211	**–**	–	**210**	211
Non-executive directors									
I A Thorpe	**28**	**–**	**15**	**43**	42	**–**	–	**43**	42
P D Mason	**28**	**–**	**5**	**33**	31	**–**	–	**33**	31
	989	**712**	**120**	**1,821**	1,960	**153**	388	**1,974**	2,348

The directors' emoluments exclude contributions to the pension scheme.

Directors' Pension Arrangements

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

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

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

The defined benefit section aims to provide a maximum pension of two-thirds of pensionable salary at normal retirement date. M Allcock's and D Taylor's pensionable salary includes an average of the previous three years' profit bonus. Defined contribution members contribute up to 5% of basic salary and the Company contributes up to 17%.

M Allcock, D Taylor and A M Cooper have ceased being active members of the FW Thorpe Retirement Benefits Scheme and C Muncaster has ceased being an active member of his personal pension scheme due to HMRC limits on lifetime allowances and annual contributions. Subsequently the Company has entered into pension compensation arrangements with these four directors and J E Thorpe to compensate them for the loss of these employer pension contributions. During the financial year the Company paid pension compensation to M Allcock of £145,755 (2018: £78,716), A M Cooper £10,697 (2018: £2,335), C Muncaster £34,882 (2018: £11,062), D Taylor £9,393 (2018: £nil) and to J E Thorpe £5,881 (2018: £nil).

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

Directors' Remuneration Report continued

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

The following table shows the contributions paid by the Company in respect of those directors participating in the defined contribution section of the pension scheme.

	2019 £'000	2018 £'000
J E Thorpe	9,786	7,674

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.

	2019 £'000	2018 £'000
C Muncaster	–	3,399
A M Cooper	10,000	10,000

Directors' Shareholdings

The directors listed below were in office during the year. Directors' interests in the share capital of the Company at 30 June 2019 and 1 July 2018 were as follows:

	Ordinary shares of 1p Beneficial	
Executive directors	2019	2018
A B Thorpe	27,682,700	27,642,700
M Allcock	159,500	144,000
D Taylor	116,413	84,913
A M Cooper	112,224	112,224
C Muncaster	35,000	20,000
J E Thorpe	1,371,450	1,371,450
Non-executive directors		
I A Thorpe	25,840,352	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 332.5p and 317p respectively, and the range of market prices during the year was from 219p to 345p.

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

During the year the second tranche of shares of this ESOP vested as the performance conditions were met in the financial year ended 30 June 2016, options vested and exercised in the year are shown in the table below:

	A B Thorpe	M Allcock	D Taylor	A M Cooper	C Muncaster
Number at 1 July 2018	160,000	160,000	160,000	160,000	180,000
Awarded	–	–	–	–	–
Vested	40,000	40,000	40,000	40,000	40,000
Exercised	(40,000)	(20,000)	(40,000)	(4,839)	(15,000)
Lapsed	–	–	–	–	–
Number at 30 June 2019	120,000	140,000	120,000	155,161	165,000

There have been no other changes in the interests of the directors in the share capital of any Company in the Group during the period 1 July 2019 to 18 October 2019.

Approved by the Board and signed on its behalf by:

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

18 October 2019

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 2019 and of the Group's profit and the Group's and the Company's cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise: the Consolidated and Company Statement of Financial Position as at 30 June 2019; the Consolidated Income Statement and Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Cash Flows, and the Consolidated and Company Statements of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

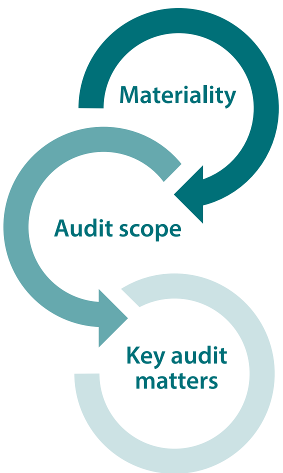
We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit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

Independence

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

Our audit approach

Overview



- Overall Group materiality: £880,000 (2018: £900,000), based on approximately 5% of profit before tax and before profit on disposal of property (2018: profit before tax).
- Overall Company materiality: £680,000 (2018: £800,000), based on approximately 5% of profit before tax.

- An audit was conducted of the complete financial information of the two financially significant reporting units: Thorlux Lighting and Lightronics BV (located in the Netherlands), as well as conducting the full scope audits of four (2018: four) reporting units located in the UK such that the audit work was completed prior to finalisation of the Group financial statements.
- The audit work performed at these six reporting units (2018: six reporting units), together with additional procedures performed on centralised functions at the Group level, including audit procedures over the consolidation, gave us the audit evidence we needed for our opinion on the Group financial statements as a whole.
- This provided coverage of 91% (2018: 92%) for revenue.

- Valuation of the share appreciation rights repurchase obligation (Group and Company);
- Valuation of the warranty provision (Group and Company);
- Capitalisation of internal development costs (Group and Company);
- Valuation of balances owed from Group undertakings and related parties (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 share appreciation rights repurchase obligation Refer to the critical accounting estimates and judgements in note 1 to the Financial Statements and note 21 for trade and other payables. As part of the acquisition of Lightronics in FY15 and Famostar in FY18, share appreciation rights equivalent to 35% of the acquired business were sold back to the previous investors and Lightronics management. The Group and Company are obliged to re-purchase these rights at an EBITDA (Earnings before interest, tax, depreciation and amortisation expense) multiple (based on an average of the previous two years) by FY21 with the option to exercise being held by the previous investors and management. Where the share appreciation rights are due to the previous investors, this is accounted for as contingent consideration. The share appreciation rights in relation to the previous management who remain employed is accounted for as a cash settled share based payment. Any re-valuation of the contingent consideration is recognised immediately, whilst any re-valuation of the total share based payment charge is spread across the remaining option period, with both elements charged to administrative expenses. The valuation of the repurchase obligation involves judgement and estimates with respect to the expected EBITDA at redemption and the redemption date. **Group and Company**	The valuation of the repurchase obligation involves assessing estimates with respect to the expected EBITDA at redemption and judgement in assessing the expected redemption date. Based on the historical performance of Lightronics, the wider macro-economic conditions, our review of the forecast information and discussions with Lightronics management, the assumptions on growth and the judgement on timing were considered reasonable. We ensured there were no changes in the split in the share appreciation rights percentage holdings between previous investors and management through enquiries with management, review of board minutes and recalculation of the shareholder appreciation liability. 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.

Independent Auditors' Report continued

to the Members of FW Thorpe Plc

Key audit matter	How our audit addressed the key audit matter
Valuation of warranty provision Refer to the critical accounting estimates and judgements in note 1 to the Financial Statements and note 23 for provisions. The Group and Company makes provisions for warranties where it is obliged to repair or replace faulty goods under the terms and conditions of sale. The typical warranty provision offered is for a period of five years although longer periods can be offered on certain product lines. Amounts have been provided based on known faults at the year-end date where rectification will be due and also based on expected failure rates as applied to sales made which are within the warranty period. The valuation of the warranty provision involves judgement with respect to the expected failure rate especially when applied to new products at the start of their warranty period. **Group and Company**	We have audited the specific provisions held at year-end by inspecting correspondence to confirm rectification is required and recalculating the provision amount based on material cost and estimated labour and installation expenditure. We have enquired with management and reviewed board minutes to ensure that no specific rectification issues have been identified which were not provided for at year-end. We have corroborated actual failure/ complaint rates for similar products against the forecast expected failure rate as used to calculate a provision where no known rectification issues have been identified. We found that the valuation of the warranty provision was consistent with the evidence obtained.
Capitalisation of internal development costs Refer to the critical accounting estimates and judgements in note 1 to the Financial Statements and note 9 for intangibles. The Group undertakes development activities on new products and such internal development costs are capitalised where allowable under IAS 38 – "Intangible Assets." Judgement has been applied in considering whether the requirements for capitalising such internal development costs under IAS 38 have been met, the level and nature of costs which should be capitalised and also the period over which the capitalised costs should be amortised. **Group and Company**	We have assessed the appropriateness of the amounts capitalised by assessing the expected viability of the associated development projects and their likely performance, and considered the reasonableness of management's assumptions in light of the historical performance of bringing products successfully to market. We have performed testing over the amounts capitalised in the year by agreeing payroll amounts to payslips and assessed the reasonableness of 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, knowledge of the industry and the expected life cycle of the product considering the nature of the industry. We found that the accuracy of capitalised development costs was consistent with the evidence obtained.
Valuation of balances owed from Group undertakings and related parties Refer to the critical accounting estimates and judgements in note 1 to the Financial Statements and note 12 and 17 for receivables and other receivables. The Group assesses the recoverability of amounts owed from related entities and the Company assesses the recoverability of the amounts owed from Group undertakings through assessment of each balance outstanding at the year end in line with the requirements of IFRS 9. Judgement has been applied in considering the likelihood of default or in calculating the expected settlement period for each balance. **Group and Company**	We have assessed the balances owed by Group undertakings and related parties in line with the requirements of IFRS 9. The expected credit loss model prepared by the client has considered a range of potential outcomes, which are then probability weighted depending on the future underlying performance of the entities. When considering these models we have applied sensitivity analysis to the key inputs, which include the probability of, and loss given, default. We have also considered management's estimates through comparison to historical and future business performance in line with contractual terms and position of the business at the year end. We found that the valuation of balances owed from Group undertakings after making impairment provisions and related parties were consistent with the evidence obtained.

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.

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. The Group engagement team audited Thorlux Lighting whilst Lightronics was audited by a non-PwC component audit team located in the Netherlands. The work performed by the component auditor was subject to review both remotely and in person by the Group engagement team and the work performed over the valuation of the warranty provision and development costs has fed into our key audit matters.

Materiality

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

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

	Group financial statements	Company financial statements
Overall materiality	£880,000 (2018: £900,000).	£680,000 (2018: £800,000).
How we determined it	Approximately 5% of profit before tax and before profit on disposal of property (2018: profit before tax).	Approximately 5% of profit before tax.
Rationale for benchmark applied	We believe that profit before tax before the profit on disposal of property is the primary measure used by the shareholders in assessing the performance of the Group, and is a generally accepted auditing benchmark.	We believe that profit before tax is the primary measure used by the shareholders in assessing the performance of the Group, 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 £61,000 and £680,000. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We agreed with the Board of Directors that we would report to them misstatements identified during our audit above £50,000 (Group audit) (2018: £45,000) and £34,000 (Company audit) (2018: £40,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

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.

We have nothing to report in respect of the above matters.

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. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Group's trade, customers, suppliers and the wider economy.

Independent Auditors' Report continued

to the Members of FW Thorpe Plc

Reporting on other information

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

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

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

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

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 June 2019 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 51, 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
East Midlands

18 October 2019

Our Financials

Pictured: Lightronics Offices, Waalwijk

Consolidated Income Statement

For the year ended 30 June 2019

	Notes	2019 £'000	2018 £'000
Continuing operations			
Revenue	2	**110,643**	109,614
Cost of sales		**(60,264)**	(58,305)
Gross profit		**50,379**	51,309
Distribution costs		**(13,182)**	(11,823)
Administrative expenses		**(19,840)**	(20,261)
Other operating income		**292**	241
Operating profit (before profit on disposal)		**17,649**	19,466
Profit on disposal of property		**1,917**	–
Operating profit	3	**19,566**	19,466
Finance income	5	**1,049**	819
Finance costs	5	**(1,046)**	(718)
Profit before income tax		**19,569**	19,567
Income tax expense	6	**(3,429)**	(3,457)
Profit for the year		**16,140**	16,110

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	2019 pence	2018 pence
– Basic	7	**13.91**	13.91
– Diluted	7	**13.83**	13.81

The notes on pages 70 to 112 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 2019

	Notes	2019 £'000	2018 £'000
Profit for the year:		**16,140**	16,110
Other comprehensive income/(expenses)			
Items that may be reclassified to profit or loss			
Changes in the fair value of available-for-sale financial assets	14	–	189
Exchange differences on translation of foreign operations		**153**	119
Taxation	15	–	(32)
		153	276
Items that will not be reclassified to profit or loss			
Revaluation of financial assets at fair value through other comprehensive income	14	**(142)**	–
Actuarial (loss)/gain on pension scheme	22	**(374)**	1,459
Movement on unrecognised pension scheme surplus	22	**191**	(1,615)
Taxation	15	**24**	–
		(301)	(156)
Other comprehensive (expense)/income for the year, net of tax		**(148)**	120
Total comprehensive income for the year attributable to equity shareholders		**15,992**	16,230

The notes on pages 70 to 112 form part of these financial statements.

Consolidated and Company Statements of Financial Position

As at 30 June 2019

	Notes	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Assets					
Non-current assets					
Property, plant and equipment	8	25,353	22,679	11,185	10,262
Intangible assets	9	21,687	21,596	4,192	3,601
Investment in subsidiaries	10	–	–	14,581	14,581
Investment property	11	2,006	2,076	9,131	9,215
Financial assets at amortised cost	12	3,567	–	12,115	–
Loans and receivables	12	–	6,139	–	13,482
Equity accounted investments and joint arrangements	13	936	936	936	968
Financial assets at fair value through other comprehensive income	14	3,683	–	3,683	–
Available-for-sale financial assets	14	–	3,820	–	3,820
Deferred tax assets	15	–	8	–	–
		57,232	57,254	55,823	55,929
Current assets					
Inventories	16	25,506	21,489	18,354	14,124
Trade and other receivables	17	21,502	23,416	20,594	21,838
Other financial assets at fair value through profit or loss	18	387	389	387	389
Short-term financial assets	19	26,483	15,290	26,483	15,290
Cash and cash equivalents	20	30,807	28,668	24,771	24,333
Total current assets		104,685	89,252	90,589	75,974
Total assets		161,917	146,506	146,412	131,903
Liabilities					
Current liabilities					
Trade and other payables	21	(21,912)	(19,253)	(17,290)	(14,082)
Current income tax liabilities		(1,935)	(1,853)	(931)	(1,081)
Total current liabilities		(23,847)	(21,106)	(18,221)	(15,163)
Net current assets		80,838	68,146	72,368	60,811
Non-current liabilities					
Other payables	21	(12,804)	(10,329)	(10,242)	(7,958)
Provisions for liabilities and charges	23	(2,404)	(2,164)	(466)	(436)
Deferred income tax liabilities	15	(699)	(655)	(493)	(421)
Total non-current liabilities		(15,907)	(13,148)	(11,201)	(8,815)
Total liabilities		(39,754)	(34,254)	(29,422)	(23,978)
Net assets		122,163	112,252	116,990	107,925
Equity					
Share capital	24	1,189	1,189	1,189	1,189
Share premium account	25	1,266	1,017	1,266	1,017
Capital redemption reserve	25	137	137	137	137
Foreign currency translation reserve	25	2,535	2,382	–	–
Retained earnings					
At 1 July		107,527	97,047	105,582	96,257
Profit for the year attributable to the owners		16,140	16,110	16,063	14,955
Other changes in retained earnings		(6,631)	(5,630)	(7,247)	(5,630)
		117,036	107,527	114,398	105,582
Total equity		122,163	112,252	116,990	107,925

The notes on pages 70 to 112 form part of these financial statements.

The financial statements on pages 64 to 112 were approved by the Board on 18 October 2019 and signed on its behalf by

Michael Allcock

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

Consolidated Statement of Changes in Equity

For the year ended 30 June 2019

	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 2017		1,189	656	137	2,263	97,047	101,292
Comprehensive income/(expense)							
Profit for the year to 30 June 2018		–	–	–	–	16,110	16,110
Actuarial gain on pension scheme	22	–	–	–	–	1,459	1,459
Movement on unrecognised pension scheme surplus	22	–	–	–	–	(1,615)	(1,615)
Changes in the fair value of available-for-sale financial assets	14	–	–	–	–	189	189
Movement on associated deferred tax	15	–	–	–	–	(32)	(32)
Exchange differences on translation of foreign operations		–	–	–	119	–	119
Total comprehensive income		–	–	–	119	16,111	16,230
Transactions with owners							
Shares issued from exercised options		–	361	–	–	–	361
Dividends paid to shareholders	26	–	–	–	–	(5,737)	(5,737)
Share based payment charge	27	–	–	–	–	106	106
Total transactions with owners		–	361	–	–	(5,631)	(5,270)
Balance at 30 June 2018		**1,189**	**1,017**	**137**	**2,382**	**107,527**	**112,252**
Comprehensive income/(expense)							
Profit for the year to 30 June 2019		–	–	–	–	16,140	16,140
Actuarial loss on pension scheme	22	–	–	–	–	(374)	(374)
Movement on unrecognised pension scheme surplus	22	–	–	–	–	191	191
Revaluation of financial assets at fair value through other comprehensive income	14	–	–	–	–	(142)	(142)
Movement on associated deferred tax	15	–	–	–	–	24	24
Exchange differences on translation of foreign operations		–	–	–	153	–	153
Total comprehensive income		–	–	–	153	15,839	15,992
Transactions with owners							
Shares issued from exercised options		–	249	–	–	–	249
Purchase of own shares		–	–	–	–	(117)	(117)
Dividends paid to shareholders	26	–	–	–	–	(6,299)	(6,299)
Share based payment charge	27	–	–	–	–	86	86
Total transactions with owners		–	249	–	–	(6,330)	(6,081)
Balance at 30 June 2019		**1,189**	**1,266**	**137**	**2,535**	**117,036**	**122,163**

The notes on pages 70 to 112 form part of these financial statements.

Company Statement of Changes in Equity

For the year ended 30 June 2019

	Notes	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 July 2017		**1,189**	**656**	**137**	**96,257**	**98,239**
Comprehensive income/(expense)						
Profit for the year to 30 June 2018		–	–	–	14,955	14,955
Actuarial gain on pension scheme	22	–	–	–	1,459	1,459
Movement on unrecognised pension scheme surplus	22	–	–	–	(1,615)	(1,615)
Revaluation of available-for-sale financial assets	14	–	–	–	189	189
Movement on associated deferred tax	15	–	–	–	(32)	(32)
Exchange differences on translation of foreign operations		–	–	–	–	–
Total comprehensive income		–	–	–	14,956	14,956
Transactions with owners						
Shares issued from exercised options		–	361	–	–	361
Dividends paid to shareholders	26	–	–	–	(5,737)	(5,737)
Share based payment charge	27	–	–	–	106	106
Total transactions with owners		–	361	–	(5,631)	(5,270)
Balance at 30 June 2018		**1,189**	**1,017**	**137**	**105,582**	**107,925**
Adjustment on first time adoption of IFRS 9 (net of tax) *		–	–	–	(616)	(616)
Restated balance at 1July 2018		**1,189**	**1,017**	**137**	**104,966**	**107,309**
Comprehensive income/(expense)						
Profit for the year to 30 June 2019		–	–	–	16,063	16,063
Actuarial loss on pension scheme	22	–	–	–	(374)	(374)
Movement on unrecognised pension scheme surplus	22	–	–	–	191	191
Revaluation of financial assets at fair value through other comprehensive income	14	–	–	–	(142)	(142)
Movement on associated deferred tax	15	–	–	–	24	24
Total comprehensive income		–	–	–	15,762	15,762
Transactions with owners						
Shares issued from exercised options		–	249	–	–	249
Purchase of own shares		–	–	–	(117)	(117)
Dividends paid to shareholders	26	–	–	–	(6,299)	(6,299)
Share based payment charge	27	–	–	–	86	86
Total transactions with owners		–	249	–	(6,330)	(6,081)
Balance at 30 June 2019		**1,189**	**1,266**	**137**	**114,398**	**116,990**

The notes on pages 70 to 112 form part of these financial statements.

* The adjustment on the first time adoption of IFRS 9 has arisen from the Company retrospectively applying IFRS 9, for expected credit losses from receivables due from subsidiaries at 30 June 2018, but electing not to restate the comparative period.

Consolidated and Company Statements of Cash Flows

For the year ended 30 June 2019

	Notes	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Cash flows from operating activities					
Cash generated from operations	28	**25,038**	23,998	**15,460**	16,658
Tax paid		**(3,476)**	(3,291)	**(1,808)**	(1,680)
Net cash generated from operating activities		**21,562**	20,707	**13,652**	14,978
Cash flows from investing activities					
Purchases of property, plant and equipment		**(6,852)**	(6,049)	**(2,726)**	(2,220)
Proceeds from sale of property, plant and equipment		**3,796**	197	**306**	151
Purchase of intangibles		**(2,417)**	(1,967)	**(2,071)**	(1,636)
Purchase of subsidiary (net of cash acquired)		**–**	(6,313)	**–**	(237)
Purchase of investment property		**–**	–	**(1,708)**	(108)
Disposal of investment property		**12**	67	**3,479**	67
Net sale of financial assets at fair value through other comprehensive income		**70**	–	**70**	–
Property rental and similar income		**205**	190	**394**	389
Dividend income		**225**	190	**4,204**	3,077
Net (deposit)/withdrawal of short-term financial assets		**(11,193)**	1,691	**(11,193)**	1,691
Interest received		**403**	388	**797**	434
Net receipt/(issue) of loan notes		**2,575**	(2,022)	**1,356**	(9,371)
Net cash used in investing activities		**(13,176)**	(13,628)	**(7,092)**	(7,763)
Cash flows from financing activities					
Net proceeds from the issuance of ordinary shares		**249**	361	**249**	361
Purchase of own shares		**(117)**	–	**(117)**	–
Proceeds from loans		**–**	2,337	**–**	–
Repayment of borrowings		**(197)**	–	**–**	–
Dividends paid to Company's shareholders	26	**(6,299)**	(5,737)	**(6,299)**	(5,737)
Net cash used in financing activities		**(6,364)**	(3,039)	**(6,167)**	(5,376)
Effects of exchange rate changes on cash		**117**	(50)	**45**	(34)
Net increase in cash in the year		**2,139**	3,990	**438**	1,805
Cash and cash equivalents at beginning of year		**28,668**	24,678	**24,333**	22,528
Cash and cash equivalents at end of year		**30,807**	28,668	**24,771**	24,333

The notes on pages 70 to 112 form part of these financial statements.

Notes to the Financial Statements

For the year ended 30 June 2019

1 Accounting Policies

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

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

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), IFRS IC - IFRS Interpretations Committee and the Companies Act 2006 applicable to the companies reporting under IFRS. The financial statements have been prepared on a going concern basis, under the historical cost convention other than available for sale and other financial assets held at fair value per the provisions of IFRS 9.

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 2019 are:

- IFRS 9 "Financial Instruments" (effective 1 January 2018)
- IFRS 15 "Revenue from contracts with customers" (effective 1 January 2018)
- Amendments to IFRS 2, "Share based payments" – Classification and measurement (effective 1 January 2018)
- Amendments to IFRS 4, Amendments regarding implementation of IFRS 9 (effective 1 January 2018)
- Amendment to IFRS 9, "Financial instruments" on general hedge accounting (effective date 1 January 2018)

Other than those described below, the above new and amended standards had an immaterial impact on the financial statements and as such their impact has not been disclosed.

IFRS 9 replaces IAS 39 "Financial Instruments: Recognition & Measurement" and the changes introduced by the new standard can be grouped into the following three categories – Classification & Measurement, Impairment, and Hedging. The impact of the new standard in the Group was the following:

- Classification and measurement: IFRS 9 contains three principal classification categories for financial assets which are amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL"). The standard eliminates the existing IAS 39 categories of held-to-maturity and available-for-sale financial assets. The Group and Company included the new classification categories for financial assets in the Statement of Financial Position. Equity financial instruments previously classified as available-for-sale assets have been classified as Financial assets at fair value through other comprehensive income and loans and receivables as financial assets at amortised cost.
- Impairment: IFRS 9 introduces an expected credit loss model which requires expected credit losses and changes to expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. Financial assets measured at amortised cost or FVOCI are subject to the impairment provisions of IFRS 9. The adoption of this standard has not resulted in any material changes in the level of provision for financial assets for the Group. The impact for the Company is disclosed in the Company Statement of Changes in Equity. At 1 July 2019, the amounts due from subsidiaries were £7,862,000; on adoption of IFRS 9, this was impaired to £7,246,000.
- Hedging: IFRS 9 introduces new hedge accounting requirements. IFRS 9 aligns hedge accounting relationships with the Group's risk management objectives and strategy. The Group does not apply hedge accounting, therefore there were no changes arising from the new standard.

IFRS15 requires entities to apportion revenue earned from contracts to individual performance obligations based on a five-step model. The adoption of this standard has not resulted in any material impact on reported profits.

The Group has not yet adopted certain new standards, amendments and interpretations to existing standards, which have been published but are only effective for accounting periods beginning on or after 1 January 2019 or later periods. The new pronouncements that may have an effect on the Group are listed below:

- IFRS 16 "Leases" (effective 1 January 2019)

IFRS 16 "Leases" is effective for accounting periods beginning on or after 1 January 2019 and will be adopted by the Group for the accounting period beginning 1 July 2019. The new standard removed the distinction between operating and finance leases and requires that an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-values leases.

1 Accounting Policies continued

Basis of preparation (continued)

The Group reviewed all of the Group's leasing arrangements over the last year in light of the new lease accounting rules in IFRS 16. The standard will affect primarily the accounting for the Group's operating leases. For the Company, leasing arrangements are not significant.

As at the reporting date, the Group has non-cancellable operating lease commitments of £2,245,000, see note 29. Of these commitments, approximately £52,000 relate to short-term leases or low value leases which will both be recognised on a straight-line basis as expense in profit or loss.

For the remaining lease commitments the Group expects to recognise right-of-use assets of approximately £1,357,000 on 1 July 2019, lease liabilities of £1,710,000 and deferred tax liabilities of £3,000. Overall net assets will be approximately £356,000, and net current assets will be £373,000 lower due to the presentation of a portion of the liability as a current liability.

The Group expects that net profit after tax will increase by approximately £22,000 for 2020 as a result of adopting the new rules. Adjusted EBITDA is expected to increase by approximately £440,000 as the operating lease payments were included in EBITDA, but the amortisation of the right-of-use assets and interest on the lease liability are excluded from this measure. Operating profit, used to measure segment results, is expected to increase by approximately £120,000.

Operating cash flows will increase and financing cash flows decrease by approximately £345,000 as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

The Group's activities as a lessor are not material and hence the Group does not expect any significant impact on the financial statements. However, some additional disclosures will be required from next year.

The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

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

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

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

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

Basis of consolidation

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

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

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

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

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

Notes to the Financial Statements continued

For the year ended 30 June 2019

1 Accounting Policies continued

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

Joint operations

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

Equity accounted investments

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

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

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

Revenue recognition
The Group has adopted IFRS 15 *Revenue from Contracts with Customers* from 1 July 2018. IFRS 15 provides a single source of accounting requirements for recognising revenue and costs from contracts with customers, replacing all previous accounting pronouncements on revenue.

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

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

Revenue from external customers is derived from the supply of light fittings and services to support the sale of these light fittings.

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

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g. warranties, service agreements). In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any). There were no impacts on reported profits on adoption of IFRS 15.

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.

1 Accounting Policies continued

Segment reporting

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

The Group is organised into ten operating segments based on the products and customer base in the lighting market. The largest businesses, on an ongoing basis, are Thorlux and Lightronics Participaties B.V. The eight remaining operating segments have been aggregated into the "other companies" reportable segment based upon their size, comprising the entities Philip Payne Limited, Solite Europe Limited, Portland Lighting Limited, TRT Lighting Limited, Thorlux Lighting L.L.C., Thorlux Australasia Pty Limited, Thorlux Lighting GmbH and Famostar Emergency Lighting B.V.

Pension costs

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

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

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

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

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

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

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

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

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

Notes to the Financial Statements continued

For the year ended 30 June 2019

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.

1 Accounting Policies continued

Intangible assets

Development costs

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

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

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

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

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

Fishing rights

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

Goodwill

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

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

Software costs

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

Patent costs

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

Notes to the Financial Statements continued

For the year ended 30 June 2019

1 Accounting Policies continued

Other intangible assets

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

Technology	14%
Brand name	14%–20%

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.

Financial Assets

(i) Classification

From 1 July 2018, the Group classifies its financial assets in the following measurement categories:

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

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

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

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

(ii) Recognition and derecognition

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

(iii) Measurement

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

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

1 Accounting Policies continued

Debt instruments

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

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

Equity instruments

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

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

(iv) Impairment

From 1 July 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

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

(v) Accounting policies applied until 30 June 2018

The Group has applied IFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

Classification

Until 30 June 2018, the Group classified its financial assets in the following categories:

- financial assets at fair value through profit or loss,
- loans and receivables,
- held-to-maturity investments, and
- available-for-sale financial assets.

Notes to the Financial Statements continued

For the year ended 30 June 2019

1 Accounting Policies continued

The classification depended on the purpose for which the investments were acquired. Management determined the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluated this designation at the end of each reporting period.

Reclassification

The Group could choose to reclassify a non-derivative trading financial asset out of the held for trading category if the financial asset was no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables were permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that was unusual and highly unlikely to recur in the near term. In addition, the Group could choose to reclassify financial assets that would meet the definition of loans and receivables out of the held for trading or available-for-sale categories if the Group had the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications were made at fair value as of the reclassification date. Fair value became the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date were subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories were determined at the reclassification date. Further increases in estimates of cash flows adjusted effective interest rates prospectively.

Subsequent measurement

The measurement at initial recognition did not change on adoption of IFRS 9, see description above.

Subsequent to the initial recognition, loans and receivables and held-to-maturity investments were carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at FVPL were subsequently carried at fair value. Gains or losses arising from changes in the fair value were recognised as follows:

- for financial assets at FVPL – in the income statement
- for available-for-sale financial assets that are monetary securities denominated in a foreign currency – translation differences related to changes in the amortised cost of the security were recognised in the income statement and other changes in the carrying amount were recognised in other comprehensive income
- for other monetary and non-monetary securities classified as available-for-sale – in other comprehensive income.

Details on how the fair value of financial instruments is determined are disclosed in the accounting policy note fair value estimation.

When securities classified as available-for-sale were sold, the accumulated fair value adjustments recognised in other comprehensive income were reclassified to in the income statement finance income or cost.

Impairment

The Group assessed at the end of each reporting period whether there was objective evidence that a financial asset or group of financial assets was impaired. A financial asset or a group of financial assets was impaired and impairment losses were incurred only if there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) had an impact on the estimated future cash flows of the financial asset or group of financial assets that could be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost was considered an indicator that the assets are impaired.

1 Accounting Policies continued

Assets carried at amortised cost

For loans and receivables, the amount of the loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that had not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset was reduced and the amount of the loss was recognised in the income statement. If a loan or held-to-maturity investment had a variable interest rate, the discount rate for measuring any impairment loss was the current effective interest rate determined under the contract. As a practical expedient, the Group could measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreased and the decrease could be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss was recognised in the income statement.

Impairment testing of trade receivables is described in the accounting policy note for trade receivables.

Assets classified as available-for-sale

If there was objective evidence of impairment 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 the income statement – was removed from equity and recognised in the income statement.

Impairment losses on equity instruments that were recognised in the income statement were not reversed through the income statement in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increased in a subsequent period and the increase could be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss was reversed through the income statement.

Inventories

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

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

Trade receivables

Trade receivables are recognised initially at fair value and the Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period 12 months up to the end of the relevant financial year, and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables, as significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within "distribution costs". When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against "distribution costs" in the income statement.

Notes to the Financial Statements continued

For the year ended 30 June 2019

1 Accounting Policies continued

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.

Trade payables

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

Provisions

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

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

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

Critical accounting estimates and judgements

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

1 Accounting Policies continued

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

Estimates	**Warranty** The Group provides for expected warranty costs covering both specific known warranty claims and calculating expected future warranty claims in order to estimate the expected costs that will arise in respect of products sold within the remaining warranty periods. The expected future warranty claims provision is calculated by assessing historical data, industry failure rates and the Group's knowledge of products to determine the percentage of sales that should be provided for to cover future associated warranty costs. Note 23 contains details of the warranty provision. **Development costs** The Group undertakes development activities and the commercial viability of these activities is assessed on a continual basis; as such the Group assess each new project using its knowledge to estimate the amount of development time spent on projects to determine the amount that should be capitalised. Note 9 contains details of capitalised development costs. **Lightronics share appreciation rights** The Group has an obligation to purchase the share appreciation rights from the management and former shareholders of the Lightronics business. To calculate the expected share appreciation repurchase value the Group has considered the recent and budgeted future performance of the Lightronics business analysing forecasted EBITDA, revenue and costs upon which the obligation is based. This analysis is reviewed and updated each year and, if necessary, adjustments are made to ensure that the provision value reflects the best current estimate of settlement with movements recognised as a share based payment charge. Notes 21 and 27 contain details of the share appreciation rights. **Famostar share appreciation rights** The Group has an obligation to purchase the share appreciation rights from the same rights holders as for the Lightronics business. To calculate the expected share appreciation repurchase value the Group has considered the recent and budgeted future performance of the Famostar business analysing forecasted EBITDA, revenue and costs upon which the obligation is based. This analysis is reviewed and updated each year and, if necessary, adjustments are made to ensure that the provision value reflects the best current estimate of settlement with movements recognised as a share based payment charge. Notes 21 and 27 contain details of the share appreciation rights. **Retirement benefit obligations** The Group recognises its obligations to employee retirement benefits. The quantification of these obligations is subject to significant estimates and assumptions regarding life expectancy, discount and inflation rates and the rate of increase in pension payments. In making these assumptions the Group takes advice from an independent qualified actuary about which assumptions best reflect the nature of the Group's obligations to employee retirement benefits. These assumptions are regularly reviewed by our actuaries Cartwright Benefit Consultants Ltd to ensure their appropriateness. Note 22 contains details of the retirement benefit obligations. **Receivables** The Group and Company assesses expected credit losses based on whether each receivable is performing or underperforming in accordance with IFRS 9. This assessment is undertaken using both historical data and expected future developments. Notes 12 and 17 contain details for receivables. **Inter-company loan impairment** The Company provides for expected credit losses that may arise from under-performing loans to subsidiary companies. The expected credit loss is calculated by looking at historical performance and the Company's knowledge of how the subsidiary is likely to perform in the future. Note 12 contains details of inter-company loan impairments.

Notes to the Financial Statements continued

For the year ended 30 June 2019

1 Accounting Policies continued

Judgements

Warranty
The Group provides for expected warranty costs covering both specific known warranty claims and calculating expected future warranty claims. In determining this provision the Group uses its knowledge of its products in the application of failure rates for new products at the start of their warranty period.

Development costs
The Group undertakes development activities and the commercial viability of these activities is assessed on a continual basis; as such the Group assesses each new project to determine whether development costs incurred should be capitalised within intangible assets or recognised as an expense within administrative expenses. The Group determines this classification based on the future value of the work based on past experience of similar development projects and the feedback from the marketplace about future expectations for technological development.

Lightronics share appreciation rights
The Group has an obligation to purchase the share appreciation rights from the management and former shareholders of the Lightronics business over the period to 2021. In determining the expected purchase price the Group has assumed the repurchase will be made in 2021 thereby assessing the expected purchase price at this date.

Famostar share appreciation rights
The Group has an obligation to purchase the share appreciation rights from the management and former shareholders of the Lightronics business over the period to 2021. In determining the expected purchase price the Group has assumed the repurchase will be made in 2021 thereby assessing the expected purchase price at this date.

Retirement benefit obligations
The Group recognises its obligations to employee retirement benefits. Where the fair value of the pension plan assets exceeds the present value of the defined benefit obligation the Group consider the amount which can be recognised as an asset within the statement of financial position in line with the requirements of IAS 19. A defined benefit surplus is only recognised if it meets the following criteria: if the Group has an unconditional right to a refund; or if the Group can realise it at some point during the life of the plan or when the plan liabilities are settled. As these criteria are not met the Group has decided not to recognise a net retirement benefit asset.

Receivables
The Group and Company has receivables in the form of loans and trade receivables. Where the receivable is underperforming, or where credit losses are expected, the Group and Company have recognised a provision based on the expected loss up to the date when the receivable will be settled.

Inter-company loan impairment
The Company recognises expected credit losses that may arise from under-performing loans to subsidiary companies based on its expectations of when these loans will be settled.

1 Accounting Policies continued

Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

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

(ii) Price risk

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

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

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

(iii) Commodity price risk

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

(iv) Interest rate risk

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

(b) Credit risk

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

(c) Liquidity risk

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

Notes to the Financial Statements continued

For the year ended 30 June 2019

1 Accounting Policies continued

Capital risk management

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

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

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

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

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

Fair value estimation

Financial instruments

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

i. Quoted prices (unadjusted) in active markets for identical assets and liabilities (level 1)
ii. Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices), or indirectly (that is, derived from prices) (level 2)
iii. Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3)

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

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

Other assets and liabilities

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

Share capital

Ordinary shares are classified as equity.

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

1 Accounting Policies continued

Share based payments

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

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

Cash-settled share based payments

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

2 Segmental Analysis

(a) Business segments

The segmental analysis is presented on the same basis as that used for internal reporting purposes. For internal reporting FW Thorpe is organised into ten operating segments based on the products and customer base in the lighting market – the largest business is Thorlux, which manufactures professional lighting systems for industrial, commercial and controls markets. The Lightronics business is a material subsidiary and is therefore disclosed separately.

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

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

	Thorlux £'000	Lightronics £'000	Other companies £'000	Inter-segment adjustments £'000	Total continuing operations £'000
Year to 30 June 2019					
Revenue to external customers	**62,304**	**23,154**	**25,185**	**–**	**110,643**
Revenue to other Group companies	**3,551**	**366**	**3,573**	**(7,490)**	**–**
Total revenue	**65,855**	**23,520**	**28,758**	**(7,490)**	**110,643**
Operating profit (before disposal of property)	**11,578**	**2,357**	**3,661**	**53**	**17,649**
Profit on disposal of property					**1,917**
Operating profit					**19,566**
Net finance income					**3**
Profit before income tax					**19,569**
Year to 30 June 2018					
Revenue to external customers	64,645	20,860	24,109	–	109,614
Revenue to other Group companies	3,930	196	2,956	(7,082)	–
Total revenue	68,575	21,056	27,065	(7,082)	109,614
Operating profit	13,611	2,050	3,407	398	19,466
Net finance income					101
Profit before income tax					19,567

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 and elimination of profit on transfer of assets between Group companies.

Notes to the Financial Statements continued

For the year ended 30 June 2019

2 Segmental Analysis continued

(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.

	2019 £'000	2018 £'000
UK	68,706	70,652
Netherlands	28,227	22,713
Rest of Europe	11,185	10,726
Rest of the World	2,525	5,523
	110,643	109,614

The Group's assets cannot be split geographically in relation to the Group's revenue.

(c) Geographical analysis by product types

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

2019 (£'000)	Light Fittings	Services	Total
UK	66,359	2,347	68,706
Netherlands	28,224	3	28,227
Rest of Europe	11,150	35	11,185
Rest of the World	2,521	4	2,525
	108,254	2,389	110,643

2018 (£'000)	Light Fittings	Services	Total
UK	68,802	1,850	70,652
Netherlands	22,713	–	22,713
Rest of Europe	10,712	14	10,726
Rest of the World	5,523	–	5,523
	107,750	1,864	109,614

3 Operating Profit

	2019 £'000	2018 £'000
Profit on sale of Property, Plant & Equipment	(2,116)	(86)
Profit on sale of investment property	–	(39)
Depreciation of investment property	58	59
Depreciation of Property, Plant & Equipment		
– owned property	2,508	2,136
Operating lease rentals		
– property	382	282
– other	388	397
Amortisation of intangible assets	2,456	2,400
Share appreciation rights (with associated share based payment charges)	2,175	1,523
Cost of inventories recognised as an expense	44,659	45,052
Research and development expenditure credit	(292)	(237)
Currency (gains)/losses recognised in income statement	(69)	247

Services provided by the Company's auditors	2019 £'000	2018 £'000
Fees payable to Company's auditors for audit of financial statements	131	112
Fees payable to the Company's auditors and its associates for other services		
Audit of Company's subsidiaries	42	42
Other assurance services	6	41
	179	195

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

4 Employee Information

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

	Group		Company	
Average headcount	2019 Number	2018 Number	2019 Number	2018 Number
Production	273	302	170	206
Sales and distribution	177	187	100	108
Administration	216	231	149	162
Total average headcount	666	720	419	476

	Group		Company	
Employment costs of all employees (including executive directors)	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Wages & salaries	26,891	25,988	17,342	16,978
Social security costs	3,138	2,891	1,931	1,894
Other pension costs	1,453	1,326	896	890
	31,482	30,205	20,169	19,762

Included in wages and salaries are £1,652,000 (2018: £1,606,000) of temporary employees costs.

Other pension costs include contributions to pension schemes and other employer's pension related charges comprising life assurance of £93,000 (2018: £105,000), pension administration and professional charges of £130,000 (2018: £113,000) and private pension schemes amounting to £15,000 (2018: £19,000).

Notes to the Financial Statements continued

For the year ended 30 June 2019

4 Employee Information continued

Contributions to the defined contribution section amounted to £251,000 (2018: £247,000) and contributions to other schemes administered independently of the FW Thorpe pension schemes amounted to £796,000 (2018: £614,000).

	Group		Company	
Directors' Emoluments	**2019 £'000**	2018 £'000	**2019 £'000**	2018 £'000
Aggregate emoluments	**1,974**	2,348	**1,683**	1,988
Contributions to money purchase schemes	**20**	21	**20**	21
	1,994	2,369	**1,703**	2,009

At 30 June 2019 no retirement benefits were accruing to any director (2018: D Taylor) under the defined benefit scheme and to J E Thorpe (2018: J E Thorpe) under the defined contribution scheme. Additionally compensation payments for the loss of pension contributions totalling £207,000 (2018: £92,000) were made to 5 (2018: 3) directors.

	Group		Company	
Highest paid director	**2019 £'000**	2018 £'000	**2019 £'000**	2018 £'000
Total of emoluments and amounts receivable	**442**	550	**442**	550

Compensation payments for the loss of pension contributions for the highest paid director were £146,000 (2018: £79,000).

The key management personnel are the Group Board directors.

Further details are provided in the directors' remuneration report on pages 52 to 55.

5 Net Finance Income/Expense

	2019 £'000	2018 £'000
Finance income		
Interest receivable	**312**	241
Dividend income on financial assets at fair value through other comprehensive income	**225**	–
Dividend income on available-for-sale financial assets	**–**	190
Net rental income	**224**	161
Loan interest	**213**	227
Gain on disposal of financial assets	**75**	–
	1,049	819
Finance cost		
Interest payable	**1**	–
Share appreciation rights distribution	**922**	657
Loss on settlement of loan notes	**9**	–
Loan interest	**114**	61
	1,046	718
Net finance income	**3**	101

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

6 Income Tax Expense

Analysis of income tax expense in the year:

	2019 £'000	2018 £'000
Current tax		
Current tax on profits for the year	**3,963**	3,930
Adjustments in respect of prior years	**(609)**	(170)
Total current tax	**3,354**	3,760
Deferred tax		
Origination and reversal of temporary differences	**75**	(303)
Total deferred tax	**75**	(303)
Income tax expense	**3,429**	3,457

The tax assessed for the year is lower (2018: lower) than the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%). The differences are explained below:

	2019 £'000	2018 £'000
Profit before income tax	**19,569**	19,567
Profit on ordinary activities multiplied by the standard rate in the UK of 19.00% (2018: 19.00%)	**3,718**	3,718
Effects of:		
Expenses not deductible for tax purposes	**881**	648
Accelerated tax allowances and other timing differences	**55**	(383)
Adjustments in respect of prior years	**(609)**	(170)
Chargeable gains relief on disposal of property	**(352)**	–
Patent box relief	**(597)**	(641)
Foreign profit taxed at higher rate	**333**	285
Tax charge	**3,429**	3,457

The effective tax rate was 17.52% (2018: 17.67%). Adjustments in respect of prior years relates to refunds received for additional investment allowances and patent box relief.

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

7 Earnings Per Share

Basic and diluted earnings per share for profit attributable to equity holders of the Company

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Company and held as treasury shares.

Basic	2019	2018
Weighted average number of ordinary shares in issue	**116,060,378**	115,834,897
Profit attributable to equity holders of the Company (£'000)	**16,140**	16,110
Basic earnings per share (pence per share) total	**13.91**	13.91

Diluted earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Company and held as treasury shares, plus the number of shares earnt for share options where performance conditions have been achieved.

Diluted	2019	2018
Weighted average number of ordinary shares in issue (diluted)	**116,689,595**	116,692,591
Profit attributable to equity holders of the Company (£'000)	**16,140**	16,110
Diluted earnings per share (pence per share) total	**13.83**	13.81

Notes to the Financial Statements continued

For the year ended 30 June 2019

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 2018	18,676	21,328	40,004	6,260	16,286	22,546
Additions	3,176	3,616	6,792	114	2,553	2,667
Disposals	(2,199)	(1,116)	(3,315)	–	(535)	(535)
Currency translation	67	23	90	–	–	–
At 30 June 2019	**19,720**	**23,851**	**43,571**	**6,374**	**18,304**	**24,678**
Accumulated depreciation						
At 1 July 2018	3,829	13,496	17,325	1,958	10,326	12,284
Charge for the year	546	1,962	2,508	137	1,437	1,574
Disposals	(673)	(962)	(1,635)	–	(365)	(365)
Currency translation	10	10	20	–	–	–
At 30 June 2019	**3,712**	**14,506**	**18,218**	**2,095**	**11,398**	**13,493**
Net book amount						
At 30 June 2019	**16,008**	**9,345**	**25,353**	**4,279**	**6,906**	**11,185**

	Group			Company		
	Freehold land and buildings £'000	Plant and equipment £'000	Total £'000	Freehold land and buildings £'000	Plant and equipment £'000	Total £'000
Cost						
At 1 July 2017	14,556	18,990	33,546	6,192	14,648	20,840
Acquisition of a subsidiary	528	1,323	1,851	–	–	–
Additions	3,301	2,558	5,859	68	2,107	2,175
Disposals	–	(1,247)	(1,247)	–	(469)	(469)
Transfers	294	(294)	–	–	–	–
Currency translation	(3)	(2)	(5)	–	–	–
At 30 June 2018	18,676	21,328	40,004	6,260	16,286	22,546
Accumulated depreciation						
At 1 July 2017	2,789	11,920	14,709	1,830	9,463	11,293
Acquisition of a subsidiary	435	1,188	1,623	–	–	–
Charge for the year	464	1,672	2,136	128	1,246	1,374
Disposals	–	(1,139)	(1,139)	–	(383)	(383)
Transfers	141	(141)	–	–	–	–
Currency translation	–	(4)	(4)	–	–	–
At 30 June 2018	3,829	13,496	17,325	1,958	10,326	12,284
Net book amount						
At 30 June 2018	14,847	7,832	22,679	4,302	5,960	10,262

Freehold land which was not depreciated at 30 June 2019 amounted to £769,000 (Group) and £500,000 (Company) (2018: £1,033,000 (Group and Company)).

9 Intangible Assets

Group 2019	Goodwill £'000	Development costs £'000	Technology £'000	Brand name £'000	Software £'000	Patents £'000	Fishing rights £'000	Total £'000
Cost								
At 1 July 2018	14,786	6,779	2,924	1,291	1,789	150	182	27,901
Additions	–	1,791	–	–	592	–	–	2,383
Write-offs and transfers	–	(1,293)	–	–	(178)	–	–	(1,471)
Currency translation	135	15	32	13	(1)	–	–	194
At 30 June 2019	**14,921**	**7,292**	**2,956**	**1,304**	**2,202**	**150**	**182**	**29,007**
Accumulated amortisation								
At 1 July 2018	249	3,062	1,117	599	1,128	150	–	6,305
Charge for the year	–	1,662	372	193	229	–	–	2,456
Write-offs and transfers	–	(1,293)	–	–	(178)	–	–	(1,471)
Currency translation	(3)	10	15	9	(1)	–	–	30
At 30 June 2019	**246**	**3,441**	**1,504**	**801**	**1,178**	**150**	**–**	**7,320**
Net book amount								
At 30 June 2019	**14,675**	**3,851**	**1,452**	**503**	**1,024**	**–**	**182**	**21,687**

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

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

Amortisation and impairment of £2,456,000 (2018: £2,400,000) is included in the administrative expenses. Included in goodwill are amounts of £2,618,000 (2018: £2,618,000) arising from the acquisition of Portland Lighting Limited in 2011, €7,784,000 (£6,976,000) (2018: €7,784,000 (£6,890,000)) arising from the acquisition of Lightronics Participaties B.V. in 2015 and €5,057,000 (£4,532,000) (2018: €5,057,000 (£4,490,000)) arising from the acquisition of Famostar Emergency Lighting B.V. in December 2017. This goodwill is not amortised. The goodwill for Lightronics, Famostar and Thorlux Australasia is revalued annually to the closing exchange rate, as it is denominated in euros and Australian dollars respectively, with the movement recorded in exchange differences on translation of foreign operations in the Statement of Changes in Equity.

The Group tests intangible assets annually for impairment, or more frequently if there are indications of impairment, for each relevant cash generating unit. An EBITDA analysis is computed and used to compare against the net carrying value of the goodwill and other intangible assets for each cash generating unit as appropriate. A multiple based on a six times EBITDA that we consider a reasonable multiple for the sector, is used in these computations.

Due to the timing of the acquisitions that gave rise to the majority of our goodwill held, our assessment also considers business performance and likely net realisable value, which must be assessed as part of settlement of related share appreciation rights. At expected levels of EBITDA we consider that our goodwill is fully recoverable.

Cash generating units in the Group comprise the entities FW Thorpe Plc, Lightronics Participaties B.V,. Lightronics B.V., Philip Payne Limited, Solite Europe Limited, Portland Lighting Limited, TRT Lighting Limited, Thorlux Lighting L.L.C., Thorlux Australasia Pty Limited, Thorlux Lighting GmbH and Famostar Emergency Lighting B.V.

Notes to the Financial Statements continued

For the year ended 30 June 2019

9 Intangible Assets continued

Company 2019	Development costs £'000	Software £'000	Patents £'000	Fishing rights £'000	Total £'000
Cost					
At 1 July 2018	5,098	1,601	150	182	7,031
Additions	1,470	583	–	–	2,053
Write-offs and transfers	(1,293)	(1)	–	–	(1,294)
At 30 June 2019	**5,275**	**2,183**	**150**	**182**	**7,790**
Accumulated amortisation					
At 1 July 2018	2,295	985	150	–	3,430
Charge for the year	1,256	206	–	–	1,462
Write-offs and transfers	(1,293)	(1)	–	–	(1,294)
At 30 June 2019	**2,258**	**1,190**	**150**	**–**	**3,598**
Net book amount					
At 30 June 2019	**3,017**	**993**	**–**	**182**	**4,192**

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

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

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

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

10 Investments in Subsidiaries

The cost of investment in subsidiaries is as follows:

	Company	
	2019 £'000	2018 £'000
Investment in subsidiaries – cost	**14,581**	14,581

The movement in the investment and provisions is as follows:

	Costs £'000	**Provision £'000**
At 1 July 2017	13,682	–
Additions in year	899	–
At 1 July 2018	14,581	–
Additions in year	–	–
At 30 June 2019	**14,581**	**–**

11 Investment Property

	Group		Company	
	2019 £'000	2018 £'000	**2019 £'000**	2018 £'000
Cost				
At 1 July	2,271	2,299	10,593	10,513
Additions	–	–	1,708	108
Disposals	(12)	(28)	(2,090)	(28)
At 30 June	**2,259**	2,271	**10,211**	10,593
Accumulated depreciation				
At 1 July	195	136	1,378	1,112
Charge for the year	58	59	254	266
Disposals	–	–	(552)	–
At 30 June	**253**	195	**1,080**	1,378
Net book amount				
At 30 June	**2,006**	2,076	**9,131**	9,215

The following amounts have been recognised in the income statement:

	Group		Company	
	2019 £'000	2018 £'000	**2019 £'000**	2018 £'000
Rental income	**198**	131	**421**	365
Direct operating expenses arising from investment properties that generate rental income	**(95)**	(103)	**(270)**	(310)

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

Investment property of £1,296,000 (2018: £1,307,000) is freehold land and therefore not depreciated; the property element includes accumulated depreciation of £253,000 (2018: £195,000) which relates to the property occupied by Mackwell Electronics Limited. This investment property has been independently valued and has a market value that is not materially higher than its cost.

An external fair value exercise was undertaken in June 2019 of the land by the River Wye and the land in Monmouthshire which has resulted in a value of £1.57m, which is greater than the carrying value of those specific investment properties. The directors' valuation of this investment property for the year ended 30 June 2019 shows no material change.

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

Each investment property generates rental income.

Notes to the Financial Statements continued

For the year ended 30 June 2019

12 Financial Assets at Amortised Cost

(2018: Loans and Receivables)

The Group classifies its financial assets at amortised cost (2018: loans and receivables) only if both of the following criteria are met:

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

Financial assets at amortised cost (2018: Loans and receivables) include the following debt investments. The Group was required to revise its impairment methodology under IFRS 9 for each of these debt investments and applied the expected credit risk model to calculate the impairment provision.

Mackwell Electronics Limited

Following the disposal of Mackwell Electronics Limited on 2 December 2011, the Group acquired loan notes of £2,000,000 as part of the consideration. £100,000 was repaid during the year (2018: £550,000 and £77,000 interest was capitalised), leaving a balance due at 1% over the Bank of England base rate of £377,000 (2018: £477,000).

This debt investment is considered to be underperforming, and therefore the impairment provision is determined as lifetime expected credit losses. As at the date of these financial statements, the Group and Company have made a provision of £200,000 (2018: £200,000) for these loan notes.

During 2018 £1,500,000 in new loans were provided to Mr N Brangwin, a director and main shareholder in Mackwell Electronics Limited, making a total of £1,800,000, with interest payable at 4% over the Bank of England exchange rate. This loan is secured against Mr Brangwin's shareholding in FW Thorpe Plc. No repayment was received during the year.

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

Therefore the total balance due from Mackwell and its directors is £1,977,000 (2018: £2,077,000) after provisions.

Sugg Lighting Limited

Following the disposal of Sugg Lighting Limited on 6 February 2015 the Group acquired loan notes of £1,634,000 secured on the freehold property. During the year this loan was settled and as at 30 June 2019, the outstanding value of these loan notes was £nil (2018: £1,417,000).

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. During the year €982,000 was repaid and at the date of the financial statements, the loan notes balance was €367,000 (2018: €1,349,000) equating to £328,000 (2018: £1,192,000) 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%.

This debt investment has shown no significant increase in credit risk since the inception of the loan, and therefore the impairment provision is determined as 12 months expected credit losses. As at the date of these financial statements, no provision was recorded.

Famostar Emergency Lighting B.V.

Part of the acquisition of Famostar Emergency Lighting B.V. included partial funding of the 35% share appreciation rights held by the existing rights holders in Lightronics Participaties B.V. This was achieved by the issue of a loan of €1,640,000. During the year €232,000 was repaid and at the date of the financial statements, the loan notes balance was €1,408,000 (2018: €1,640,000) equating to £1,262,000 (2018: £1,451,000) at the end of year exchange rate. The loan notes are repayable on or before 30 June 2021 and attract an interest rate of 5%.

This debt investment has shown no significant increase in credit risk since the inception of the loan, and therefore the impairment provision is determined as 12 months expected credit losses. As at the date of these financial statements, no provision was recorded.

The Group's maximum exposure to credit risk in respect of financial assets at amortised cost (2018: loans and receivables) from Famostar and Lightronics is £1,590,000 which represents their carrying value at 30 June 2019. Of this balance, the Group exposure to credit risk on these receivables is £1,590,000.

We assess the credit risk of our loan note receivables based on the creditworthiness of the counterparty, history of repayment and security in place, and where required provisions are made.

12 Financial Assets at Amortised Cost continued
(2018: Loans and Receivables)

	Group		Company	
	2019 £'000	2018 £'000	**2019 £'000**	2018 £'000
At 1 July	**6,139**	3,808	**13,482**	3,808
Issued	**–**	2,951	**1,632**	10,300
Repaid	**(2,583)**	(1,006)	**(2,988)**	(1,005)
Reclassification	**–**	377	**–**	377
Impairment charge	**–**	–	**(124)**	–
Exchange rate movement	**11**	9	**113**	2
At 30 June	**3,567**	6,139	**12,115**	13,482

	Group		Company	
Analysis of total financial assets at amortised cost (2018: loans and receivables)	**2019 £'000**	2018 £'000	**2019 £'000**	2018 £'000
Non-current financial assets at amortised cost	**3,567**	–	**12,115**	–
Non-current loans and receivables	**–**	6,139	**–**	13,482
Current financial assets at amortised cost	**–**	–	**–**	–
Current loans and receivables	**–**	–	**–**	–
	3,567	6,139	**12,115**	13,482

The £1,632,000 loans issued by the Company are £696,000 issued to Lightronics Participaties B.V. for the development of the property occupied by Lightronics B.V. and £936,000 to Thorlux Lighting L.L.C.

The debt investment to Lightronics Participaties B.V. of €8,493,000 (£7,611,000) has shown no significant increase in credit risk since the inception of the loan, and therefore the impairment provision is determined as 12 months expected credit losses. As at the date of these financial statements, no provision was recorded.

The debt investment to Thorlux Lighting L.L.C. of £1,061,000 is considered to be underperforming and therefore the impairment provision is determined as lifetime expected credit losses. As at the date of these financial statements, the Company has made a provision of £124,000 for these loan notes.

13 Equity Accounted Investments and Joint Arrangements
The Group has a joint operation in the United Arab Emirates. Thorlux Lighting L.L.C. is registered in the United Arab Emirates and operates from a sales office in Abu Dhabi. The Group has applied the proportionate consolidation method of accounting to recognise this interest. Additions of £nil (2018: £nil) reflects the 49% of the share capital the Company owns of this joint operation.

The Group invested €1,200,000 for 40% of the share capital of Luxintec S.L., a company based in Spain, in 2016. The Group has applied the equity method of accounting to recognise this interest. The Group's management has elected to present fair value gains and losses on this equity investment in other comprehensive income.

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

	Group		Company	
	2019 £'000	2018 £'000	**2019 £'000**	2018 £'000
At 1 July	**936**	936	**968**	968
Impairment	**–**	–	**(32)**	–
At 30 June	**936**	936	**936**	968

Notes to the Financial Statements continued

For the year ended 30 June 2019

14 Financial Assets at Fair Value through Other Comprehensive Income
(2018: Available-for-sale Financial Assets)

Group and Company	30 June 2019 £'000	30 June 2018 £'000
Beginning of year	3,820	3,630
Additions	75	–
Disposals	(70)	–
Revaluation	(142)	189
Currency translation	–	1
	3,683	3,820

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

There were no impairment provisions on financial assets at fair value through other comprehensive income in 2019 or 2018.

Financial assets at fair value through other comprehensive income comprise listed equity in the UK, and are almost entirely denominated in UK pounds.

None of these assets is either past due or impaired.

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

15 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	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Deferred tax assets	–	8	–	–
Deferred tax liabilities	(699)	(655)	(493)	(421)
Net deferred tax liabilities	(699)	(647)	(493)	(421)

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

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Beginning of year	(647)	(901)	(421)	(666)
Income statement (charge)/credit	(75)	303	(96)	277
Tax credited/(charged) directly to equity	24	(32)	24	(32)
Acquired due to purchase of subsidiary	–	(15)	–	–
Currency translation	(1)	(2)	–	–
End of year	(699)	(647)	(493)	(421)

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	Total £'000
At 1 July 2017	19	19
Charged to the income statement	(11)	(11)
At 1 July 2018	8	8
Charged to the income statement	(8)	(8)
At 30 June 2019	**–**	**–**

Deferred tax liabilities	Accelerated tax depreciation £'000	Research & development £'000	Fair value & other timing differences £'000	Total £'000
At 1 July 2017	336	693	(109)	920
Acquisition of a subsidiary	15	–	–	15
(Credited)/charged to the income statement	(275)	(41)	2	(314)
Charged directly to equity	–	–	32	32
Currency translation	–	2	–	2
At 1 July 2018	76	654	(75)	655
Charged/(credited) to the income statement	75	12	(20)	67
Credited directly to equity	–	–	(24)	(24)
Currency translation	(1)	2	–	1
At 30 June 2019	**150**	**668**	**(119)**	**699**

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 2017	295	480	(109)	666
(Credited)/charged to the income statement	(260)	(18)	1	(277)
Charged directly to equity	–	–	32	32
At 1 July 2018	35	462	(76)	421
Charged/(credited) to the income statement	77	39	(20)	96
Credited directly to equity	–	–	(24)	(24)
At 30 June 2019	**112**	**501**	**(120)**	**493**

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

	Group		Company	
Deferred tax credited/(charged) to equity	**2019 £'000**	2018 £'000	**2019 £'000**	2018 £'000
Tax on revaluation of financial assets at fair value through other comprehensive income	**24**	(32)	**24**	(32)
	24	(32)	**24**	(32)

Notes to the Financial Statements continued

For the year ended 30 June 2019

16 Inventories

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Raw materials	17,329	14,486	10,987	6,791
Work in progress	2,862	2,311	2,357	1,898
Finished goods	5,315	4,692	5,010	5,435
	25,506	21,489	18,354	14,124

The value of the inventory provision is £3,006,000 (2018: £2,838,000) for the Group and £1,494,000 (2018: £1,106,000) for the Company.

17 Trade and Other Receivables

	Group		Company	
Current	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Trade receivables	19,427	21,711	11,406	12,757
Other receivables	734	204	538	122
Prepayments and accrued income	1,341	1,501	1,035	1,097
Amounts owed by subsidiaries	–	–	7,615	7,862
Total	21,502	23,416	20,594	21,838

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	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Trade receivables past due date not provided	1,303	1,489	548	657

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

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. A significant proportion of the trade receivables are insured. The policy covers 90% of the debt in the event of a claim for default. No bad debt provision is made in respect of trade receivables from Government departments or agencies. There were no material changes to the value of expected credit losses on adoption of IFRS 9. At 30 June 2019 the bad debt provision for the Group amounted to £54,000 (2018: £64,000) and for the Company £2,000 (2018: £1,000).

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

Included in amounts owed by subsidiaries are provisions for expected credit losses for Thorlux Lighting L.L.C. of £359,000 and Thorlux Australasia PTY Limited of £418,000.

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

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Bad debts written off	26	21	16	7
Bad debts recovered	(21)	–	(11)	–
Net bad debt expense	5	21	5	7

17 Trade and Other Receivables continued

At 30 June 2019, trade receivables were due to the Group and Company in the following currency denominations:

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Due in £ sterling	12,917	15,478	10,215	11,851
Due in € euro	5,615	5,656	1,099	906
Due in UAE dirham	433	345	–	–
Due in Australian dollars	370	232	–	–
Due in $ United States dollars	92	–	92	–
	19,427	21,711	11,406	12,757

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 2019 this amounted to £387,000 (2018: £389,000).

	30 June 2019 £'000	30 June 2018 £'000
Sterling cash fund	387	389

19 Short-term Financial Assets

Group and Company	2019 £'000	2018 £'000
Beginning of year	15,290	16,981
Net deposits/(withdrawals)	11,193	(1,691)
End of year	26,483	15,290

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

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

20 Cash and Cash Equivalents

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Cash at bank and in hand	30,807	28,668	24,771	24,333

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

Notes to the Financial Statements continued

For the year ended 30 June 2019

21 Trade and Other Payables

	Group		Company	
Current liabilities	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Trade payables	11,547	7,928	8,296	4,562
Other payables	1,630	1,569	347	253
Social security and other taxes	2,275	2,224	664	900
Accruals and deferred income	6,460	7,532	4,603	4,991
Amounts owed to subsidiaries	–	–	3,380	3,376
	21,912	19,253	17,290	14,082
Non-current liabilities				
Other payables	12,804	10,329	10,242	7,958
	12,804	10,329	10,242	7,958

Amounts owed to subsidiaries, except cash balances, are unsecured, interest free and have no fixed date of repayment. Amounts owed in relation to cash balances generate interest in line with the Group's deposit facilities. Non-current liabilities is a commitment to purchase the outstanding share appreciation rights (deferred consideration) in the subsidiaries Lightronics Participaties B.V. and Famostar Emergency Lighting B.V., £2,139,000 (2018: £2,336,000) loan from Spuiweg Holding B.V. and post employment benefits at Thorlux Australasia Pty Limited and Thorlux Lighting L.L.C.

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 2019 amounted to £606,000 (2018: £633,000). Contributions are determined by an independent qualified actuary on the basis of triennial valuations using the Project Unit Method.

The date of the most recent actuarial valuation was 30 June 2018, and at that date the value of the fund was £39,556,000. This was sufficient to cover 102% of the value of the benefits accrued to members after allowing for future increases in earnings. In arriving at the actuarial valuation, the following assumptions were adopted:

Price inflation	3.40%
Salary increases	5.05%
Discount rate	2.60%
Revaluation for deferred pensioners	2.60%

22 Pension Scheme continued

The figures at 30 June 2018 have been updated as at the Statement of Financial Position dates in order to assess the additional disclosures required under IAS 19 as at 30 June 2019 by an independent qualified actuary using the following major assumptions:

	2019	2018	2017	2016	2015
Price inflation	3.50%	3.40%	3.50%	3.00%	3.40%
Salary increases	3.50%	3.40%	3.50%	3.00%	3.40%
Discount rate	2.10%	2.70%	2.60%	2.90%	3.80%
Revaluation for deferred pensioners	2.50%	2.40%	2.50%	2.00%	2.40%
Pension increases in payment of 5% pa or RPI if less	3.30%	3.20%	3.30%	2.90%	3.30%
Pension increases in payment of 2.55% pa or RPI if less	2.20%	2.10%	2.20%	2.00%	2.20%
Life expectancy at age 65 – men	22.5 years	23.1 years	23.0 years	23.0 years	23.0 years
Life expectancy at age 65 in 20 years – men	23.5 years	24.8 years	24.7 years	24.0 years	24.4 years
Life expectancy at age 65 – women	24.7 years	25.4 years	25.3 years	25.0 years	24.9 years
Life expectancy at age 65 in 20 years – women	25.9 years	27.2 years	27.1 years	26.0 years	26.4 years

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

	30 June 2019		30 June 2018		30 June 2017		30 June 2016		30 June 2015	
	Expected long-term rate of return £'000	Value £'000	Expected long-term rate of return £'000	Value £'000	Expected long-term rate of return £'000	Value £'000	Expected long-term rate of return £'000	Value £'000	Expected long-term rate of return £'000	Value £'000
Equities	2.70%	12,570	2.70%	13,154	2.60%	12,152	2.90%	14,968	n/a	13,696
Bonds	2.70%	26,618	2.70%	24,769	2.60%	25,859	2.90%	19,311	3.80%	16,486
Other	2.70%	2,387	2.70%	1,665	2.60%	413	2.90%	1,237	n/a	1,522
Total market value of assets		41,575		39,588		38,424		35,516		31,704
Present value of scheme liabilities		(39,437)		(37,259)		(37,710)		(33,731)		(28,824)
Surplus in the scheme		2,138		2,329		714		1,785		2,880

Amounts recognised in Statement of Financial Position

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

	2019 £'000	2018 £'000
Present value of funded obligations	(39,437)	(37,259)
Fair value of plan assets	41,575	39,588
Surplus in the scheme	2,138	2,329
Less restriction of surplus recognised in the Statement of Financial Position	(2,138)	(2,329)
Asset recognised in the Statement of Financial Position	–	–

Notes to the Financial Statements continued

For the year ended 30 June 2019

22 Pension Scheme continued

Movement in defined benefit obligation

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

	2019 £'000	2018 £'000
At 1 July	(37,259)	(37,710)
Current service cost	(423)	(477)
Interest cost	(992)	(973)
Contributions by plan participants	(298)	(307)
Actuarial (gain)/loss	(2,195)	846
Benefits paid	1,730	1,362
At 30 June	(39,437)	(37,259)

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:

	2019 £'000	2018 £'000
At 1 July	39,588	38,424
Expected return in plan assets	1,058	994
Actuarial gains	1,755	592
Employer contributions	606	633
Employee contributions	298	307
Benefits paid	(1,730)	(1,362)
At 30 June	41,575	39,588

Amounts recognised in Income Statement

The amounts recognised in the Income Statement are as follows:

	2019 £'000	2018 £'000
Current service cost	423	477
	423	477

Actuarial gain recognised in Statement of Comprehensive Income for the year

	2019 £'000	2018 £'000
Actual return less expected return on pension scheme assets	1,755	592
Experience (losses)/gains arising on the scheme liabilities	(294)	214
Changes in assumptions underlying the present value on the scheme liabilities	(1,901)	632
Net interest income	66	21
Restriction of decrease/(increase) in pension scheme surplus	191	(1,615)
Actuarial loss recognised in the Statement of Comprehensive Income	(183)	(156)

	2019 £'000	2018 £'000
Cumulative actuarial loss recognised in the Statement of Comprehensive Income at 1 July	(4,073)	(5,532)
Actuarial (loss)/gain recognised in the Statement of Comprehensive Income for the year	(374)	1,459
Cumulative actuarial loss recognised in the Statement of Comprehensive Income at 30 June	(4,447)	(4,073)

22 Pension Scheme continued

The restriction in the scheme surplus is excluded from the cumulative actuarial gain recognised in the Statement of Comprehensive Income. As a result of the most recent valuation, and in light of the non-recognition of the pension scheme surplus, the recovery plan liability of £189,000 (2018: £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 2019 was £2,813,000 (2018: £1,586,000) or 7.1% (2018: 4.1%). The Group expects to pay £636,000 contributions (2018: £680,000) into the pension scheme during the forthcoming year.

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

	2019		2018		2017		2016		2015	
	£'000	**%**	£'000	%	£'000	%	£'000	%	£'000	%
Difference between the expected and actual return on scheme assets	**1,755**		592		2,121		2,612		1,304	
Percentage of scheme assets		**4%**		1.5%		6%		7%		4%
Experience loss/(gain) on scheme liabilities	**(294)**		214		(1,129)		(1,401)		(142)	
Percentage of the present value of scheme liabilities		**1%**		(0.6%)		3%		4%		0%
Changes in assumptions underlying the present value of the scheme liabilities	**(1,901)**		632		(2,254)		(2,609)		(1,553)	
Percentage of the present value of scheme liabilities		**5%**		(1.7%)		6%		8%		5%
Movement in recovery plan liability	**–**		–		–		–		–	
Percentage of the present value of scheme liabilities		**0%**		0%		0%		0%		0%
Net interest income	**66**		21		51		113		144	
Percentage of the present value of scheme liabilities		**0%**		0%		0%		0%		0%
Amount which has been recognised in the SOCI	**(374)**		1,459		(1,211)		(1,285)		(247)	
		1%		4%		3%		4%		1%

Sensitivity analysis

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

Assumption varied	Defined Benefit Obligation £m
As at 30 June 2019	39.4
Discount rate 0.5% p.a. higher	37.5
Increase in salaries 0.5% p.a. higher	39.6
Pension Increase (in payment and in deferment) 0.5% p.a. higher	40.3
Life expectancy one year longer	40.4

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

Notes to the Financial Statements continued

For the year ended 30 June 2019

23 Provision for Liabilities and Charges

	Group			Company		
	WEEE provision £'000	Warranty provision £'000	Total £'000	WEEE provision £'000	Warranty provision £'000	Total £'000
At 1 July 2017	102	1,435	1,537	102	446	548
Acquisition of a subsidiary	–	526	526	–	–	–
Additions	–	375	375	–	75	75
Utilisation	–	(228)	(228)	–	(187)	(187)
Surplus	–	(51)	(51)	–	–	–
Currency translation	–	5	5	–	–	–
At 1 July 2018	102	2,062	2,164	102	334	436
Additions	–	399	399	–	40	40
Utilisation	–	(176)	(176)	–	(10)	(10)
Currency translation	–	17	17	–	–	–
At 30 June 2019	**102**	**2,302**	**2,404**	**102**	**364**	**466**

	Group		Company	
Analysis of total provisions	**2019 £'000**	2018 £'000	**2019 £'000**	2018 £'000
Non-current	**2,404**	2,164	**466**	436
Total	**2,404**	2,164	**466**	436

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 2020.

Warranty provision

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

24 Share Capital

	Group and Company	
	2019 £'000	2018 £'000
Allotted and fully paid		
118,935,590 ordinary shares of 1p each (2018: 118,935,590 ordinary shares of 1p each)	**1,189**	1,189

The ordinary shareholders each have one vote per share.

	Group and Company		Group and Company	
Movements in treasury shares included in share capital	**2019 £'000**	2018 £'000	**2019 No. of shares**	2018 No. of shares
At 1 July	**30**	33	**2,969,546**	3,260,000
Shares issued from treasury	**(2)**	(3)	**(200,614)**	(290,454)
Shares repurchased	**–**	–	**46,000**	–
At 30 June	**28**	30	**2,814,932**	2,969,546

There were no new shares issued during the year (2018: nil). 200,614 (2018: 290,454) shares were issued from treasury for the exercise of share options, of which the Company repurchased 46,000. There are 1,606,711 (2018: 1,852,622) share options outstanding at the year end.

25 Other Reserves

	Group		Company	
	2019 £'000	2018 £'000	**2019 £'000**	2018 £'000
Share premium account	**1,266**	1,017	**1,266**	1,017
Capital redemption reserves	**137**	137	**137**	137
Foreign currency translation reserve	**2,535**	2,382	**–**	–
	3,938	3,536	**1,403**	1,154

26 Dividends

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

Dividends paid (pence per share)	**2019**	2018
Final dividend	**4.00**	3.55
Interim dividend	**1.43**	1.40
Total	**5.43**	4.95

A final dividend in respect of the year ended 30 June 2019 of 4.10p per share, amounting to £4,763,000 (2018: £4,639,000) is to be proposed at the Annual General Meeting on 21 November 2019 and, if approved, will be paid on 29 November 2019 to shareholders on the register on 1 November 2019. The ex-dividend date is 31 October 2019. These financial statements do not reflect this dividend payable.

Dividends proposed (pence per share)	**2019**	2018
Final dividend	**4.10**	4.00

Dividends paid	**2019 £'000**	2018 £'000
Final dividend	**4,639**	4,114
Interim dividend	**1,660**	1,623
Total	**6,299**	5,737

Dividends proposed	**2019 £'000**	2018 £'000
Final dividend	**4,763**	4,639

27 Share Based Payment Charge

Equity settled scheme

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

The Executive Share Ownership Plan (ESOP) allows for the vesting of options subject to the achievement of performance targets, being annual growth of pre-tax Earnings per Share in excess of RPI plus 3% over a five-year period. The Group also operates a Save As You Earn (SAYE) scheme for UK based employees that matures in October 2021. Rather than issue new shares, the Company will utilise shares that are already held in treasury to satisfy options.

Under IFRS 2, an expense is recognised in the income statement for share based payments, calculated on the fair value at the grant date. The application of IFRS 2 gave rise to a charge of £86,000 (2018: £106,000) for the year.

At 30 June 2019, there were 190,161 options exercisable (2018: 50,000) under the ESOP or SAYE schemes.

Notes to the Financial Statements continued

For the year ended 30 June 2019

27 Share Based Payment Charge continued

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

	ESOP Scheme		SAYE Scheme		Total
	Options	Exercise price (p/s)	Options	Exercise price (p/s)	Options
Outstanding at 1 July 2018	1,410,000	124	442,622	209	1,852,622
Exercised during the year	(199,839)	124	(775)	209	(200,614)
Forfeited during the year	(30,000)	–	(15,297)	–	(45,297)
Outstanding at 30 June 2019	**1,180,161**	**124**	**426,550**	**209**	**1,606,711**

The weighted average contractual life of the share based payments outstanding at the end of the year is 5.3 years for the ESOP scheme and 2.8 years for the SAYE scheme.

b) Fair value calculations

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

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

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

Cash-settled share based payment charge

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

Under IFRS 2, an expense is recognised in the income statement for share based payments, calculated on the fair value at the settlement date. The application of IFRS 2 gave rise to a charge of £790,000 (2018: £429,000) for the year. The total liability at 30 June 2019 was £1,601,000 (2018: £811,000).

The fair value of the share based payment was calculated by estimating the additional payment due to the relevant employees, was reviewed during the year based on current performance. This review resulted in an annual increase in the share based payment charge of £343,000 (2018: £211,000).

28 Cash Generated from Operations

Cash generated from continuing operations	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Profit before income tax	**19,569**	19,567	**17,544**	16,762
Depreciation charge	**2,508**	2,136	**1,574**	1,374
Depreciation of investment property	**58**	59	**254**	266
Amortisation of intangibles	**2,456**	2,400	**1,462**	1,535
Profit on disposal of property, plant and equipment	**(2,116)**	(125)	**(137)**	(104)
Profit on disposal of investment property	**–**	–	**(1,942)**	–
Net finance income	**(3)**	(101)	**(5,650)**	(5,046)
Retirement benefit contributions in excess of current and past service charge	**(183)**	(156)	**(183)**	(156)
Impairment of equity accounted investments	**–**	–	**32**	–
Share based payment charge	**855**	533	**855**	535
Research and development expenditure credit	**(292)**	(237)	**(215)**	(188)
Effects of exchange rate movements	**(48)**	163	**(30)**	71
Changes in working capital				
– Inventories	**(4,025)**	1,954	**(4,230)**	471
– Trade and other receivables	**2,428**	(3,610)	**1,426**	464
– Payables and provisions	**3,831**	1,415	**4,700**	674
Total cash generated from operations	**25,038**	23,998	**15,460**	16,658

29 Commitments

(a) Capital commitments

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

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Property, plant and equipment	**918**	234	**635**	154

(b) Operating lease commitments

The Group leases premises under non-cancellable operating lease agreements. The lease terms are between one and ten years (2018: one and ten 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 2019 £'000	Other 2019 £'000	Total 2019 £'000	Land and buildings 2018 £'000	Other 2018 £'000	Total 2018 £'000
Within one year	**311**	**264**	**575**	262	244	506
Within two to five years	**1,061**	**316**	**1,377**	765	309	1,074
Over five years	**293**	**–**	**293**	463	–	463
	1,665	**580**	**2,245**	1,490	553	2,043

Company	Land and buildings 2019 £'000	Other 2019 £'000	Total 2019 £'000	Land and buildings 2018 £'000	Other 2018 £'000	Total 2018 £'000
Within one year	**4**	**3**	**7**	4	4	8
Within two to five years	**–**	**–**	**–**	–	4	4
Over five years	**–**	**–**	**–**	–	–	–
	4	**3**	**7**	4	8	12

Notes to the Financial Statements continued

For the year ended 30 June 2019

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 £4,070,000 (2018: £4,209,000) of fixed rate listed investments included in financial assets at fair value through other comprehensive income 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	Financial assets at amortised cost £'000	Financial assets at fair value through other comprehensive income £'000	Financial assets at fair value through the profit and loss £'000	Total £'000
30 June 2019				
Assets as per statement of financial position				
Loans and receivables	3,567	–	–	3,567
Financial assets at fair value through other comprehensive income	–	3,683	–	3,683
Other financial assets at fair value through the profit and loss	–	–	387	387
Trade and other receivables	20,161	–	–	20,161
Short-term financial assets	26,483	–	–	26,483
Cash and cash equivalents	30,807	–	–	30,807
Total	81,018	3,683	387	85,088

Group	Loans and receivables £'000	Available-for-sale £'000	Assets at fair value through the profit and loss £'000	Total £'000
30 June 2018				
Assets as per statement of financial position				
Loans and receivables	6,139	–	–	6,139
Available-for-sale financial assets	–	3,820	–	3,820
Other financial assets at fair value through the profit and loss	–	–	389	389
Trade and other receivables	21,915	–	–	21,915
Short-term financial assets	15,290	–	–	15,290
Cash and cash equivalents	28,668	–	–	28,668
Total	72,012	3,820	389	76,221

30 Financial Instruments by Category continued

Company	Financial assets at amortised cost £'000	Financial assets at fair value through other comprehensive income £'000	Financial assets at fair value through the profit and loss £'000	Total £'000
30 June 2019				
Assets as per statement of financial position				
Loans and receivables	**12,115**	**–**	**–**	**12,115**
Financial assets at fair value through other comprehensive income	**–**	**3,683**	**–**	**3,683**
Other financial assets at fair value through the profit and loss	**–**	**–**	**387**	**387**
Trade and other receivables	**19,559**	**–**	**–**	**19,559**
Short-term financial assets	**26,483**	**–**	**–**	**26,483**
Cash and cash equivalents	**24,771**	**–**	**–**	**24,771**
Total	**82,928**	**3,683**	**387**	**86,998**

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

The above analysis excludes prepayments.

	Group		Company	
Liabilities as per statement of financial position	**30 June 2019 £'000**	30 June 2018 £'000	**30 June 2019 £'000**	30 June 2018 £'000
Trade and other payables (excluding statutory liabilities)	**19,634**	17,029	**16,625**	13,182
Post employment benefits	**47**	34	**–**	–
Deferred consideration	**12,757**	10,295	**10,242**	7,958

Financial liabilities are measured at amortised cost.

Contractual cash flows relating to current financial liabilities are all due within one year, and are equal to their carrying value. Non-current financial liabilities consist of an interest bearing loan included in non-current other payables (deferred consideration), of which the principal amount of €2.4m (£2.1m) is due for repayment in 2021. Interest is contractually due to be paid annually until maturity, and is estimated at current rates to be €119,000 (£107,000) per year. Furthermore liabilities arising to repurchase share appreciation rights are non-interest bearing and expected to be repaid in 2021.

The Group and Company did not have derivative financial instruments at 30 June 2019 or 30 June 2018. All assets and liabilities above are considered to be at fair value.

Notes to the Financial Statements continued

For the year ended 30 June 2019

31 Related Party Transactions

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

2019	Purchases of goods £'000	Sales of goods £'000	Sales of services £'000	Purchase of services £'000	Dividends paid to Company £'000
Philip Payne Limited	790	177	80	–	500
Solite Europe Limited	722	394	178	–	500
Portland Lighting Limited	1	–	26	–	850
TRT Lighting Limited	1,271	1,342	192	10	–
Thorlux Lighting L.L.C.	–	654	–	–	–
Lightronics Participaties B.V.	183	466	–	–	2,330
Thorlux Australasia PTY Limited	–	519	–	–	–
Thorlux Lighting GmbH	–	–	–	–	–
Famostar Emergency Lighting B.V.	–	–	–	–	–

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

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	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Compact Lighting Limited	–	(55)	–	–
Philip Payne Limited	(1,021)	(878)	39	27
Solite Europe Limited	(1,034)	(935)	78	45
Portland Lighting Limited	(902)	(1,127)	8	10
TRT Lighting Limited	(278)	(132)	1,474	2,115
Thorlux Lighting L.L.C.	–	–	305	789
Lightronics Participaties B.V.	(22)	(16)	4,191	3,128
Thorlux Australasia PTY Limited	–	–	1,480	1,748
Thorlux Lighting GmbH	(123)	(233)	–	–
Famostar Emergency Lighting B.V.	–	–	40	–
Total	**(3,380)**	(3,376)	**7,615**	7,862

Trading balances arise from transactions of goods and services carried out under normal commercial terms. The Company has loan balances due from Lightronics Participaties B.V. of €8,493,000 (£7,611,000) (2018: €8,181,000 (£7,242,00) and Thorlux Lighting L.L.C. £937,000 (2018: £100,000). The Company has made provisions for receivables due from Thorlux Australasia PTY Limited of £418,000 and £483,000 due from Thorlux Lighting L.L.C. following the adoption of IFRS 9.

31 Related Party Transactions continued

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

The key management personnel are the Group Board directors; their interests are disclosed in the directors' remuneration report on pages 52 to 55. There are 3 employees who are related parties (2018: 4). Total remuneration for the year was £87,000 (2018: £77,000).

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 £6,000 (2018: £28,000), purchased goods and services amounting to £288,000 (2018: £65,000), and sold services of £nil (2018: £nil). At the year end there were trade balances due to Luxintec S.L. of £69,000 (2018: £1,000) and £190 due from Luxintec S.L. (2018: £1,000).

32 Group Companies

The parent Company has the following investments as at 30 June 2019 and 30 June 2018:

			Proportion of nominal value of issued shares held by Group and Company	
Name of undertaking	Country of incorporation	Description of shares held	30 June 2019	30 June 2018
Compact Lighting Limited	England	Ordinary £1 shares	100%	100%
Philip Payne Limited	England	Ordinary £1 shares	100%	100%
Solite Europe Limited	England	Ordinary £1 shares	100%	100%
Portland Lighting Limited	England	Ordinary £1 shares	100%	100%
TRT Lighting Limited	England	Ordinary £1 shares	100%	100%
Lightronics Participaties B.V.	Netherlands	Ordinary €0.01 shares	100%	100%
Lightronics B.V.	Netherlands	Ordinary €454 shares	100%	100%
Thorlux Lighting GmbH	Germany	Ordinary €1 shares	100%	100%
Thorlux Australasia PTY Limited	Australia	Ordinary $1 shares	100%	100%
Thorlux Lighting L.L.C.	United Arab Emirates	Ordinary AED 1,000 shares	49%	49%
Famostar Emergency Lighting B.V. (investment held by Lightronics Participaties B.V.)	Netherlands	Ordinary €100 shares	100%	100%
Luxintec S.L.	Spain	Ordinary €1 shares	40%	40%

The registered office addresses of these Group companies are:

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

Notes to the Financial Statements continued
For the year ended 30 June 2019

32 Group Companies continued
The principal activities of these Group companies are:

Compact Lighting Limited	– non-trading entity
Philip Payne Limited	– design and manufacture of illuminated signs
Solite Europe Limited	– design and manufacture of clean room lighting equipment
Portland Lighting Limited	– design and manufacture of lighting for signs
TRT Lighting Limited	– design and manufacture of lighting for roads and tunnels
Lightronics Participaties B.V.	– holding company
Lightronics B.V.	– design and manufacture of external and impact resistant lighting
Thorlux Lighting GmbH	– sales support function
Thorlux Australasia PTY Limited	– sale of lighting equipment to industrial and commercial markets
Thorlux Lighting L.L.C.	– sale of lighting equipment to industrial and commercial markets
Famostar Emergency Lighting B.V.	– design and manufacture of illuminated signs
Luxintec S.L.	– design and manufacture of LED luminaires and lenses

For the year ended 30 June 2019, Compact Lighting Limited, is exempt from the requirements of the Companies Act 2006 relating to the audit of individual financial statements by virtue of section 479A. As a result, the Group guarantees all outstanding liabilities to which the subsidiary company is subject. The Company registration number for Compact Lighting Limited is 02649528.

33 Events after the Statement of Financial Position date
Subsequent to the date of the statement of financial position date and before the approval of these financial statements the Group purchased the property occupied by Famostar Emergency Lighting B.V. for €2,547,000 (£2,283,000) in the Netherlands.

Pictured right: Coventry University, Coventry

Notice of Meeting

Notice is hereby given that the Annual General Meeting of FW Thorpe Plc will be held at Merse Road, North Moons Moat, Redditch, Worcestershire, B98 9HH on 21 November 2019 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 2019.
2. To declare a final dividend.
3. To re-elect Mr I A Thorpe as a director.
4. To re-elect Mr D Taylor as a director.
5. To re-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 52 to 55 of the Annual Report and Accounts) for the year ended 30 June 2019 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 2020; 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 19 November 2019 (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 19 November 2019 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 19 November 2019 (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 18 October 2019 (being the last practicable day prior to the publication of this notice), the Company's issued share capital consists of ordinary shares of 1p each, carrying one vote each. Excluding 2,774,932 shares held in treasury, the total voting rights in the Company as at 18 October 2019 are 116,160,658.
8. Appointment of a proxy will not preclude a member from subsequently attending and voting at the meeting should he or she subsequently decide to do so. You can only appoint a proxy using the procedures set out in these notes and the notes to the form of proxy.

By order of the Board

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

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

18 October 2019

Financial Calendar

2019

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

2020

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

FW Thorpe Plc

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