FW Thorpe Plc

Annual Report and Accounts **2020**

Welcome to the 2020 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 across seven different countries

Read more on pages 28 to 36

02 Innovative products with market-leading technology

Read more on pages 18 to 21

03 Strong profit margins and robust balance sheet

Read more on pages 78 to 83

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

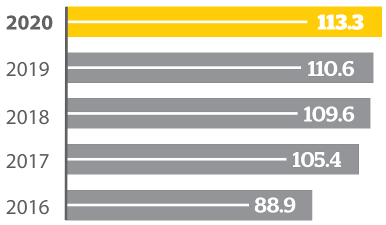
Front cover picture: The Silverstone Experience

Highlights

Financial Highlights

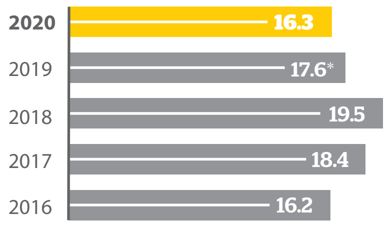
Revenue (£m)

+2.4%



Operating profit (£m)

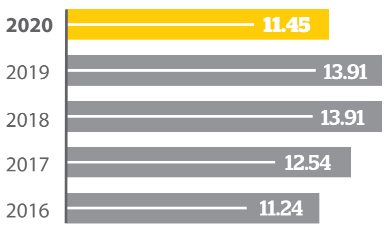
–7.5%



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

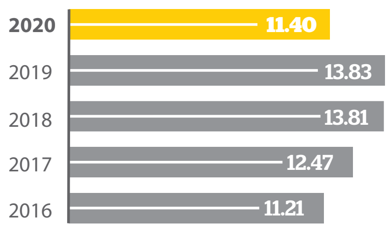
Basic earnings per share (pence)

–17.7%



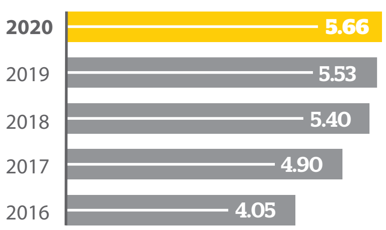
Diluted earnings per share (pence)

–17.6%



Dividend per Share (pence)

+2.4%



Operational Highlights

1. Revenue surpassed last year's high, supported by SmartScan sales, Famostar and Services
2. Results dampened by impact of COVID-19 in last quarter of the financial year and the lower margins for Services
3. Operating cash generated remained strong at £19.4m
4. Solid recovery at the start of 2020/21, operating performance in line with the start of 2019/20

Contents

FW Thorpe at a Glance

The complete service offering we provide...

Design & Development

£1.3m

Group spend on capitalised R&D

(2019: £1.8m)

Manufacturing

£1.1m

Acquisition of facilities for Portland

£2.3m

Acquisition of facilities for Famostar

Services

£3.0m

Revenue from Services

(2019: £2.4m)

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

SmartScan technology

SmartScan

A sophisticated lighting management system for indoor and outdoor applications based on reliable wireless communications offering fully programmable control combined with energy and status reporting.

Key features:

- Indoor and outdoor lighting management for energy conservation, flexibility and well-being.
- Fully automatic emergency lighting testing and reporting.
- Building management functions such as room occupancy profiling and air quality sensing.
- Fully programmable control.
- Sensor technology integral to the luminaire avoiding additional installation costs.
- Wireless communication protocol for simple installation.
- Web-based information display and reporting.

Read about SmartScan on page 18

FW Thorpe timeline

1936	1940-1960	1965	1989	1990-1996	2005	2009	2011
Established by Frederick William Thorpe and his son Ernest Thorpe. Spinning circular reflectors	Moved to larger premises twice to cope with the expansion into linear fluorescent luminaires, and to enter the exterior and hazardous markets	Floated on the London Stock Exchange	Moved to our Redditch headquarters	First acquisition – Mackwell Electronics Start-up in retail and display lighting Acquired Philip Payne emergency exit signs	Transferred to AIM	Acquired Solite Europe Lighting for clean rooms	Acquisition of Portland Lighting Mackwell Electronics disposal

Our Global footprint

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

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

2. **Netherlands**
Lightronics, Famostar

3. **Ireland**
Thorlux Lighting

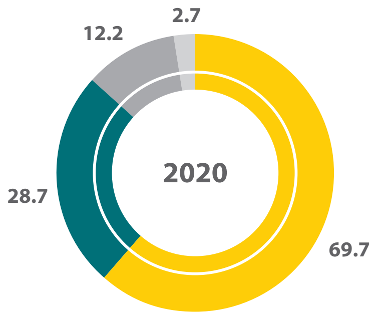
4. **Germany**
Thorlux Lighting

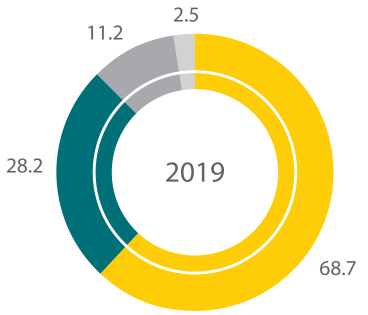
5. **United Arab Emirates**
Thorlux Lighting

6. **Australia**
Thorlux Lighting Australasia

7. **Spain**
Luxintec

Revenue by region (£m)





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

Read about our marketplace on pages 11 and 12

Read about our performance on page 28

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

2020
All operating businesses housed in Group-owned property
Maintained operations during COVID-19 pandemic

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 31

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 32

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 1,394m^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 33

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 34

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 35

Famostar

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

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

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

Key products
- Emergency exit signage
- Emergency lighting systems

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

Read more on page 36

LUXINTEC®

Description
Our investment in Luxintec, based in Valladolid, in north-west Spain, 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

FW THORPE PLC

Strategic Report

Gilks Garage Café

Chairman's Statement

"Remarkably, the 2020/21 financial year has started reasonably well overall for the Group, all things considered, with orders and revenue similar to levels at the start of last year."

£44m

Revenue from outside the UK

(2019: £42m)

Despite seriously challenging times for all of us, your Company remains very profitable and in a good, robust condition. The word "unprecedented" has been used prolifically during 2020, and again in the last few days the resilience of the business has been demonstrated, with Lightronics experiencing a fire at its facility in the Netherlands; I provide more details on this towards the end of my statement.

Until the March lockdown, whilst there were the usual Group ups and downs, most companies were in a strong position, especially at the main division, Thorlux Lighting, where orders were at record numbers and good levels of profit were being achieved. During each of the worst months – in March, April and May – the Group still returned an operating profit. Inevitably, however, profit in those months was much reduced, dampening the year-end result, which, until the COVID pandemic, the Board had expected to be an improvement on the previous year's.

All factories within the Group presently operate with full capacity available, using COVID-secure methods. No factory staff have been on furlough since early June. Over 100 office staff are still working successfully from home, with excellent IT logistics providing the capabilities to work near normally in most cases.

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

Group results

Year-end revenue was higher than the previous year's, culminating in an overall increase of 2.4%, at £113.3m. Most of the growth was attributed to Thorlux Lighting, with some of that revenue resulting from larger projects including survey, installation and project management activities. Group cumulative operating profit had been ahead of last year's until lockdown occurred. During April and May in particular, lockdown resulted in significantly reduced revenue for the UK companies, wiping out the cumulative profit gain and losing positive momentum; revenue for this period was down on the previous year's by 27%. Final operating profit for the year was down by 7.5% (before disposal of property last year), at £16.3m – a creditable result, all things considered.

There were notable performances across the Group: at Thorlux, TRT Lighting and Famostar. Thorlux experienced excellent order levels throughout the year, especially for larger special projects in the rail and healthcare sectors, resulting in order income of £75m, up 4%, and an improved return on sales until the last quarter. TRT improved profitability again, albeit dampened by the restrictions in April and May, whilst Famostar managed an increase even in its final operating profit (before acquisition adjustments), of +41%, to €2.8m. In addition, throughout late spring and early summer, the Group's Dutch companies did a tremendous job of safely operating their factories at near-normal levels and experienced only slightly reduced customer demand.

The Silverstone Experience

I am proud that both Thorlux and Philip Payne manufactured lights for the Birmingham Nightingale Hospital and continued to supply other healthcare projects throughout the critical period.

Through prudent management of the business over many successful years, FW Thorpe has a strong balance sheet with significant reserves, and at the start of the COVID crisis Group companies were showing good levels of orders. The Board decided not to apply for any government support for furloughed employees during lockdown; this impacted operating costs by £0.6m, as the Group paid all employees normal salary whilst they were not working. This decision was duly considered and leaves the Group free of debt to external supporters, protects its reputation, and gives management ongoing freedom to make choices for the good of the business and its shareholders.

The Group's robust balance sheet and continued strong operating cash flow performance allow the Board to recommend a final dividend of 4.2p per share (2019: 4.1p) for the year to 30 June 2020, which gives a total of 5.66p (2019: 5.53p) and an increase of 2.4%.

Outlook

Remarkably, the 2020/21 financial year has started reasonably well overall for the Group, all things considered, with orders and revenue similar to levels at the start of last year. However, some of the Group's smaller companies are suffering a reduction in orders – most notably Portland Lighting, which primarily serves the retail and hospitality sectors.

Recent investments in new machinery, new factories and in (temporarily suspended) customer experience centres are now completed, putting the Group in good shape. No significant investment is planned in the first months of this new financial year, beyond the usual requirements for keeping products and technology up to date with market expectations.

Such an extreme situation has reminded the Board that FW Thorpe is intentionally managed cautiously to serve many market sectors, both in the type of products manufactured and geographically. This wide focus reduces the Group's exposure to changes in political situation and in technology, and during this year has given some degree of resilience in response to the pandemic.

It seems inevitable, however, that there will be a global recession, and that the UK, against a backdrop of Brexit uncertainly and the intense lockdown enforced by the Government, could be affected worse than many countries.

Whilst the Group's present order book is healthy and daily orders are good, this is partly attributable to an amount of pre-COVID work carried forward and to pent-up demand in the market. Due to significantly reduced new-project sales visits and activity during lockdown, reduced usage of the Group's extensive Application and Experience Centres, and the general state of the economy, it is difficult to predict anything other than a downturn in orders at the end of the 2020 calendar year.

All Group companies are being closely managed and performance is being monitored. Where markets have been severely affected, the Board will focus its attention on finding new markets in more buoyant areas; however, transitioning businesses into these new areas takes time. There are a number of larger-scale project opportunities for Group companies to target, but these inevitably come with tighter margins and higher operating costs.

Chairman's Statement continued

+2.4%

Dividend

(2019: +2.4%)

All Group companies have benefited from the market adoption of LED technology over the last decade. Sales of LED luminaires were relatively easy to achieve, primarily on the basis of significant energy savings and increased reliability. Projects that can benefit from LED technology remain firm targets, such as where projects are still lit with luminaires using fluorescent lamps. For example, recent healthcare projects that Thorlux delivered were funded by paybacks that the customer achieved with LED technology. Opportunities to replace non-LED lamps are, however, fewer now. Early LED installations are now eight to ten years old, so the replacement market will soon become a target again.

Group companies need to offer features beyond energy saving and reliability alone. Options include improving the quality of the white light from LED luminaires, reducing glare, and improving the ecological impacts of our product designs.

Thorlux will continue to invest in controls technology, to offer lighting units with intelligence and connectivity that can link into other areas of building control and information technology. Thorlux continues to successfully evolve the SmartScan system, which now controls and monitors devices beyond purely lighting technology. (You can read more about this in a specific feature later in the Annual Report and Accounts.) Such controls technology will give Group companies an advantage over competitors offering cheap low-quality luminaires. SmartScan is now in use in several other Group companies, which, like Thorlux, are finding the market very receptive to the latest wireless technology.

Longer term, it is widely believed that UK and EU governments will invest to stimulate the economy. FW Thorpe is well positioned to be able to benefit from this as and when it occurs.

The Group remains acquisitive and continues to carefully investigate complementary businesses; however, opportunities have taken a back seat whilst the Board focuses on day-to-day operations and waits for more stability in the Group's markets in Europe and further afield.

Personnel

I would like to thank my whole team for their continued support and diligence through such challenging times. The Board is especially grateful to employees who so positively turned up to the Group's factories to work right through this unprecedented situation, and to those who kept motivated and committed whilst working from home, often from their dining-room tables and with added family distractions. Everyone's flexibility and conscientiousness throughout this period has kept the Group's customers satisfied, with on-time deliveries and services, whilst the companies' professionalism in managing risk has kept everyone in the Group safe.

Lightronics

As the Board puts the finishing touches to this year's Annual Report and Accounts, I unfortunately have to report that Lightronics experienced a fire on 23 September at its facility in the Netherlands.

Fortunately, no one was injured; however, damage to the assembly area and the European Application Centre is significant. The combination of the fire brigade's actions and the fire protection invested in during the recent refurbishment was able to prevent the fire from spreading to the warehouse and offices. The Board would like to express its thanks to the local fire brigade for their efforts to limit the spread of the fire.

With the support of the Group, Lightronics is working to restore operations to full capacity and has secured a temporary site. Whilst short-term disruption is inevitable, some servicing of customer requirements commenced within 24 hours of the fire. The limited impact on Lightronics' inventories, its ability to source further supplies, as well as the rapid response in which Lightronics is resuming operations and servicing customer needs, should, together with insurance cover for any unavoidable financial loss, result in no significant impact on the Lightronics business this year.

The Board wishes the team in the Netherlands well and thanks them for their efforts to limit the effects of the fire during these challenging times.

Annual General Meeting 2020

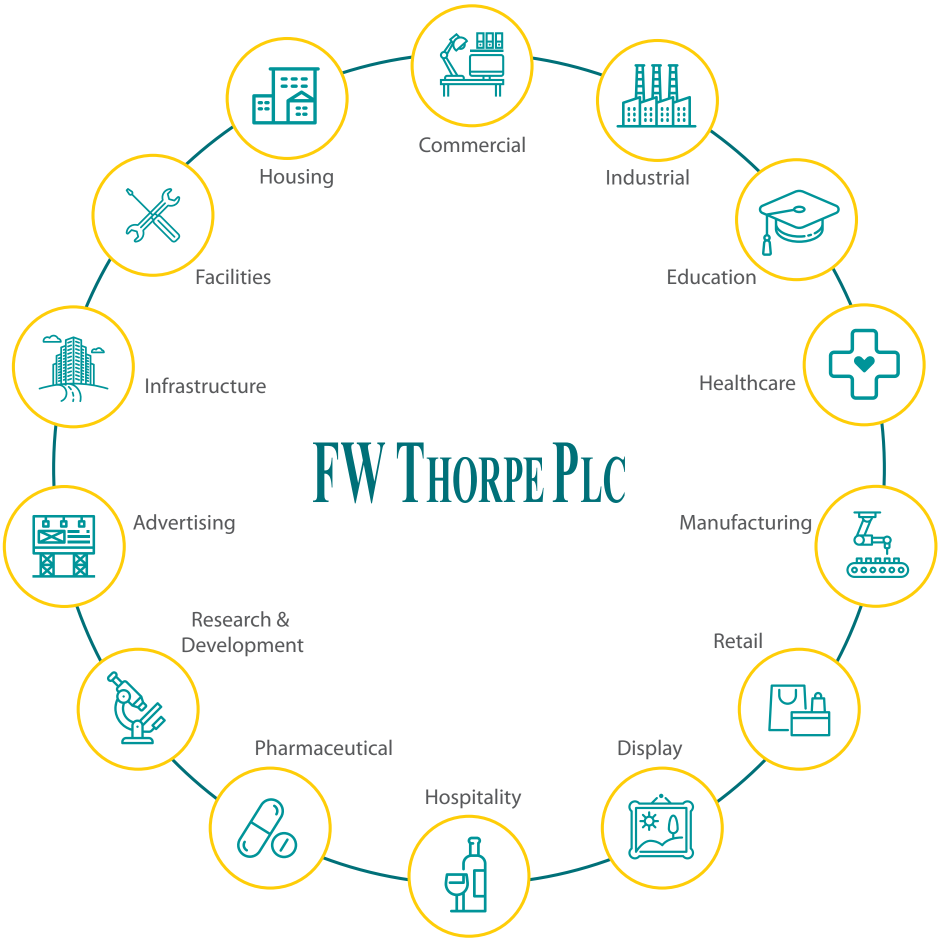
Unfortunately, due to the current restrictions put in place by the UK Government with regard to public gatherings, the Group is unable to hold its annual general meeting in the same way as in previous years. The Board will, of course, endeavour to give shareholders the opportunity to ask questions in other ways; please see the Notice of Meeting for further details. I look forward to welcoming you all back next year.

Best wishes to all the Group's shareholders, stakeholders and employees during this difficult period.

Mike Allcock
Chairman and Joint Chief Executive

30 September 2020

Marketplace



Geographic markets

UK

+1%

Revenue

- Increased business from heavy industry, healthcare and rail
- Services revenue increased albeit with minimal gross contribution

Netherlands

+2%

Revenue

- Fall in Lightronics revenue offset by Famostar growth
- Demand largely unaffected by COVID-19

Europe

+10%

Revenue

- Additional business in Germany and Ireland

Other countries

+6%

Revenue

- Improved demand in Australia and the UAE

Marketplace continued

Q How did you manage through the initial impact of COVID-19?

A Our priority was the health and well-being of our employees whilst balancing the requirements of essential customers during the first few weeks of restrictions. Decisive action was taken at an early stage to enable those employees who could work from home to do so and to ensure the safety of those employees who remained at our facilities. Detailed risk assessments, endorsed by an independent third party, were undertaken to enable us to continue operating at our manufacturing sites. See page 44.

Q Which market sectors are growing?

A The main growth areas have been healthcare and rail. This continues to justify our investment in business development for these areas. The growth in these areas however was offset by reductions in general commercial and education spending. We will consider how we deploy our existing selling resource during 2020/21 in order to target specific sectors.

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 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.

University of Worcester

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
- The Group has seen a shift in LED sales, moving from 3% to 90% of total revenue in recent years

Opportunity it provides
- Improves ability to hold specification business with our own controls offering
- Potential to supply retrofit projects with wireless controls where wired controls were cost prohibitive
- Offer solutions to provide additional data specific to the market sector, i.e. occupancy sensing for logistics and facilities management
- Demand for retrofit installations replacing fluorescent lighting for LED – for example street lighting or education sector

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

International economic conditions

What this means
- COVID-19 crisis has driven many global economies into recession
- Certain sectors and businesses under pressure and facing several years to recover
- Pressure on global supply chains

Opportunity it provides
- Certain sectors will continue to invest or potentially increase investment – healthcare, logistics are examples
- Government has indicated the intention to invest to support economy – more projects to be given the "green light"
- Potential to acquire competitors who struggle to recover as economies restart

How we are responding
- Ensure our businesses are not reliant on any one sector in particular
- Target sectors where demand is stable or increasing i.e. logistics, healthcare
- Redirect sales focus as appropriate

Globalisation

What this means
- Responding to the demands of our traditional customers who are developing a global footprint
- Harmonisation of technology from the adoption of LED brings the threat of increased competition from both Far Eastern and Western economies
- Recent global pandemic highlights the need for resilience in the supply chain

Opportunity it provides
- Chance to establish ourselves in new territories with established customers in the countries we currently supply into
- New sourcing opportunities – pricing, quality, technology
- Potential for customers to reconsider sourcing strategies and buy "local"

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

Business Model

Customers come to us for peace of mind. They want the correct technical solution, professional service, sustainability of products/services and the ability to support the customer during a product's 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
Continuous product development – products, software/controls, lighting design

Talented People
Continual development

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

Financial & Environmental Sustainability
Financial stability, Carbon Offset Scheme

The service offering we provide...

Design & Development

£1.3m

Group spend on capitalised R&D

(2019: £1.8m)

Manufacturing

£1.1m

Acquisition of facilities for Portland

£2.3m

Acquisition of facilities for Famostar

Services

£3.0m

Revenue from Services

(2019: £2.4m)

The key markets we serve...

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

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 and with a robust balance sheet

Long-term
Sustainable profit growth drives future shareholder returns

Employees

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

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

Our revenue drivers

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

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

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

Strategy

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

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

Overview of strategy

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

Focus on high quality products and good leadership in technology

Customers continually require new and innovative ways in which to reduce the operating costs of their lighting installations. There is also the requirement to reduce their environmental impacts.

Progress to date

- Continued enhancement of features for the SmartScan wireless system – occupancy profiling, air quality, colour changing capability and further data capture
- Integration of lens and optical technology into certain ranges

Future opportunities

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

Associated risks

C

- Product acceptance
- Initial product introduction

Strategy in Action

Case Study:
SmartScan – New Features

Read more on page 18

Continue to grow the customer base for Group companies

With the continued investment in the product portfolio and the broad range of sectors we can service, the focus will be on expanding our customer base in new markets and territories.

Progress to date

- Targeted approach in the Netherlands with Thorlux industrial product portfolio
- Luxintec adoption of Smart and SmartScan technology in existing product portfolio
- Introduce Famostar product portfolio to territories where the Group has a presence
- Introduce selected Luxintec product to the UK via Thorlux

Future opportunities

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

Associated risks

A C D J

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

Strategy in Action

Case Study:
Opening of the Light Quality Experience Centre

Read more on page 24

Focus on manufacturing excellence

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

Progress to date

- Acquired existing Famostar facility and adjacent land for potential future expansion
- New punch/bend capacity brought online
- Utilisation of former TRT facility to enable social distancing measures for Thorlux and TRT, store additional stock for Brexit/ COVID-19 protection

Future opportunities

- Continued investment in manufacturing facilities

Associated risks

C E

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

Strategy in Action

Case Study:
Multi-million pound investment in new machinery

Read more on page 26

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.

Progress to date

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

Future opportunities

- Continued investment in training and personnel development

Associated risks

C I

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

Our Values

Integrity Honesty Longevity

Risks key

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

Strategy in Action

SmartScan – New Features

Building designers and developers are under increasing environmental and legislative pressure to reduce their carbon footprint while providing high demand essential logistics space within increasingly challenging environments. Taking this into account, the highly successful SmartScan wireless lighting management system has been upgraded with the addition of new features, including air quality sensing and occupancy profiling.

Working closely with a particular client, Thorlux has taken this a step further and introduced the provision for Built Environment Analytics (BEA). Built Environment Analytics was created for building tenants, to give them a greater understanding of how their facility performs in operation. Supplying previously unreported metrics for trend analysis empowers a greater reduction in energy consumption, with essential environmental information based upon qualitative data.

Utilising BEA, SmartScan has the ability to maximise:

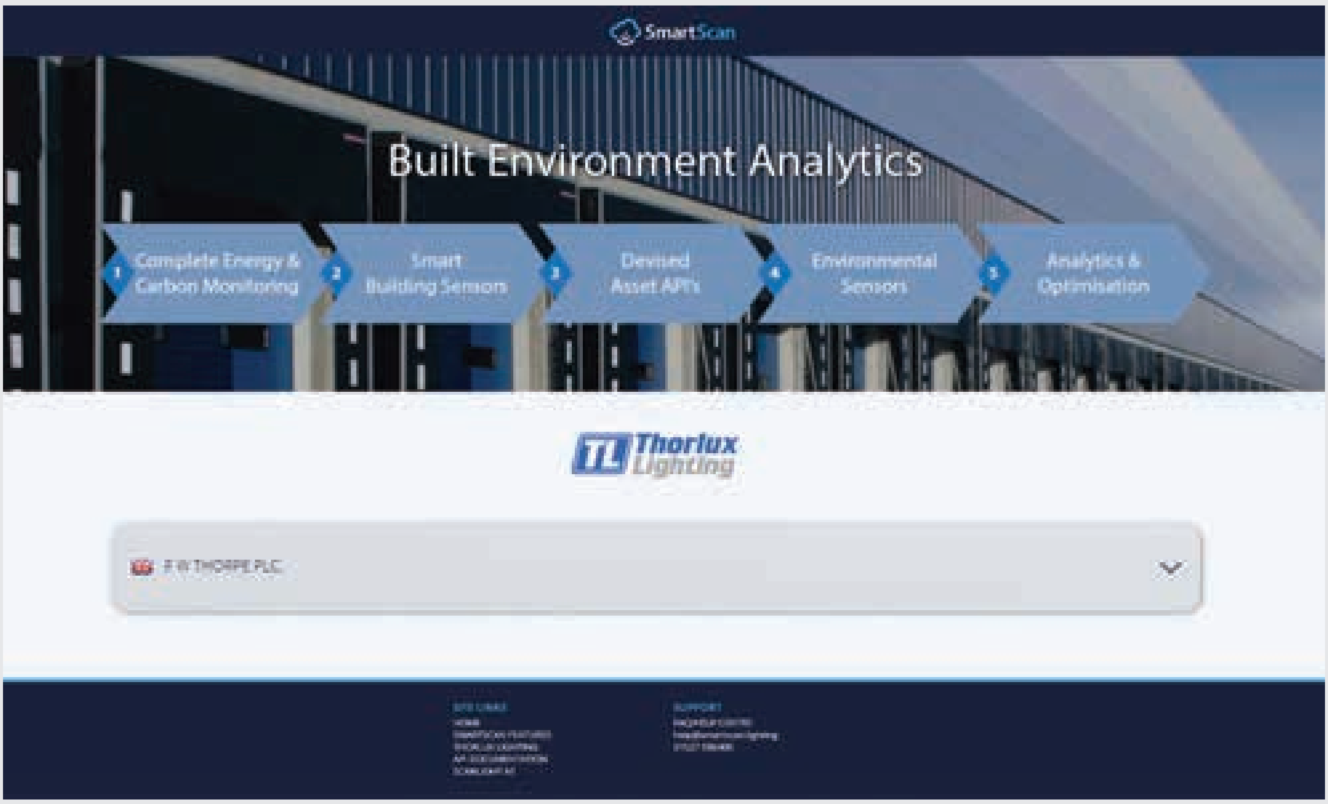
- Space efficiency
- Operating cost savings
- Staff well-being
- Productivity
- Carbon reduction

SmartScan Website

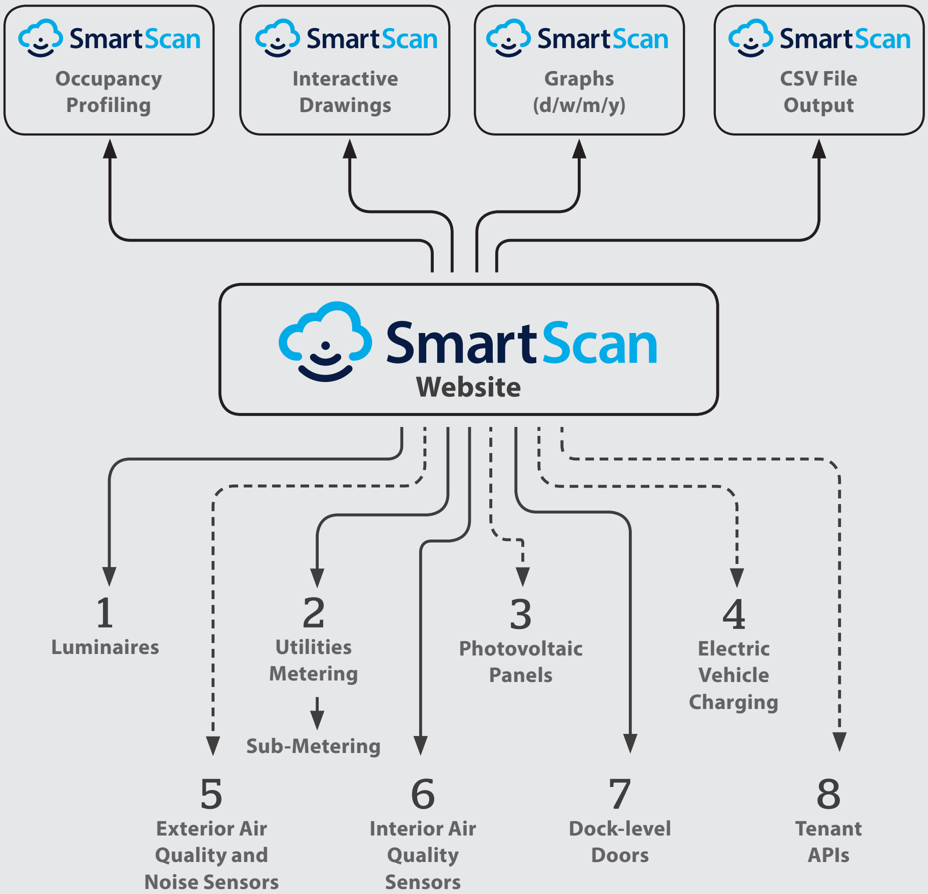
The system is accessed using a web browser; there is no need for a specific app or piece of software.

Energy performance data, emergency lighting testing records, occupancy profiles, air quality data, "as fitted" drawings, interactive drawings and commissioning certificates are stored remotely on the web server.

All BEA metrics are graphically displayed, with customised automated CSV files generated for specified stakeholders.



BEA Topology



Energy Management

Reduce Operational Energy Use

The SmartScan portal displays full historical consumption reporting of all the main incoming supplies (gas, water, electricity), with dedicated APIs (application programming interfaces) for photovoltaic generation and electric vehicle charging consumption.

This data can be aligned with the BEA metrics for occupancy and occurrence to fully understand electrical consumption within operational procedures.

Reduce Operational Energy Use

Installing specialist sensors, dataloggers and volt-free contacts onto other assets or services that contain pre-written APIs enables SmartScan to include this data – for example, from photovoltaic panels on the roof and on electric vehicle charging bays – for analytics.

Carbon Offsetting

SmartScan provides automated monthly reports with evidential data for all supplied services as well as the amount of carbon saved by the use of smart lighting controls, i.e. daylight dimming and presence detection.

All embodied carbon can be offset using the FW Thorpe accredited tree-planting programme.

Strategy in Action

SmartScan – New Features continued

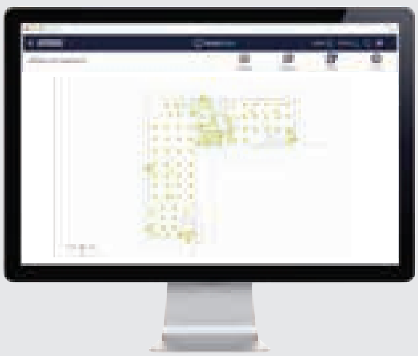
Interactive Display of Information

Navigation
Each dataset is shown as a layer allowing the user to zoom in or out as needed. The user can look at data for the whole building, or focus attention on a single room or individual luminaire.

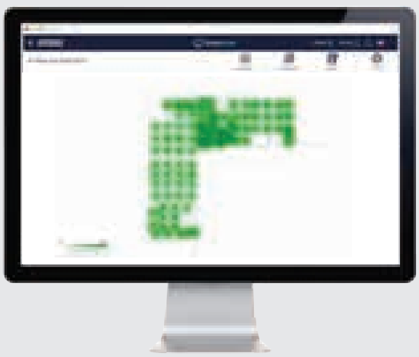
Information Table
If a single luminaire is selected,an information table is displayed with the data for that luminaire.

The user can select a date, then using the time slider can see how the usage pattern or performance changes through the day.

Occupancy Profile
The occupancy profile for each sensor is displayed by a range of colours from grey (no occupancy) through to red (occupied continuously throughout the selected hour).



Status
If a luminaire requires attention the exact position is highlighted on the interactive drawing. The information table will show the status of electronic components within the luminaire.



Energy Performance
Daily energy savings for lighting are shown by a graduated indicator – the darker the green, the greater the energy saving that day. If a single luminaire is selected, the information table shows the energy performance for that luminaire.

Air Quality Sensing
Temperature, humidity and CO_2 levels are displayed with colour-coded shading. The information table displays the exact values for each sensor at any given time.

Employee Well-being

The modern workplace is fast becoming the extension of our homes, and employers are keen to retain and develop a more sustainable, cleaner and welcoming environment that stimulates both the body and mind. The Well Building Standard™ is at the forefront of standardising the modern workplace. SmartScan provides full internal and external air quality measurement to the IWBI Well Building Standard, including exterior noise level sensing.

SmartScan Air Quality Sensor

The SmartScan Air Quality Sensor monitors three key parameters: temperature, CO_2 and relative humidity.

Coloured LED indicators within the sensor provide live status information for each parameter, enabling users to take remedial action if necessary. Summary air quality data is included in the daily status upload to the SmartScan web server.

The Air Quality Sensor has three settings that can be selected, based on the usage of the space, as part of the commissioning process: inactive, semi-active or active.

°C Temperature

Temperature greatly influences an individual's comfort level, affecting mood, performance and workplace productivity. Comfortable temperature ranges will depend upon the usage of the space.

% Humidity

Humidity needs to be within a range of values for the environment to be comfortable and to promote good health. If the humidity levels are too low, individuals may experience dryness and irritation to the skin, eyes, throat and nasal passages. Conversely, high humidity levels promote the growth and accumulation of mould spores, bacteria and dust mites, potentially leading to allergies and respiratory inflammation. Humidity is also linked to temperature, so that at lower temperatures, higher humidity levels can be tolerated.

CO_2 Carbon dioxide

CO_2 levels over 1,000ppm create a stuffy atmosphere, causing individuals to feel lethargic and sleepy, lowering concentration levels and reducing workplace performance. The cause of CO_2 build-up is often inadequate ventilation and/or air circulation within a space. Increasing the ventilation will bring in fresh air and dispel accumulations of CO_2.

"At Thorlux we are dedicated to continually developing and evolving the SmartScan platform, with the ultimate goal of providing all our users with unique data that will demonstrate building performance and provide foresight to lower operational costs and maximise efficiencies."

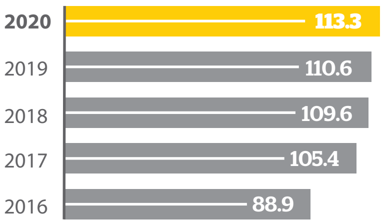
Philip Hill
Senior Product Manager – Lighting Control Systems

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.

KPIs

Revenue (£m)

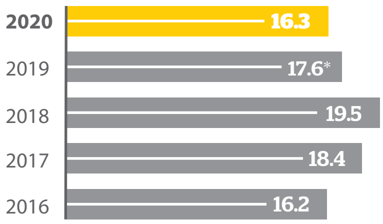


+2.4%

Performance in 2020

- Maintained 2019 performance despite impact from COVID-19
- COVID-19 impact deferred revenue into 2020/21 – low number of orders cancelled
- Revenue growth at Thorlux, TRT and Famostar – dampened by Lightronics and other UK companies

Operating profit (£m)



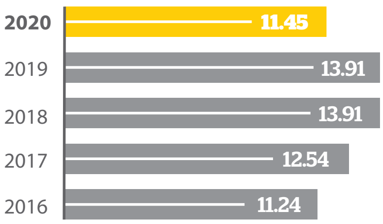
–7.5%

Performance in 2020

- Impacted by Services sold in Thorlux
- Famostar, TRT improvements offset by Lightronics and other UK companies
- Commitment to full employee cost during a period of lower sales due to COVID-19
- Reduced level of capitalised R&D 0.5m

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

Basic earnings per share (pence)

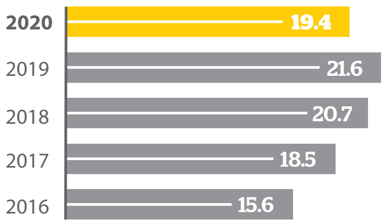


–17.7%

Performance in 2020

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

Operating cash (£m)

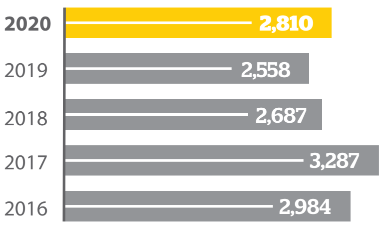


–10.1%

Performance in 2020

- Impacted by reduced operating result
- Corporation tax – stage payment timing advanced

CO_2 offset (tonnes)



+9.9%

Performance in 2020

- Reduced from 2017 peak, taking into account organic and acquisition growth during this period
- Investment required in the future to create further carbon offset capacity

The Silverstone Experience

Strategy in Action

Opening of the Light Quality Experience

"The new demonstration experience provides an excellent insight into our relationship with light and why getting it right is so important."

£0.1m

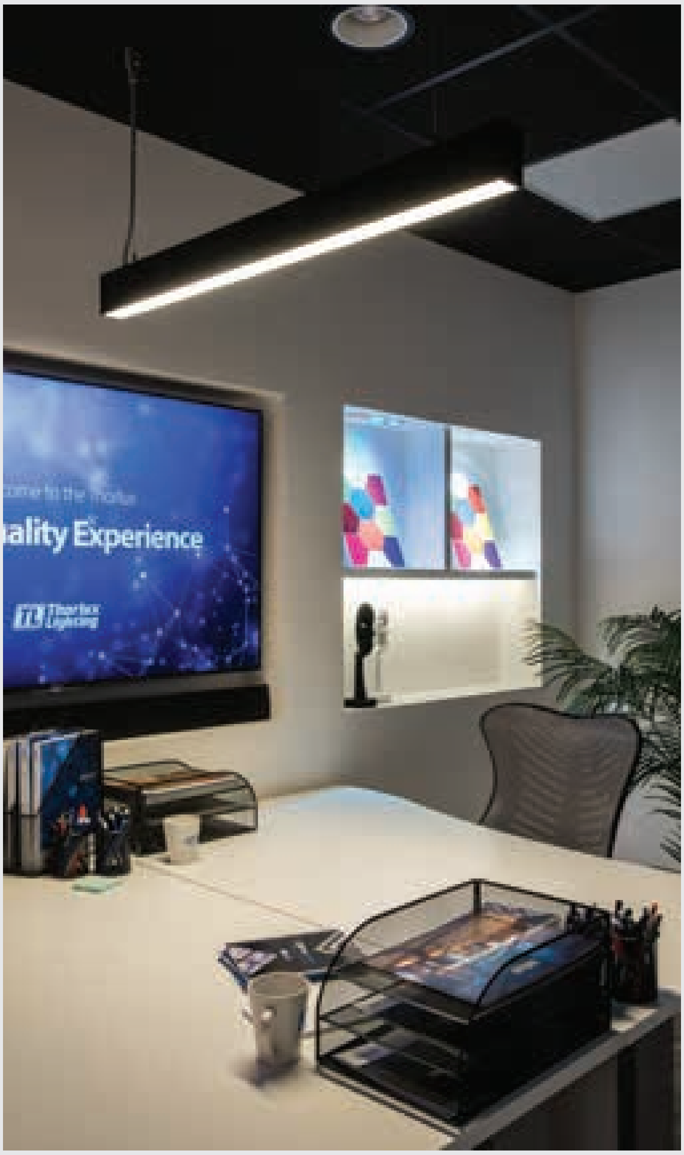
Investment in Light Quality Experience Centre

On 5 March 2020, the new Light Quality Experience Centre opened at the Redditch head office. The new attraction forms part of the Application Centre and demonstrates the science behind light and the influence of light on our mental and physical well-being.

Mark Austin, Sales Director, comments: "The new demonstration experience provides an excellent insight into our relationship with light and why getting it right is so important. It is a great educational tool and perfectly demonstrates that Thorlux understands light and therefore has the knowledge to best guide our customers. It is unfortunate that just as we opened this facility, we had to close it due to COVID-19, but we look forward to inviting customers as soon as we are able to."

The 25-minute fully automated interactive experience combines audio and video content with live visual demonstrations. The viewer is taken on a journey of light: what it is and how we as humans respond to it. The experience covers important subjects such as the need for good quality white light so we can see colours correctly, the need for low glare from luminaires to ensure comfort, and for good lighting design to create environments that are stimulating and creative as well as functional. Live lighting scenes switch on and off in time with the audio voiceover and video content. The demonstrations include scenes such as the "disappearing roses", where roses in a vase slowly change from bright red to grey and dull, all through manipulation of the light spectrum.


Vivid Colours
Light Quality Experience


ality Experience
Thorlux Lighting


Thorlux
Light Quality Experience

Strategy in Action

Multi-million pound investment in new machinery

In 2019/20, Thorlux made a multi-million pound investment in four new metal-forming machines which have increased capacity and modernised the manufacturing process.

Dave Dainter, Production Manager at Thorlux, explains why this investment was needed and what the benefits are to the business.

What was wrong with the old machines?

"The Amada machines that we replaced were over 25 years old, based on out-dated, inefficient technology. They kept breaking down, and we faced issues with getting parts for them. The old machines were sometimes down for weeks at a time when we needed to source a new part or, if a new part was not available, have the faulty part refurbished or repaired.

"It reached the point where Amada struggled to find engineers capable of repairing the old machines. Many of their younger engineers had not even seen our machines before, so knew very little about them. On one occasion we had to wait for several days to get a particular job done, because the only Amada engineer who knew what to do was not available.

"A major drawback was the lack of capacity on the old machines, which were based on single pallet-loading systems. Our policy is to keep the machines running overnight, unattended, by loading large jobs late in the day. However, the lack of capacity meant the old machines would complete the workload at say 2 in the morning and sit there idle for six hours waiting for the day shift to start, not producing work."

What are the advantages of the new machines over the old machines?

"The new machines have many advantages, including:

- "The new machines have multiple-material pallet-loading systems as opposed to single pallet-loading/ pallet unloading systems, which gives increased material-handling capacity.
- "The punches have servo-electric punch systems as opposed to the hydraulic systems of the old machines.
- "The new machines are significantly faster than the old ones.
- "Two of the new machines are combination machines, so they have a laser as well as a punch.
- "The new machines are much more reliable and are easier to maintain, with good support from Amada."

What has the reaction of the machine operators been?

"The reaction has been good. The operators have found the new machines to be a major improvement on the old systems, with updated software packages making them easier to program."

Have the machine operators needed additional training?

"As the machines have new technology, additional training has had to be given to the operators. Also, new Amada software is being used and trialled on the latest fibre laser machine, so our operators have had to be trained to use that."

What impact will the new machines have?

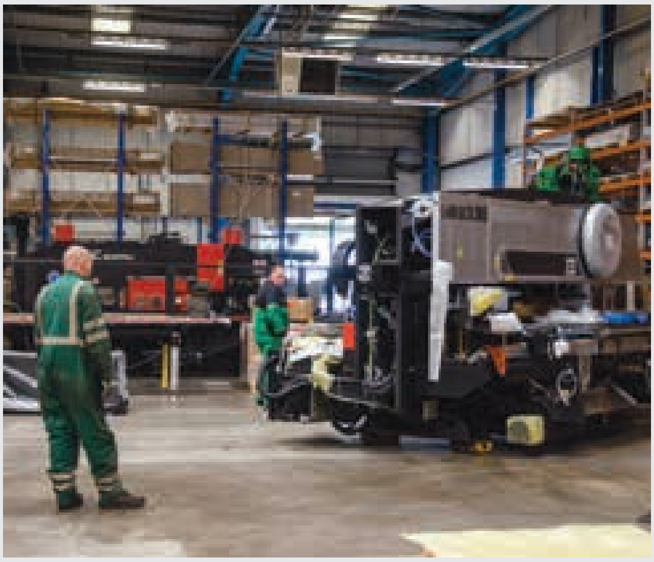
"The multiple-material pallet-loading systems mean we can produce smaller batch sizes, working closer to the order book, hence fulfilling more orders in a shorter period of time. The faster speed also means that more parts can be produced in the same period of time.

"Instead of machines finishing in the middle of the night, now, with the multiple-material pallet-loading systems, they have the capacity to run until the day shift comes in. With careful planning, it is possible to load enough work on a Friday morning to keep a machine running until Monday morning. This gives us maximum return on the investment, speeds up production and reduces delivery times.

"The two combination machines enable us to design better products with features that improve the function of the luminaires without adding additional components. It also reduces the number of operations that need to be performed. For example, we used to produce a DOT luminaire body by first punching the blank as a square on the old machines, followed by a manual operation of cutting the blank into a circle ready for spinning. Now we punch and laser the circular blank in one operation on the same machine, so it can be spun straight away.

"Thorlux can produce more work in-house that would normally have been outsourced and produced by subcontractors, hence reducing the cost to Thorlux and reducing the lead times.

"Finally, another major advantage is that the new machines cost less to run, because they are far more energy efficient."



Operational Performance

FW Thorpe: 2020 Group Company Overview

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

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

Group performance was hampered for the final 15 weeks of 2019/20 due to the COVID-19 pandemic; whilst the Group managed to maintain revenue, operating profit came in below that of last year.

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

Revenue was supported by some major projects and services, but these attracted lower margins than typically achievable, and services made little contribution, therefore dampening returns at an operating profit level. Continued new product introductions, investment in manufacturing facilities, and sales into new markets have, however, helped the Group deliver respectable results against the backdrop of uncertainty in the final quarter of 2019/20. Thankfully, the investment in additional stock for the Brexit transition served the Group well in the early days of the COVID-19 outbreak.

The Group's Dutch companies weathered the storm of the last quarter relatively unscathed. A slightly subdued performance from Lightronics, compared with the company's successive years of growth under Group ownership, was offset by a fantastic performance from Famostar.

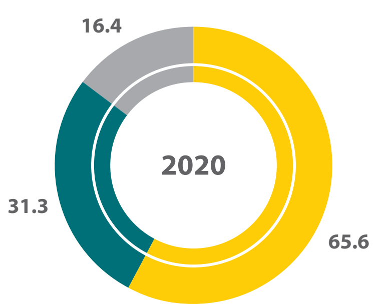
The Group continues to be underpinned by the development of market-leading lighting equipment and the delivery of excellent customer service.

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

Summary of the COVID-19 situation

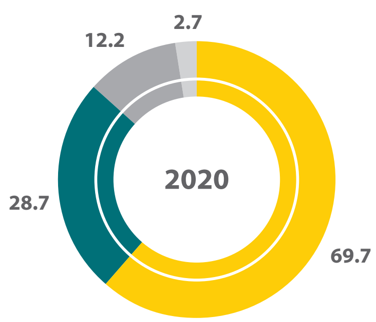
- Last quarter results severely impacted in the UK; Netherlands' company results relatively unaffected
- UK companies' revenue dropped 40% in April; some recovery in May, with June close to "normal" levels
- Portland the most affected Group company; limited revenue in last quarter with some improvement in July
- The Group supported essential customers and projects, including the NHS, by continuing to manufacture and deliver products during the peak of the pandemic in the UK
- No government support accessed: support actively declined, and repaid in territories where it was automatically received
- All employees were paid in full; £0.6m negative impact on results due to furlough monies not claimed

Group Total Revenue (£m)
Excluding Intercompany



- Thorlux
- Netherlands companies
- Other companies

Revenue by region (£m)
Excluding Intercompany



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

Thorlux Lighting

If it had not been for the COVID-19 pandemic, a comment you will see frequently through this year's annual report, Thorlux would have achieved record revenues and improved operating profit in 2019/20. New orders appear to be holding up at present, with July close to 2019 levels and the total for 2019/20 ahead of last year's.

The revenue line is supported by growth in services, of which £1.5m has earned lower margins and had a dilutive impact. These services, including surveying, project management and installation, are provided as they enhance our ability to secure luminaire orders of significant value with more attractive margins. Operating profit growth has been more difficult to achieve in recent years; product and sector mix has contributed to this, as have operational efficiency challenges. Some good improvement in operating profit was achieved at the start of the second half, but this was severely hampered by COVID-19 issues in the last quarter.

Of Group companies, Thorlux covers the largest variety of sectors with the most comprehensive portfolio of products. Thorlux's approach of targeting selling activity in specific market sectors has paid off in the last few years. 2019/20 has been dominated by success in healthcare, backed up by significant orders in rail. At this time, it is difficult to ascertain the impact of the pandemic on the sectors that Thorlux sells to; however, given the breadth of its coverage and more targeted activity, Thorlux should be in a reasonable position to navigate the next few years of uncertainty.

The success of SmartScan continues, with revenues reaching £25.9m (2019: £22.0m). This solution has been developed further this year, outside pure lighting controls technology, by integrating new sensor technology such as dock usage and vehicle activity monitoring. Some third party technologies have also been included to enable mains electricity usage monitoring and solar photovoltaic generation data, all reporting back to the end user via the SmartScan website. Development work was undertaken in-house, an investment that is justified in order to follow the Internet of Things revolution. Several orders utilising these

£68.8m

Revenue

+4% (2019: –4%)

> "The success of SmartScan continues, with revenues reaching £25.9m (2019: £22.0m)."

Trinity Court

Operational Performance continued

Thorlux Lighting continued

Rugby School

developments have been secured in the warehousing sector for delivery in 2020 – a testimony to Thorlux's evolving industry-recognised expertise in this area.

Read more on page 18

Innovation is a strategic pillar for the Group. As well as the enhancements to the SmartScan platform, several new products have been launched or are in the latter phases of development. Products include enhancements to existing successful ranges, specific developments for target sectors and developments to support insourcing of key technological components.

Recent investments in manufacturing came to the fore during the year. The flexibility acquired with the new laser/punch machines supported some large-scale projects. For example, Thorlux was able to support one of the NHS Nightingale projects, where a significant number of fittings adapted for customer requirements were designed, manufactured and shipped over a few days during the early critical stage of the pandemic, when many factories were closed.

The performance of Thorlux overseas offices improved this year. All offices delivered greater levels of revenue, in particular the teams in Germany and Ireland. A new distribution partner in Germany delivered a number of sizeable energy-saving projects – an example for some Thorlux offices in other territories to aspire to.

A new managing director, Peter Maxwell, has recently been appointed by the Group to lead Thorlux over the next few years, freeing some time for Mike Allcock to focus on product development, new technology and selling activities throughout the Group, as well as the drive into new territories. Peter will use his expertise and experience to focus on continuous improvement techniques to provide further revenue growth and operating profit gains whilst harnessing the full force of Thorlux's tremendous deep-rooted lighting knowledge.

The 2019/20 final result for Thorlux does not necessarily reflect the effort within the company, in particular over the last few months. As the company transitions into yet another difficult economic climate, where orders are expected to be hard-fought, the Group should take solace from Thorlux's ability to surpass previous year's order levels. The company starts the year with an increased order book and the capability to secure large-scale projects; both should at least underpin the months ahead. Continued targeted selling activities will be essential, ensuring the business identifies the many opportunities in sectors and territories where spending and investment will continue despite the economic downturn.

Philip Payne

For 2020/21, the target is to bounce back to 2018/19 levels of revenue. The investment in sales and marketing will need to come to the fore."

£2.7m
Revenue
–20% (2019: +2%)

Before COVID-19, Philip Payne was on target to deliver yet another set of positive results in keeping with last year. The impact in the final quarter included low levels of activity in both March and April, with improved performance in June. Maintaining operations during this time was crucial and enabled the company to support a number of the NHS Nightingale projects. As Philip Payne moves into 2020/21, there have been early signs of a return to pre-COVID levels of business.

Discerning customers who desire a well-engineered and architecturally appealing product remain at the core of this company. Prestigious projects continue to augment sales, with refurbishments at the Palace of Westminster and Royal College of Music, alongside success in the rail and sports sector, with products supplied for Bond Street and King's Cross stations and the new Meadowbank Sports Centre.

SpectoWeb, the wireless emergency lighting system that was developed in conjunction with the Thorlux SmartScan platform, offers customers the ability to easily comply with building safety regulations. Following investment in development over the last few years, success has been recorded in the healthcare, university and charity sectors, with total revenue for these sectors ending the year at £0.3m.

Further collaboration with Group companies has continued this year, including working with Famostar: some of its products are being used to enhance the Philip Payne product portfolio manufactured in the UK. This initiative is in the early stages, and Philip Payne expects to see some positive impact in 2021.

Overseas revenue remained at similar levels to last year. The sales office in the UAE offers the best opportunity to improve export revenue.

There was no significant investment in manufacturing facilities during the year. Investment during 2020/21 will very much focus around sales and marketing activities for both existing products and the additional portfolio from Famostar.

For 2020/21, the target is to bounce back to 2018/19 levels of revenue. The investment in sales and marketing will need to come to the fore, as well as planned activities with the introduction of Famostar products into the UK market.


University of Edinburgh

University of Edinburgh

Operational Performance continued

Solite

St Mary's Hospital, London – specialist green lighting

The Solite business is driven by projects providing clean-room lighting solutions to the pharmaceutical and healthcare sectors. Clearly the downturn in the last quarter suppressed revenue, significantly impacting operating profit for the year. On the positive side, the reduced ability to dispatch products during the last quarter provides an increased order backlog to start the new financial year.

Whilst Solite has a standard range of products, its ability to adapt them to satisfy particular customer requirements underpins the company's competitive position. To support the flexibility required in the manufacturing process, some reorganisation of the facility has been completed; this allows increased storage for larger-scale projects and enables some additional component storage for supply chain protection during uncertain times.

The collaboration between the Group's sales operation in Ireland and Solite forms a significant part of the business. In all, 33% of revenue was derived from Ireland this year. The Ireland office gives both Thorlux and Solite the opportunity to cross-sell into the market to satisfy the requirements of a complete project, as well as the opportunity to follow some multinational customers into other territories.

The targeting of the custodial sector has seen limited success this year, but will continue. Solite will also focus on improving its product portfolio to stay ahead of the competition. During the year, Solite has developed a product in conjunction with Thorlux to target a specific requirement for the retail sector, which has already yielded some initial success.

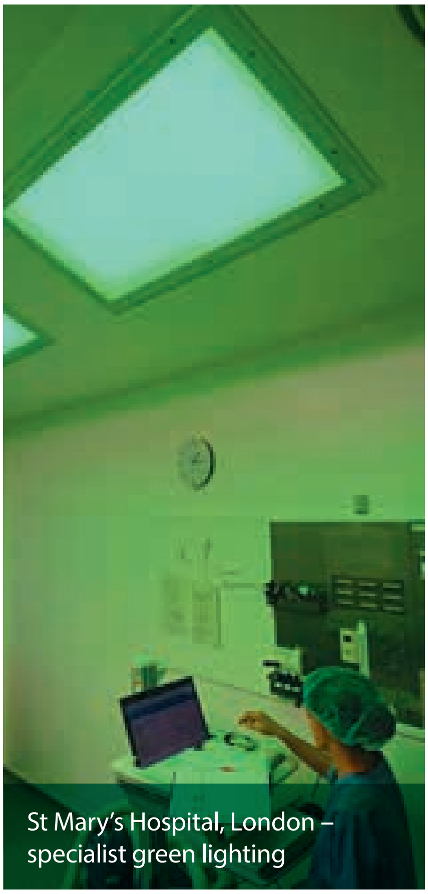
Solite starts the new financial year with a solid order book; however, recent investments in sales and marketing need to start to deliver. It is too early to determine how the market will shape up in the next 12 months, but Solite will continue to focus on ensuring it has the product portfolio and customer penetration required to recover to levels seen in the past few years.

£2.7m

Revenue

–21% (2019: –5%)

"Clearly the downturn in the last quarter suppressed revenue, significantly impacting operating profit for the year."



St Mary's Hospital, London – specialist green lighting

Portland Lighting

"Portland has utilised its manufacturing expertise to support other areas of the Group that are enjoying stronger order books."

Toby Carvery, West Midlands

£2.4m

Revenue

–17% (2019: –10%)

The Longhorn, Walsall

Of all Group companies, Portland was hardest hit by the fallout from the pandemic. The combination of Portland supplying customers that have fast-turnaround, easily delayed projects, as well as supplying the retail and hospitality sectors, resulted in weeks of minimal revenue. To mitigate the damage, Portland has utilised its manufacturing expertise to support other areas of the Group that are enjoying stronger order books, avoiding the need for those companies to employ temporary labour to meet demand. At the time of writing, in September 2020, the last two months have seen an improvement and a return to profitability.

The Group recognises that Portland has been in steady decline for a number of years and must work harder at creating a wider product portfolio for sales into new sectors. The company has made renewed effort in this regard, with support from Thorlux; a number of new products are in development and expected to contribute to revenue in 2021.

Product innovation is increasingly critical, and some projects this year are moving forward at pace. Portland has employed a specific full-time product designer to support these innovation targets.

Portland will continue to focus on increasing sales of its core products outside the UK. As well working with its Benelux and French agents, Portland is working with an established Thorlux agent in Sweden.

Over the next year, some recovery is expected in Portland's core market, however, this is somewhat dependent on the retail and hospitality sector, meanwhile, the company will continue to support the Group, with additional manufacturing capacity, as required.

Operational Performance continued

TRT Lighting

Despite COVID-19, TRT has managed to improve both revenue and operating profit this year. During the first couple of months of lockdown, customers were unable to take delivery of outstanding orders, and revenue was heavily impacted. TRT responded well in June, as customer demand returned and shipments recovered to normal levels.

As well as its local authority street lighting business, TRT supported Thorlux on several large-scale projects in the rail and retail sectors. Some tunnel projects were also undertaken; these included the TRT retrofit LED solution tailored to existing TRT or competitor luminaire enclosures, and the introduction of the new X-range product. The pipeline of tunnel project opportunities remains healthy; TRT waits to see whether these are given the go-ahead in the current economic climate.

Actions taken in previous years to support operational efficiency have supplemented the results for 2019/20, with a focus on improving material and labour costs. During 2019/20, investment in a new painting facility started to reap some benefit, making TRT self-sufficient and reducing the pressure on the Thorlux facility.

As is the case for all Group companies, product development and enhancement are crucial to ongoing success. TRT has found some success with the Optio street lighting product, which has key features to support specification sales. Via, the lighting bollard solution, has seen good initial sales, and a similar version using some shared components has been added to the Thorlux product portfolio.

Government spending could increase across the street and tunnel lighting sectors, assuming the government decides to spend its way out of recession.

TRT starts the new financial year with a solid order book and a number of Group project opportunities supporting Thorlux in the rail and retail sectors as last year. Revenue and operating profit growth will be targets, as well as continuous improvement in operational efficiency.

£9.8m

Revenue

+14% (2019: –1%)

> During 2019/20, investment in a new painting facility started to reap some benefit, making TRT self-sufficient and reducing the pressure on the Thorlux facility."

Dual Carriageway Traffic Routes, North Wales

Lightronics

Havep Texperience Centre, Netherlands

£22.7m

Revenue

–3% (2019: +12%)
(constant currency –3%
(2019: +12%))

> Progress has been made on introducing SmartScan technology into the range, and Lightronics expects to have introduced new Thorlux patented applied for sensor technology by the end of 2020."

Lightronics had another solid set of results, although revenue was lower than last year; however, this was its first slight step backwards since joining the Group in 2015. The company was largely unaffected by COVID-19, since operational measures were put in place in the early phases to enable Lightronics to continue to service its customers during the last quarter. In fact, June operating results were some of the strongest on record.

In contrast to previous years, there were no major projects during the year. Much of the business was again driven by the street lighting sector in the Netherlands. Sales into Germany were marginally lower than last year, with those to France at similar levels to last year.

Lightronics markets Thorlux industrial products, sales of which marginally increased from last year to £0.4m but were still not at the levels expected. Investment in this area continues, with a closer association to Thorlux in the UK. The Group still believes that the Netherlands is receptive to energy-saving high technology solutions. Lightronics needs to find the best route to market – a Group belief that has been reinforced by recent positive results generated by Thorlux in Germany from an additional sales channel this year.

Lightronics continues to develop new products for its domestic market as well as working with the Group on shared developments, mainly with Thorlux and TRT. Progress has been made on introducing SmartScan technology into the range, and Lightronics expects to have introduced new Thorlux patented applied for sensor technology by the end of 2020.

The European Application Centre was completed during this year. The team at Lightronics has created a wonderful space in which the Group can showcase products and systems to support European selling activities (see page 24). Whilst Lightronics was able to open the facility on time and in budget, the Group was, unfortunately, unable to utilise its full potential due to COVID restrictions.

As mentioned every year, building on these results will be a challenge. Although it produced an excellent set of results, Lightronics fell short of improving its figures this year and now has a tougher economic climate to contend with. Economic and sector forecasts in the Netherlands are pessimistic; this will put some pressure on results in the next 12 months. Opportunities remain, working with other Group companies – Famostar and Thorlux in particular – to generate increased demand from new customers.

Operational Performance continued

Famostar

Robbers & van den Hoogen winery, Arnhem – Netherlands

£8.8m

Revenue

+12% (2019: +13%)
(constant currency +12%
(2019: +13%))

"An increase in domestic orders has been driven by targeted customer activity to increase market share"

Famostar has been the standout performer for the Group this year, following on from a strong performance last year. As at Lightronics, performance seemed unhampered by COVID-19 in the final quarter, actions having been taken in the initial stages of the outbreak to protect operations and ensure continued supply to customers.

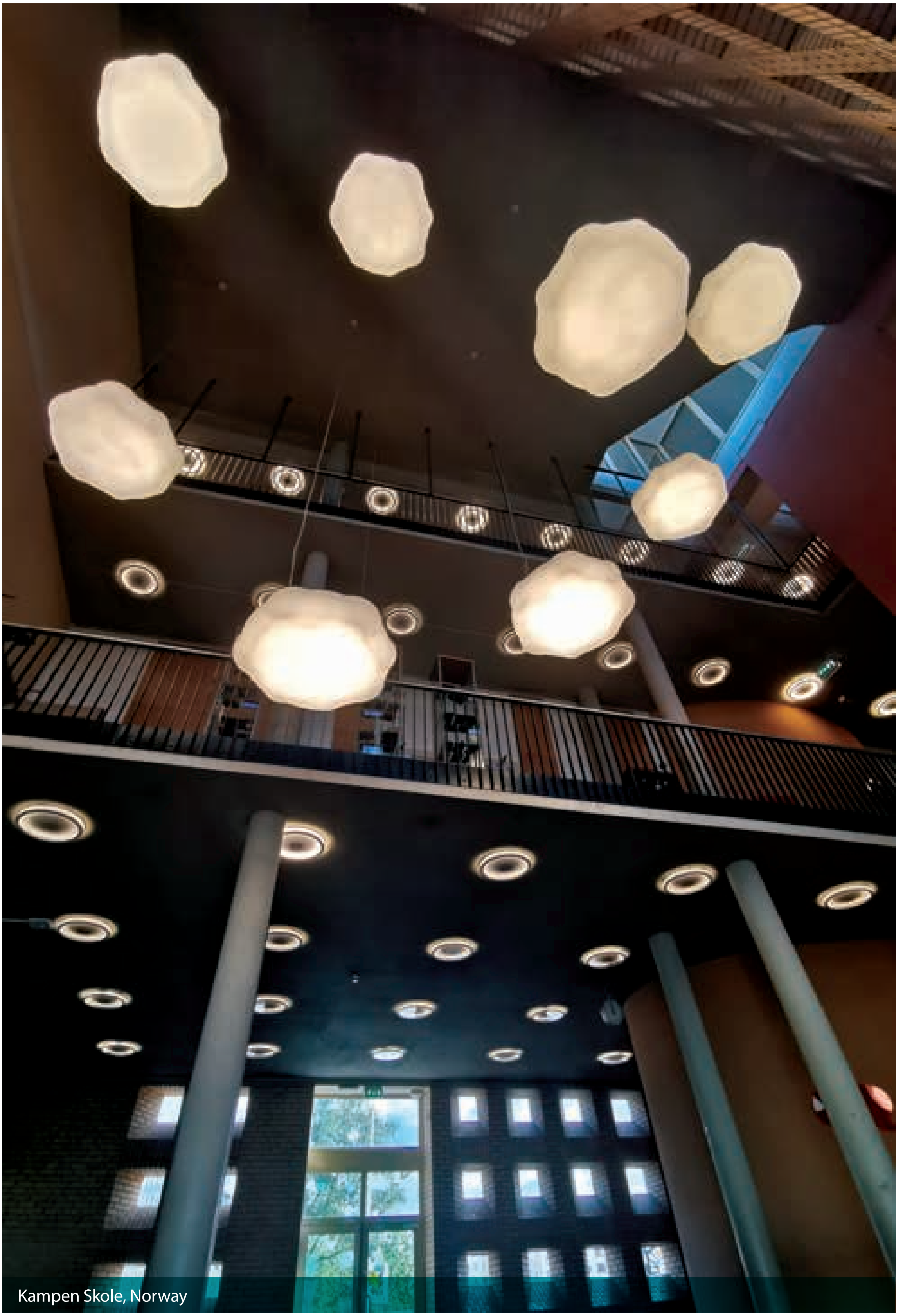
Compared with other Group companies, Famostar, a specialist emergency lighting company, has a different route to market; however, the process for creating demand for product is much the same. Demand is ultimately fulfilled by the wholesaler network domestically, but specific customers are targeted to generate that demand.

Business, at present, is mainly derived from the Netherlands. Expansion into other territories will be led by Philip Payne in the UK, with Famostar taking advantage of Philip Payne's local emergency lighting know-how. An increase in domestic orders has been driven by targeted customer activity to increase market share; the company will look to further supplement this, working alongside Lightronics to root out other opportunities.

Part of the Group's original strategy when acquiring Famostar was to integrate SmartScan technology into Famostar's excellent product portfolio, which lacked wireless controls and reporting technology. This has been completed, and new products have been taken to market with some initial success; a few projects are secured for delivery in late 2020.

The Group committed to acquiring the current Famostar building and the neighbouring land; this was completed in July 2019. Draft plans have been developed to expand the current facility to save costs on external storage and product handling, as well as to future-proof operations. Work on this project is not expected to commence until late 2021.

Famostar has yet again exceeded expectations this year; however, as mentioned in the Lightronics report, the economic and sector forecasts in the Netherlands are pessimistic. The company does, however, have some targets to aim for: increased business from SmartScan sales and the introduction of the Famostar product into the UK market; both should present opportunities in 2020/21.



Kampen Skole, Norway

Strategy in Action

Lightronics opens European Application Centre

A prison cell, a classroom, a hospital ward, a railway platform and a car park – you can find it all at the new experience centre at Lightronics in Waalwijk.

Having completed the first phase of the refurbishment of its facilities early in 2019, Lightronics opened the second phase, the Group's European Application Centre, in November. The Centre features 800 square metres of interactive, full-scale demonstrations showcasing the latest advancements in lighting control systems, LED technology and luminaire design.

In many areas, light plays a role in well-being and safety and, according to scientific research, can have an impact on learning performance. The interactive classroom demonstrates how Lightronics luminaires provide the ideal lighting solution for modern learning environments. "When daylight decreases, you use your brain less intensively, and the Smart luminaires automatically anticipate this", says project manager Dirk Brands. "The luminaires incorporate SmartScan controls and adjust independently according to the ambient light in the immediate surroundings. This provides good uniformity and maximises energy savings where the natural daylight ingress is varied across the area."

In the simulated hospital room, the patient's well-being is of prime importance. From the bed, the patient does not look at sterile white fluorescent tubes, but rather at the blue sky and clouds of the FlexSystem.

"A different, positive experience," said Brands, "and one that benefits a person."

In the reconstructed prison cell, another aspect of lighting receives attention. The luminaires are designed to be ligature and impact-resistant, limiting the risk of occupants self-harming. Added to this, high severity impact testing ensures that the luminaires will sustain no operational impairment during service.

> In many areas, light plays a role in well-being and safety and, according to scientific research, can have an impact on learning performance."

Car parks also require robust luminaires, so the simulated car park area is illuminated with products using UV-stabilised polycarbonate covers and cast aluminium bodies for rigidity and impact resistance.

The Centre was officially opened on 13 November by Alderman John van den Hoven, Deputy Mayor of the Municipality of Waalwijk, in the presence of the Mayor of Loon op Zand, Hanne van Aart, and representatives of the European Commission, the Netherlands Ministry of Economic Affairs and the province of Noord-Brabant.

The Centre is part of the IKARES project (Intelligent Low Carbon Energy Systems). Partners in IKARES, Lightronics and Global Innovator, aim to make lighting more intelligent and to interconnect it in a network with users and the environment. The objective of the project is to achieve a CO_2 reduction of up to 60% with smart lighting systems. IKARES includes the European Application Centre in Waalwijk, a smart city scale model in Tilburg, and 22 pilot projects in the developed environment in the provinces of Noord-Brabant, Zeeland and Limburg, in the Netherlands. IKARES is co-financed by the European Union from the European Regional Development Fund.


Experi ence cen

Strategy in Action

Portland Lighting Moves to New Premises

£1.1m
Investment

1,394 sqm
Floor space

After nearly 17 years at the old Walsall Enterprise Park site, Portland Lighting moved a short distance to brand new premises at Reedswood Park during November 2019.

The lease on the old manufacturing site was coming to the end, so this presented an opportunity to seek new premises. The new development at Reedswood Park was an ideal fit, as it was just a short distance from the old site – allowing Portland to expand without leaving Walsall.

Reedswood Park has excellent transport links, being close to the M6 motorway. The new custom-built factory was the first unit to be constructed on the new site. With the factory's two stories of office accommodation, increased assembly and distribution space and parking for up to 45 vehicles, the investment future-proofs the company's growth plans.

> "The new development at Reedswood Park was an ideal fit, as it was just a short distance from the old site – allowing Portland to expand without leaving Walsall."

In addition to the increased manufacturing areas, the new premises also feature an impressive showroom facility demonstrating Portland's latest highly innovative sign-lighting products.

Within the factory area, a state-of-the-art powder-coating facility has been installed, capable of coating up to 6-metre-long luminaires, improving speed and efficiency and allowing Portland to react more quickly to client requirements, particularly for custom colours.


PORTLAND ARMS
PORTLAND
FAUX NEON
PORTLAND


INNOVATIVE
SIGN LIGHTING

Financial Performance

"The events of 2020 highlighted the Group's financial strength and robust balance sheet. We actively decided to support our employees and not to access government schemes whilst maintaining an increased dividend."

£19.4m

Net cash generated from operating activities

(2019: £21.6m)

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 2020.

Results and dividends

Revenue increased by 2.4% to £113.3m with underlying operating profit (before profit on disposal 2019) decreasing by 7.5% to £16.3m. Operating profit last year included the profit on the disposal of the Thorlux Portsmouth building of £1.9m.

Clearly the last quarter of 2020 was severely impacted by COVID-19, with our ability to deliver to customers of our UK businesses significantly hampered in April and May in particular. The operating result for Thorlux would have expected to improve given the increase in revenue; however, nearly a third of the increase related to services with little operating profit contribution. The result was also dampened by margins at lower levels for larger projects and reduced efficiency during the last quarter where we committed to pay our employees in full as we initially scaled back operations to ensure they were COVID secure, whilst opting not to claim potential funding of £0.6m under the government furlough scheme. The impact is far greater if we consider the reduced contributions from the revenue typically created by these employees.

The lower level results for the other UK companies, except for TRT, were partially offset by the operations in the Netherlands.

The operating results were further suppressed by the provision of an additional £2.0m (2019: £2.2m) for the expected payouts on the Lightronics and Famostar earn-outs due to the continuing success of both businesses.

Net finance cost of £0.4m this year against a marginal income in the previous year (2019: £0.0m). 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 16.49% (2019: 17.52%). This is less than 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 21 April 2020, the Company paid an interim dividend of 1.46p per share (2019: 1.43p) amounting to £1,698,000 (2019: £1,660,000). A final dividend of 4.20p (2019: 4.10p) per ordinary share is proposed amounting to £4,886,000 (2019: £4,763,000) and, if approved, will be paid on 26 November 2020. Total dividends paid during the year amounted to £6,468,000 in aggregate (2019: £6,299,000). The final dividend for 2019 was paid on 29 November 2019.

The events of 2020 highlighted the Group's financial strength and robust balance sheet. We actively decided to support our employees and not to access government schemes whilst maintaining an increased dividend. These decisions were not taken lightly, with all of our shareholders' and stakeholders' long-term interests in mind, ensuring we maintain our independence as well as our reputation, whilst operating the Group with good conscience.

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 the remainder is invested. 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 2020 or 30 June 2019.

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

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

During the year the Group spent £1,322,000 (2019: £1,791,000) 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 Velp – Netherlands for Famostar, the completion of the European Application Centre at Lightronics, as well as the completion of improved sheet metal working capacity and the implementation of an automated spinning process at Thorlux Lighting.

Creditor payment policy
The Group's policy concerning the payment of its trade creditors is to accept and follow the normal terms of payment among suppliers to the lighting industry. Payments are made when they fall due, which is usually on the day after the end of the calendar month following the month in which delivery of goods or services is made. Where reasonable settlement discount terms are offered for early payment, these terms are usually taken up. The number of days represented by the Company's year end trade payables is 33 (2019: 44). The Group continues to report on payment practices and performance as per UK legislation.

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

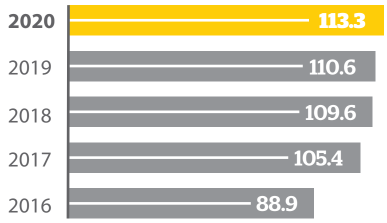
In addition, the executive directors regularly visit all operating sites and review with local management financial and commercial issues affecting the Group's operations. Regular financial reporting includes rolling forecasts and monthly financial reports comparing performance against plan as well as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

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

30 September 2020

Group Total Revenue (£m)
Excluding Intercompany

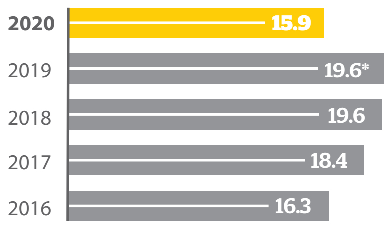
+2.4%



Group PBT (£m)
Profit before tax

–18.5%

(-9.7% excluding 2019 profit on disposal)



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

£128.3m

Net Assets

(2019: £122.2m)

Principal Risks and Uncertainties

COVID-19

As the COVID-19 pandemic swept across the globe, FW Thorpe, like the majority of manufacturing organisations, faced significant operational challenges.

The directors are proud that the Group reacted quickly to the possible pandemic, as early as February, restricting visitor entry into its factories and offices, cancelling some foreign travel and keeping a log of employee movements. The health and well-being of employees has been paramount throughout, and the focus on keeping employees safe will continue.

As the crisis worsened and lockdown commenced, the management teams of all Group companies took actions as appropriate for their different operations, depending upon each company's ability to handle precautionary measures such as social distancing, and to try to match capacity to the demands of customers, especially for ongoing critical healthcare and infrastructure projects.

The Netherlands

In the Netherlands, lockdown of manufacturing businesses was, in general, less intense compared with that in the UK; Lightronics and Famostar continued trading at near-normal revenue levels throughout. Their employee councils met and proved to be effective at planning to create flexibility during the early stages of the pandemic; through a series of measures such as split shifts and home working, production was maintained near capacity throughout.

The UK

In the UK, lockdown was far more widespread than in the Netherlands and most other countries in which Group companies trade. Worst affected was Portland Lighting, where orders almost stopped overnight. Other companies, such as Thorlux, continued to receive a good level of orders, although demand for delivery on non-critical projects slowed significantly.

During the early days of the pandemic, very little government guidance was available for businesses; however, it was critical to prioritise employee health and safety when implementing the Group's decision to keep factories working to meet customer demand.

Thorlux

At Thorlux, for risk-mitigation reasons, the senior management team split: several directors worked from home whilst others remained full time at Thorlux in Redditch.

Initially, Thorlux operated a skeleton production staff, with several hundred employees sent home; many, being factory based, were unable to work.

Thorlux has invested appropriately in recent years to keep its IT infrastructure up to date, and it came to the fore in the early days of lockdown. Thorlux office employees were all able to connect into the office network securely from home, via VPN (virtual private network), and calls to their desk phones were seamlessly transferred to their home/mobile phones via VOIP (Voice over Internet Protocol) technology. All stakeholders were able to make effective contact with employees without knowing whether employees were at home or in the office.

The Thorlux management team has met twice daily via video conferencing throughout the pandemic, and the Group's senior team has met regularly too. To keep employees informed, a dedicated web portal was created on Thorlux.com, which initially was updated daily.

In early April, Thorlux completed the primary reorganisation of its factory with one-way "streets" throughout, 2m separation markings (by painting the floor, as signs were not available at that time), appropriate signage and video information screens, sanitiser gels throughout, and PPE for certain operations. Risk assessments were created for all operations, broken down into subcategories pertinent to specific tasks. These actions were followed throughout the Group, with directors visiting all UK sites to tour the facilities and sign off the phased re-opening to increase factory numbers significantly beyond the skeleton staff levels. Risk assessments have been inspected by Thorlux's insurers, and the company also paid for a third party audit of its "COVID secure" measures as verification of management's actions.

As demand has recovered, protective measures and controls have been further increased. Thorlux, like several other Group companies, has invested in automatic employee and visitor fever-scanning equipment which checks whether any people entering the building have a body temperature exceeding 37.5°C.

To enable Thorlux to reach full capacity, an old TRT "mothballed" factory a few miles away from Thorlux in Redditch has been re-opened, releasing a further 10,000 square feet of space. A whole factory department (which produces small, easily transported sub-assemblies) has moved there for the time being.

In mid-August, Thorlux still had 109 office staff working from home; however, gradually, more return each week. Internal communication is vitally important, including regular sharing of information regarding the company's evolving knowledge of the crisis and how it is using that knowledge to protect employees and the organisation.

The Group

Protecting employees' mental health has emerged as a high priority. The Group has therefore introduced a well-being policy for all employees, which includes regular contact with management, an online wellness questionnaire to complete, and a telephone call from the personnel department every few weeks. Managers have also been given access to additional training resources.

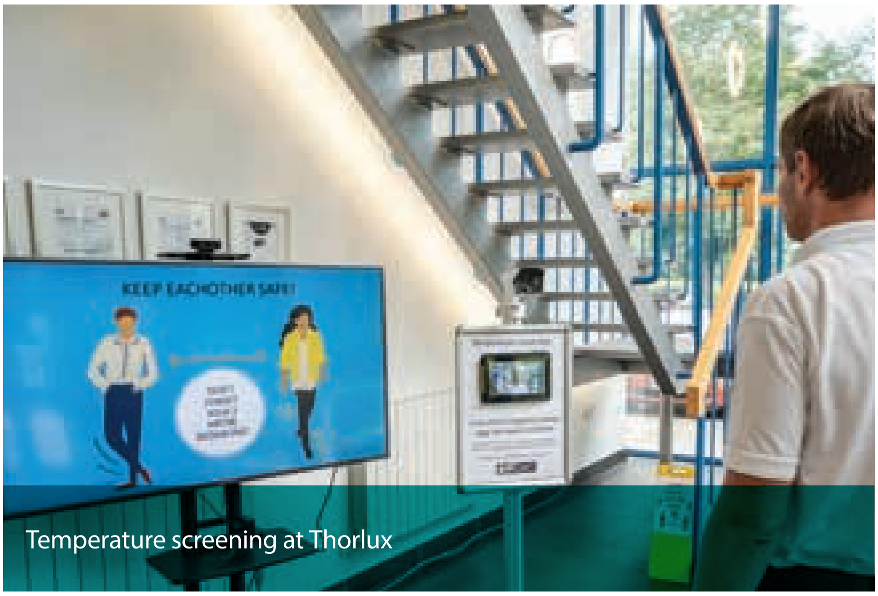
All Group companies now have full capacity available in their factories, although some are still experiencing reduced order intake due to the pandemic. The capacity from such factories has been shared; for example, Portland Lighting has been making gear tray assemblies for TRT Lighting, which has seen a good increase in orders in recent months. Cooperation between Group companies has been excellent.

Through prudent management of the business over many successful years, FW Thorpe has a strong balance sheet, with sufficient reserves. At the start of the crisis, Group companies were showing good levels of orders.

The UK government introduced the Job Retention Scheme intending to save the jobs of people who, during the COVID-19 lockdown, would otherwise have been made redundant because of a company's inability to stay afloat, thus keeping people and critical skills within a business. The directors believe that the scheme is not intended to support businesses that otherwise have sufficient resources to pay their employees and intend to bring their employees back to work after a reasonable period when the crisis ends. The directors therefore decided not to apply for compensation for furloughed employees during lockdown, and all employees received their normal pay whilst they were not working. This decision leaves the Group free of debt to external support and gives the directors ongoing freedom to make choices for the good of the business and its shareholders. It also enables the government to target its funds to those areas where they are required the most.

The Group prides itself on being a responsible corporate employer, and during this time the directors think it important that Group companies contribute to supporting the national effort. This can be done by the Group continuing to provide goods and services where they are needed, such as to the NHS – for example by the Group supplying luminaires to the Birmingham Nightingale Hospital in April.

The directors would like once again to sincerely thank all employees for their wonderful support and flexibility throughout this crisis. Special thanks must go to those who have continued to work at facilities around the Group. We are not, however, out of the woods yet, and must remain focussed on maintaining all the measures that have been put in place to protect employees and the company.



Temperature screening at Thorlux


Social distancing measures at Thorlux

Principal Risks and Uncertainties continued

Risk management process

The Board is responsible for the identification and effective management of risks posed to the Group. Due to the impact certain risks could pose, the Board regularly reviews the likelihood of risks occurring and the potential impact they could have on the business. Detailed below is a list of the principal risks facing the business, and the corresponding actions the Board is currently taking in order to manage them.

The Board
Strategic risk assessment at Executive level

Principal Risks
Strategic | Operational | Financial

Group Companies
Risk assessment at an individual company level

Area of risk	Type of risk	Description of risk	Mitigation of risk	Possible impact on performance	Strategic priorities impacted upon	Change in period
A **Adverse economic conditions**	Strategic	Deferred or reduced capital investment plans in market sectors, which our products are supplied into and are key sources of revenue for the Group Impact of COVID-19 on domestic and global economies	• Broad range of customers in differing sectors • High quality, technically advanced products to differentiate the Group from competitors • Actively seek to identify new opportunities to ensure we maximise our potential of winning new business	**High**	1 2 4	
B **Changes in government legislation or policy**	Strategic	Reduction in public sector expenditure and changing policy increases risk to our order book Uncertainty of free access to EU markets	• Continue to seek to diversify our customer portfolio to ensure we have an appropriate spread, mitigating the risk of any industry or specific sector spending issues • Develop sales in new markets	**Medium**	2 4	

Area of risk	Type of risk	Description of risk	Mitigation of risk	Possible impact on performance	Strategic priorities impacted upon	Change in period
C **Competitive environment**	Strategic	Existing competitors, powerful new entrants and continued evolution of technologies in the lighting industry eroding our revenue and profitability	• Offering innovative products and service solutions that are technologically advanced products to enable us to differentiate ourselves from our competitors • Investing in research and development activities to produce new and evolving product ranges • Investing in new production equipment to ensure we can keep costs low and maintain barriers to new market entrants	**Medium**	1 2 3 4	▶
D **Price changes**	Operational	Erosion of revenue and profitability	• Management reviews prices, at least annually, to take into account fluctuations in costs, in order to minimise the risk of reduction in gross margin, or the loss of market share from a lack of competitiveness	**Medium**	1 2	▲
E **Business continuity**	Operational	The majority of the Group's revenues are from products manufactured in the Redditch facility	• High level of importance attached to environmental management systems, health and safety and preventative maintenance • Insurance cover is maintained to provide financial protection where appropriate • Increased production flexibility with the ability to build products in more than one manufacturing facility	**High**	2 3	▶
F **Credit risk**	Financial	The Group offers credit terms which carry risk of slow payment and default	• Credit policy includes an assessment of the bad debt risk and management of higher risk customers • The Group maintains a credit insurance policy for a significant proportion of its debtors	**Low**	2	▶
G **Movements in currency exchange**	Financial	The Group is exposed to transaction and translation risks. With some natural hedging in EUR this risk is primarily with changes in the GBP:USD rates	• The Group has increased its sourcing of materials to maintain a natural hedge to offset its currency risk from EUR receivables, whilst at the same time buying EUR and USD when the exchange rate is favourable, compared to our operational rates, to minimise the risk	**Low**	2	▶

Principal Risks and Uncertainties continued

Area of risk	Type of risk	Description of risk	Mitigation of risk	Possible impact on performance	Strategic priorities impacted upon	Change in period
H **Cyber security**	Operational	A breach of IT security could result in the inability to operate systems effectively and efficiently or the release of inappropriate information	• Continual review and monitoring of potential risks • Computers encrypted where necessary to protect data • Cyber security awareness training currently being rolled out to employees	**Medium**	1, 3, 4	Increase in risk
I **Exit from the European Union**	Strategic	Significant uncertainty remains over how the economic landscape might be affected in the next few years	• 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	Increase in risk
J **Global pandemic – COVID-19**	Operational	Potential disruption to operations from further outbreak of COVID-19	• Risk assessments, preventative measures including temperature screening, distancing and hygiene measures in place • Additional component stock held to mitigate any supply chain disruption • Potential to utilise manufacturing facilities at other Group companies	**High**	2, 3	Increase in risk

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

Tieltjes Precision Parts BV, Netherlands

s172 statement

Stakeholder engagement

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

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

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

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

Key stakeholders and how we engage with them:

Stakeholder group	Why we engage	How we engage
Employees	The right people, capabilities and engagement across the Group is the platform to drive our long-term success	• Employee committees • Health & safety committees • Employee appraisals, training and development • Communication via web portal, notices and company newsletter • Group board meetings held periodically at different company sites
Customers	Understanding the needs of our customer is fundamental. We aim to deliver the correct technical solution, professional service, sustainability of products/services and support the customer during a product's warrantable life and beyond	• Meetings/maintaining close relationships via regional sales or business development teams • Providing Continuing Professional Development seminars and education opportunities • Company websites • Customer specific events, including trade shows • Order execution – from lighting design, through to delivery, installation and commissioning

Stakeholder group	Why we engage	How we engage
Shareholders	Trust from our shareholders is key to delivering our strategy and long-term success. We endeavour to provide fair, balanced and meaningful information to shareholders and potential investors to ensure they understand our performance and strategy	• Trading updates at appropriate times • Regulatory News Service • Investor meetings and presentations, including company visits • Dedicated Group website • Annual and Interim reports • Annual General Meetings
Suppliers	We need to maintain reliable relationships with suppliers for mutual benefit and ensure they are meeting our standards, from value for money, quality, through to business ethics	• Meetings and negotiations with key suppliers • Site visits • Quality management reviews and audits • Attending supplier forums and trade shows
Communities & Environment	The Group is committed to be a responsible member of the community and considers the environmental impacts of the customer's use of our products as well as our own operations	• Support local and national charities • Engagement with local MPs and Chambers of Commerce • Members of appropriate trade and industry bodies • Carbon offset scheme in place since 2009, accredited under the Woodland Carbon Code • Recent investment in solar panels in the UK and Netherlands facilities • Products and systems support energy saving and carbon reduction – London Stock Exchange Green Economy mark in 2020

Sustainability

Environment

Greenhouse gas emissions

The table below shows the Group's greenhouse gas emissions for the year ended 30 June 2020.

	Tonnes of CO_2 equivalent
Scope 1: Direct emissions from own operations	**1,821**
Scope 2: Indirect emissions from purchased energy (mainly electricity)	**989**
Total Scope 1 and Scope 2 emissions	**2,810**
Intensity metric: tonnes of CO_2 equivalent per £1m of sales	**24.79**

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

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

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

Global Energy Use

The table below shows the Group's energy use for the year ended 30 June 2020.

	UK GWh	Rest of World GWh	Total GWh
Electricity	2.884	0.458	**3.342**
Gas	5.041	0.034	**5.075**
Total	7.925	0.492	**8.417**

Employee Policies

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

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

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

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

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

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

Charitable Gifts

During the year the Group gave £24,349 (2019: £27,733) for charitable purposes. This is made up of donations to UK charities for children's welfare of £390, cancer care of £414, healthcare of £1,527, educational schemes of £2,695, emergency aid of £1,300, Oxfam £2,110 and local causes of £15,913.

Modern Slavery

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

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

FW Thorpe, making a meaningful difference: our contributions in 2020

Economic – we generate value

Contribution to UK economy

£18.0m
Tax paid, collected

(2019: £17.9m)

We are investing in the future

£1.3m
Capitalised R&D expenditure

(2019: £1.8m)

We support the national wage bills

£32.7m

(2019: £31.5m)

Community

£24,349
Charitable donations

(2019: £27,733)

31
Number of charities

(2019: 26)

Innovation

11
Patents

7
Granted

4
Pending

Employee engagement

688
People employed

(2019: 666)

16
Apprentice employment

(2019: 15)

Environment

149,849
Total trees planted

(2019: 149,849)

321,236
kWh of electricity per annum from solar panels

(2019: 224,470)

2,810 tonnes
CO_2 offset per annum 2019/20

(2019: 2,558)

FW THORPE PLC

Our Governance

Swansea University

Board of Directors

Mike Allcock
Chairman, Joint Group Chief Executive

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

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

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

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

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

James Thorpe
Business Development Director, Thorlux Lighting

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

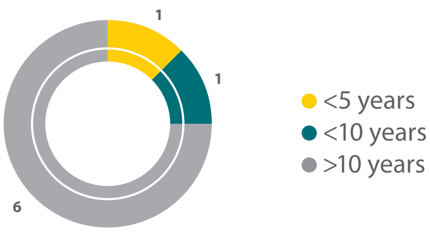
Key Areas of Expertise/ Responsibility:
Sales & Marketing, Business Development, Digital Marketing

David Taylor
Managing Director, Philip Payne

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

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

Tenure



Committee key

Ⓡ Remuneration Committee

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:

Ⓡ

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:

Ⓡ

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:

Ⓡ

Manufacturing, Human Resources, Governance, Industry Knowledge

Tony Cooper
Non-Executive Director

Appointment/Background:

Tony graduated from Loughborough University with a B.Tech in Production Engineering and Management in 1984 and became a Chartered Engineer in 1988. He worked in various manufacturing industries, including Mars Electronics and Thomas & Betts, before joining Thorlux Lighting as Manufacturing Director in 1998. Tony became a non-executive director in April 2020.

Key Areas of Expertise/ Responsibility:

Manufacturing, Business Management, Industry Knowledge, Project Management

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 2020.

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 78 and the Group's financial position at the end of the year is set out in the Consolidated and Company Statements of Financial Position on page 80. 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 22 (financial highlights). The two most important KPIs to the business are revenue and operating profit.

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

Objectives are set for each company within the Group incorporating financial and non-financial targets which have appropriate measurements that reflect their nature. These are monitored regularly at local and Group Board level. During the year a number of objectives were achieved, some impacted by COVID-19 in the final quarter of the year.

Principal Risks and Uncertainties

The table on pages 46 to 48 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 42 and 43.

Directors

The directors of the Company during the year and at the date of this report are set out on pages 56 and 57.

The directors retiring by rotation are M Allcock, A B Thorpe, A M Cooper who, being eligible, offer themselves for re-election. M Allcock has a service contract terminable on 24 months' notice.

Directors' Share Interests

The details of the directors' share interests are set out in the directors' remuneration report on page 67.

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 65 to 68.

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 30 September 2020, 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
6,228,630 (5.4%)

C M Brangwin
7,231,550 (6.2%)

Relations with Shareholders
Directors are kept informed of the views of shareholders by face-to-face contact at the Company's premises on the day of the Annual General Meeting where possible and, if appropriate, by meeting with major shareholders at other times during the year. See Notice of Meeting – AGM 2020.

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 30 September 2020 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 2021. However, in order to maintain the Board's flexibility of action it is envisaged that it will be renewed at future Annual General Meetings.

Directors' Report continued

Corporate Governance

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

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

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

Principle	Extent of current compliance	Commentary	Further disclosure
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 53 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 58
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 53 and in our **Sustainability section** on pages 52 and 53

Principle	Extent of current compliance	Commentary	Further disclosure
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 44 to 48 and in the **Directors' Report** on page 58
5 **Maintain the Board as a well-functioning, balanced team led by the Chair**	Partially Compliant	Total of eight directors, four executive directors and four 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 56 to 75 Read about our **Board of Directors** on pages 56 and 57 Read our **Directors' Report** on pages 58 to 63
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 56 to 75 Read about our **Board of Directors** on pages 56 and 57 Read our **Directors' Report** on pages 58 to 63

Directors' Report continued

Principle	Extent of current compliance	Commentary	Further disclosure
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 and Accounts.	Find out more in the **Strategic Report** on pages 08 to 53 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 58 to 63 Read about our **Board of Directors** on pages 56 and 57
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 and 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

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

- There are no independent Board members.
- The Board does not have an independent audit committee.
- The Board does not have a nominations committee.
- There is no formal evaluation process of Board performance.

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

Statement on the Provision of Information to Independent Auditors

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

Independent Auditors

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

Going Concern

The directors confirm they are satisfied that the Group and Company have adequate resources, with £44.4m cash and £18.6m short term deposits, to continue in business for the foreseeable future factoring in the expected impact of Covid-19.

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

Approval of Strategic and Directors' Reports

The directors confirm that the information contained within the Strategic Report on pages 08 to 53 and the Directors' Report on pages 58 to 63 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

30 September 2020

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

30 September 2020

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

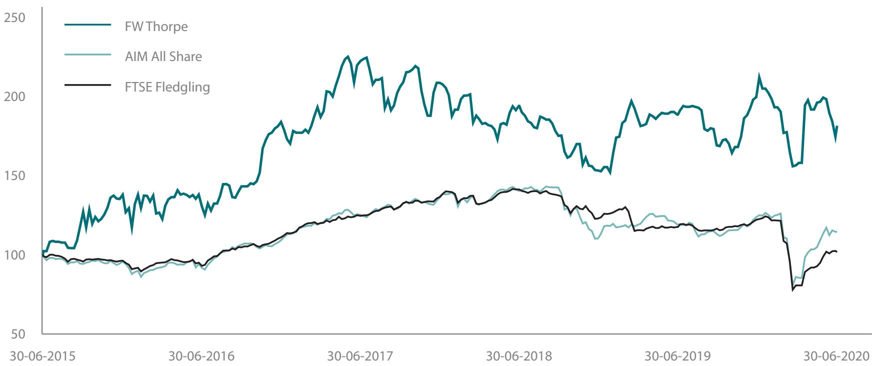
The aim of the Committee is to ensure that the executive directors are fairly rewarded for their responsibilities and contribution to the performance of the Group. The Committee seeks to achieve this with a combination of performance and non-performance related remuneration designed to attract, retain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

Performance Graph

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

Total shareholder return



The remuneration package consists of the following elements:

1. Basic salary, benefits in kind and other benefits. The salary is determined in 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 68.

Non-Executive Directors

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

Directors' Service Contracts

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

Directors' Remuneration Report continued

Directors' Emoluments (Audited)

Executive directors	2020 Salary/ fees £'000	2020 Bonus £'000	2020 Benefits £'000	2020 Total £'000	2019 Total £'000	2020 Share options £'000	2019 Share options £'000	2020 Total £'000	2019 Total £'000
M Allcock	213	138	21	372	416	27	26	399	442
D Taylor	113	71	13	197	239	54	52	251	291
C Muncaster	240	147	20	407	414	20	19	427	433
J E Thorpe	118	90	20	228	210	–	–	228	210
Non-executive directors									
A B Thorpe	34	–	14	48	206	–	50	48	256
I A Thorpe	34	–	15	49	43	–	–	49	43
P D Mason	34	–	5	39	33	–	–	39	33
A M Cooper *	96	51	12	159	260	7	6	166	266
	882	497	120	1,499	1,821	108	153	1,607	1,974

* A M Cooper relinquished his role as as an executive director, becoming a non-executive director on 2 April 2020.

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 £167,942 (2019: £145,755), A M Cooper £7,414 (2019: £10,697), C Muncaster £40,724 (2019: £34,882), D Taylor £19,132 (2019: £9,393) and to J E Thorpe £9,290 (2019: £5,881).

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

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

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

	2020 £'000	2019 £'000
J E Thorpe	**12**	10

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

	2020 £'000	2019 £'000
A M Cooper	**8**	10

CEO Pay Ratio

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

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

Option A was chosen as it represents the most accurate means of identifying the percentiles. The comparison is based on data for the year ended 30 June 2020. The table below sets out the salary and total pay and benefits for the three quartiles.

	25th percentile pay	Median pay	75th percentile pay
Base salary	20,104	29,833	46,818
Total remuneration	28,367	45,272	87,374

Directors' Shareholdings

The directors listed below were in office during the year. Directors' interests in the share capital of the Company at 30 June 2020 and 1 July 2019 were as follows:

	Ordinary shares of 1p Beneficial	
Executive directors	**2020**	2019
M Allcock	**175,500**	159,500
D Taylor	**132,896**	116,413
C Muncaster	**50,000**	35,000
J E Thorpe	**1,371,450**	1,371,450
Non-executive directors		
A B Thorpe	**27,682,700**	27,682,700
I A Thorpe	**25,840,352**	25,840,352
P D Mason	**1,626,370**	1,626,370
A M Cooper	**112,224**	112,224

The market price of the Company's shares at the beginning and end of the financial year was 317p and 301p respectively, and the range of market prices during the year was from 225p to 363p.

Directors' Remuneration Report continued

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 third tranche of shares of this ESOP vested as the performance conditions were met in the financial year ended 30 June 2017, options vested and exercised in the year are shown in the table below. The fifth tranche of shares for this scheme relating to the year ended 30 June 2019 were forfeit as the performance conditions were not met.

	A B Thorpe	M Allcock	D Taylor	A M Cooper	C Muncaster
Number at 1 July 2019	120,000	140,000	120,000	155,161	165,000
Awarded	–	–	–	–	–
Vested	40,000	40,000	40,000	40,000	40,000
Exercised	–	(20,000)	(40,000)	(4,839)	(15,000)
Forfeit	(40,000)	(40,000)	(40,000)	(40,000)	(40,000)
Lapsed	–	–	–	–	–
Number at 30 June 2020	80,000	80,000	40,000	110,322	110,000

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 2020 to 30 September 2020.

Approved by the Board and signed on its behalf by:

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

30 September 2020

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 2020 and of the Group's profit and the Group's and the Company's cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise: the Consolidated and Company Statements of Financial Position as at 30 June 2020; the Consolidated Income Statement and Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Cash Flows, the Consolidated Statement of Changes in Equity, and the Company Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

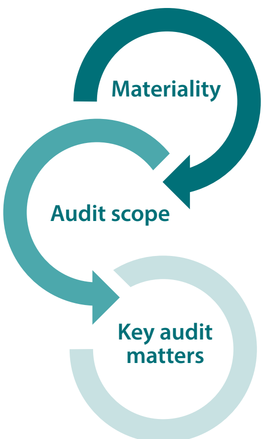
We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit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

Independence

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

Our audit approach

Overview



- Overall Group materiality: £860,000 (2019: £880,000), based on 5% of three year average profit before tax and before profit on disposal of property (2019: profit before tax and before profit on disposal of property).
- Overall Company materiality: £729,000 (2019: £680,000), based on 5% of three year average profit before tax and before profit on disposal of property (2019: profit before tax and before profit on disposal of property).

- In establishing the overall approach to the Group audit, we identified three reporting units, which, in our view, required an audit of their complete financial information both due to their size and risk characteristics: Thorlux Lighting (the Company), Lightronics and Famostar. The Group engagement team audited Thorlux Lighting whilst Lightronics and Famostar were audited by a non-PwC component audit team located in the Netherlands. The work performed by the component auditor was subject to review by the Group engagement team and the work performed over areas considered to be of significant importance to the audit has fed into our key audit matters.

- Impairment consideration relating to COVID-19 (Group and Company);
- Valuation of the share appreciation rights repurchase obligation (Group and Company);
- Valuation of warranty provision (Group and Company); and
- Capitalisation of internal development costs (Group and Company).

Independent Auditors' Report continued

to the Members of FW Thorpe Plc

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. 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
Impairment consideration relating to COVID-19 Refer to critical accounting estimates and judgements in note 1 to the financial statements and note 9 for Intangible assets, note 10 for Investment in subsidiaries and note 16 for Trade and other receivables. The ongoing economic uncertainty due to COVID-19 requires the directors and auditors to consider the impact on the valuation of various assets on the Group and Company financial statements. **Group and Company**	In respect of trade receivables (excluding balances owed by Group undertakings): • We have assessed the level of trade receivable balances which remain unpaid at the year end and have traced a sample of amounts received after the year end to bank statements; and • We have assessed management's calculation of the expected credit loss provision for third party trade receivables by reviewing the credit insurance in place, track record of the business in receiving payment and assessing the probability that undue amounts will be paid in light of the current economic conditions of the customer base. In respect of balances owed by Group undertakings: • 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; and • We found that the valuation of balances owed from Group undertakings after making impairment provisions were consistent with the evidence obtained. In respect of Goodwill and Investment in subsidiaries: • We have reviewed the impairment assessments produced by management for the various cash generating units of the Group and subsidiaries of the Company and checked the technical and arithmentic accuracy to ensure compliance with IAS 36; and • We have performed sensitivity analysis on the key assumptions to assess the extent to which the assumptions would need to change to cause an impairment and assessed the likelihood of various scenarios. Based on the work undertaken we believe that, where required, an appropriate provision has been recognised.

Key audit matter	How our audit addressed the key audit matter
Valuation of share appreciation rights repurchase obligation (Group and Company) Refer to critical accounting estimates and judgements in note 1 to the financial statements and note 20 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 and Famostar, the wider macro-economic conditions, our audit work over the forecast information and discussions with Lightronics' and Famostar's 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 (Group and Company) Refer to critical accounting estimates and judgements in note 1 to the financial statements and note 23 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 are offered by Lightronics and Famostar 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 the actual failure rates against the expected failure rate used to calculate the provision, where no known rectification issues have been identified; and We have reviewed and challenged the appropriateness of any other judgement used in the estimation of the provision. We found the valuation of the warranty provision was consistent with the evidence obtained.
Capitalisation of internal development costs (Group and Company) Refer to critical accounting estimates and judgements in note 1 to the financial statements and note 9 intangibles. The Group undertakes development activities on new products and such internal development costs are capitalised where allowable under IAS 38 – "Intangible Assets." Judgement has been applied in considering whether the requirements for capitalising such internal development costs under IAS 38 have been met, the level and nature of costs which should be capitalised and also the period over which the capitalised costs should be amortised. **Group and Company**	We have assessed the development activities performed by the Group against the criteria for capitalising internal development costs under IAS 38; We have performed testing over the amounts capitalised in the year by agreeing payroll amounts to payslips and assessing the percentage of payroll costs capitalised with respect to the employee and their role in the development of products; and We have assessed the amortisation period of three years across the Group with reference to the product launches and knowledge of the industry. We found that the accuracy of the capitalised development costs was 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.

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	£860,000 (2019: £880,000).	£729,000 (2019: £680,000).
How we determined it	5% of three year average profit before tax and before profit on disposal of property.	5% of three year average profit before tax and before profit on disposal of property.
Rationale for benchmark applied	Based on the benchmarks used in the annual report, 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. A three year average has been used based on our judgement that the FY20 results were impacted by a short term downturn due to COVID-19 and not a permanent rebasing of profitability.	Based on the benchmarks used in the annual report, 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. A three year average has been used based on our judgement that the FY20 results were impacted by a short term downturn due to COVID-19 and not a permanent rebasing of profitability.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £400,000 and £729,000.

We agreed with the directors that we would report to them misstatements identified during our audit above £43,000 (Group audit) (2019: £50,000) and £36,000 (Company audit) (2019: £34,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

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

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

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

Independent Auditors' Report continued

to the Members of FW Thorpe Plc

Reporting on other information

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

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

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

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

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 June 2020 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, 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

30 September 2020

FW Thorpe Plc

Our Financials

FW Thorpe Carbon Offsetting Scheme, Devauden

Consolidated Income Statement

For the year ended 30 June 2020

	Notes	2020 £'000	2019 £'000
Continuing operations			
Revenue	2	**113,342**	110,643
Cost of sales		**(63,351)**	(60,264)
Gross profit		**49,991**	50,379
Distribution costs		**(13,434)**	(13,182)
Administrative expenses		**(20,489)**	(19,840)
Other operating income		**264**	292
Operating profit (before profit on disposal)		**16,332**	17,649
Profit on disposal of property		**–**	1,917
Operating profit	3	**16,332**	19,566
Finance income	5	**708**	1,049
Finance expense	5	**(1,097)**	(1,046)
Profit before income tax		**15,943**	19,569
Income tax expense	6	**(2,629)**	(3,429)
Profit for the year		**13,314**	16,140

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	2020 pence	2019 pence
– Basic	7	**11.45**	13.91
– Diluted	7	**11.40**	13.83

The notes on pages 84 to 127 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 2020

	Notes	2020 £'000	2019 £'000
Profit for the year:		**13,314**	16,140
Other comprehensive income/(expenses)			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		**229**	153
		229	153
Items that will not be reclassified to profit or loss			
Revaluation of financial assets at fair value through other comprehensive income		**(834)**	(142)
Actuarial loss on pension scheme	22	**(2,039)**	(374)
Movement on unrecognised pension scheme surplus	22	**1,869**	191
Taxation		**13**	24
		(991)	(301)
Other comprehensive expense for the year, net of tax		**(762)**	(148)
Total comprehensive income for the year attributable to equity shareholders		**12,552**	15,992

The notes on pages 84 to 127 form part of these financial statements.

Consolidated and Company Statements of Financial Position

As at 30 June 2020

	Notes	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Assets					
Non-current assets					
Property, plant and equipment	8	**30,574**	25,353	**11,980**	11,185
Intangible assets	9	**21,032**	21,687	**4,074**	4,192
Investments in subsidiaries	10	**–**	–	**14,581**	14,581
Investment property	11	**1,987**	2,006	**10,130**	9,131
Financial assets at amortised cost	12	**1,800**	3,567	**12,338**	12,115
Equity accounted investments and joint arrangements	13	**–**	936	**–**	936
Financial assets at fair value through other comprehensive income	14	**3,772**	3,683	**3,772**	3,683
Total non-current assets		**59,165**	57,232	**56,875**	55,823
Current assets					
Inventories	15	**25,296**	25,506	**16,914**	18,354
Trade and other receivables	16	**21,256**	21,502	**22,133**	20,594
Financial assets at amortised cost	12	**625**	–	**625**	–
Other financial assets at fair value through profit or loss	17	**–**	387	**–**	387
Short-term financial assets	18	**18,580**	26,483	**18,580**	26,483
Cash and cash equivalents	19	**44,422**	30,807	**37,218**	24,771
Total current assets		**110,179**	104,685	**95,470**	90,589
Total assets		**169,344**	161,917	**152,345**	146,412
Liabilities					
Current liabilities					
Trade and other payables	20	**(36,185)**	(21,912)	**(27,964)**	(17,290)
Lease liabilities	21	**(220)**	–	**–**	–
Current income tax liabilities		**(831)**	(1,935)	**–**	(931)
Total current liabilities		**(37,236)**	(23,847)	**(27,964)**	(18,221)
Net current assets		**72,943**	80,838	**67,506**	72,368
Non-current liabilities					
Other payables	20	**(67)**	(12,804)	**–**	(10,242)
Lease liabilities	21	**(417)**	–	**–**	–
Provisions for liabilities and charges	23	**(2,721)**	(2,404)	**(795)**	(466)
Deferred income tax liabilities	24	**(601)**	(699)	**(398)**	(493)
Total non-current liabilities		**(3,806)**	(15,907)	**(1,193)**	(11,201)
Total liabilities		**(41,042)**	(39,754)	**(29,157)**	(29,422)
Net assets		**128,302**	122,163	**123,188**	116,990
Equity					
Share capital	25	**1,189**	1,189	**1,189**	1,189
Share premium account	26	**1,526**	1,266	**1,526**	1,266
Capital redemption reserve	26	**137**	137	**137**	137
Foreign currency translation reserve	26	**2,764**	2,535	**–**	–
Retained earnings					
At 1 July		**117,036**	107,527	**114,398**	105,582
Profit for the year attributable to the owners		**13,314**	16,140	**13,326**	16,063
Other changes in retained earnings		**(7,664)**	(6,631)	**(7,388)**	(7,247)
		122,686	117,036	**120,336**	114,398
Total equity		**128,302**	122,163	**123,188**	116,990

The notes on pages 84 to 127 form part of these financial statements.

The financial statements on pages 78 to 127 were approved by the Board on 30 September 2020 and signed on its behalf by

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

Consolidated Statement of Changes in Equity

For the year ended 30 June 2020

	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 2018		**1,189**	**1,017**	**137**	**2,382**	**107,527**	**112,252**
Comprehensive income							
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	24	–	–	–	–	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	27	–	–	–	–	(6,299)	(6,299)
Share based payment charge	28	–	–	–	–	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**
Adjustments on first time adoption of IFRS16 (net of tax) *		**–**	**–**	**–**	**–**	**(265)**	**(265)**
Restated balance at 1 July 2019		**1,189**	**1,266**	**137**	**2,535**	**116,771**	**121,898**
Comprehensive income							
Profit for the year to 30 June 2020		–	–	–	–	13,314	13,314
Actuarial loss on pension scheme	22	–	–	–	–	(2,039)	(2,039)
Movement on unrecognised pension scheme surplus	22	–	–	–	–	1,869	1,869
Revaluation of financial assets at fair value through other comprehensive income	14	–	–	–	–	(834)	(834)
Movement on associated deferred tax	24	–	–	–	–	81	81
Impact of deferred tax rate change	24	–	–	–	–	(68)	(68)
Exchange differences on translation of foreign operations		–	–	–	229	–	229
Total comprehensive income		–	–	–	229	12,323	12,552
Transactions with owners							
Shares issued from exercised options		–	260	–	–	–	260
Dividends paid to shareholders	27	–	–	–	–	(6,468)	(6,468)
Share based payment charge	28	–	–	–	–	60	60
Total transactions with owners		–	260	–	–	(6,408)	(6,148)
Balance at 30 June 2020		**1,189**	**1,526**	**137**	**2,764**	**122,686**	**128,302**

The notes on pages 84 to 127 form part of these financial statements.

* The impact of adopting IFRS 16 on 1 July 2019 is detailed in Note 1 of the Notes to the Financial Statements.

Company Statement of Changes in Equity

For the year ended 30 June 2020

	Notes	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Retained earnings £'000	Total equity £'000
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 1 July 2018		**1,189**	**1,017**	**137**	**104,966**	**107,309**
Comprehensive income						
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	24	–	–	–	24	24
Total comprehensive income		–	–	–	15,762	15,762
Shares issued from exercised options		–	249	–	–	249
Purchase of own shares		–	–	–	(117)	(117)
Dividends paid to shareholders	27	–	–	–	(6,299)	(6,299)
Share based payment charge	28	–	–	–	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**
Adjustment on first time adoption of IFRS16 (net of tax) *		–	–	–	1	1
Restated balance at 1 July 2019		**1,189**	**1,266**	**137**	**114,399**	**116,991**
Comprehensive income						
Profit for the year to 30 June 2020		–	–	–	13,326	13,326
Actuarial loss on pension scheme	22	–	–	–	(2,039)	(2,039)
Movement on unrecognised pension scheme surplus	22	–	–	–	1,869	1,869
Revaluation of financial assets at fair value through other comprehensive income	14	–	–	–	(834)	(834)
Movement on associated deferred tax	24	–	–	–	81	81
Impact of deferred tax rate change	24	–	–	–	(58)	(58)
Total comprehensive income		–	–	–	12,345	12,345
Transactions with owners						
Shares issued from exercised options		–	260	–	–	260
Dividends paid to shareholders	27	–	–	–	(6,468)	(6,468)
Share based payment charge	28	–	–	–	60	60
Total transactions with owners		–	260	–	(6,408)	(6,148)
Balance at 30 June 2020		**1,189**	**1,526**	**137**	**120,336**	**123,188**

The notes on pages 84 to 127 form part of these financial statements.

* The impact of adopting IFRS 16 on 1 July 2019 is detailed in Note 1 of the Notes to the Financial Statements.

Consolidated and Company Statements of Cash Flows

For the year ended 30 June 2020

	Notes	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Cash flows from operating activities					
Cash generated from operations	29	**23,231**	25,038	**12,958**	15,460
Tax paid		**(3,848)**	(3,476)	**(1,896)**	(1,808)
Net cash generated from operating activities		**19,383**	21,562	**11,062**	13,652
Cash flows from investing activities					
Purchases of property, plant and equipment		**(6,988)**	(6,852)	**(2,641)**	(2,726)
Proceeds from sale of property, plant and equipment		**212**	3,796	**182**	306
Purchase of intangibles		**(1,719)**	(2,417)	**(1,472)**	(2,071)
Purchase of investment property		**–**	–	**(1,237)**	(1,708)
Disposal of investment property		**–**	12	**–**	3,479
Purchase of available for sale investments		**(61)**	–	**(61)**	–
Net sale of financial assets at fair value through other comprehensive income		**–**	70	**–**	70
Proceeds from sale of other financial assets at fair value through Profit and Loss account		**387**	–	**387**	–
Property rental and similar income		**92**	205	**386**	394
Dividend income		**187**	225	**4,368**	4,204
Net withdrawal/(deposit) of short-term financial assets		**7,903**	(11,193)	**7,903**	(11,193)
Interest received		**322**	403	**492**	797
Net receipt/(issue) of loan notes		**1,156**	2,575	**(837)**	1,356
Net cash received from/(used) in investing activities		**1,491**	(13,176)	**7,470**	(7,092)
Cash flows from financing activities					
Net proceeds from the issuance of ordinary shares		**260**	249	**260**	249
Purchase of own shares		**–**	(117)	**–**	(117)
Proceeds from loans		**192**	–	**–**	–
Repayment of borrowings		**(203)**	(197)	**–**	–
Settlement of lease liabilities		**(1,011)**	–	–	–
Payment of lease liabilities		**(265)**	–	**(3)**	–
Payment of lease interest		**(36)**	–	**–**	–
Dividends paid to Company's shareholders	27	**(6,468)**	(6,299)	**(6,468)**	(6,299)
Net cash used in financing activities		**(7,531)**	(6,364)	**(6,211)**	(6,167)
Effects of exchange rate changes on cash		**272**	117	**126**	45
Net increase in cash in the year		**13,615**	2,139	**12,447**	438
Cash and cash equivalents at beginning of year		**30,807**	28,668	**24,771**	24,333
Cash and cash equivalents at end of year		**44,422**	30,807	**37,218**	24,771

The notes on pages 84 to 127 form part of these financial statements.

Notes to the Financial Statements

For the year ended 30 June 2020

1 Accounting Policies

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

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

Basis of preparation

The consolidated and company financial statements of FW Thorpe Plc have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and in accordance with the Companies Act 2006. The financial statements have been prepared on a going concern basis, under the historical cost convention except for the financial instruments measured at fair value either through other comprehensive income or profit and loss per the provisions of IFRS9.

The Group adopted for the first time IFRS 16 "Leases" for the year ended 30 June 2020. 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 consolidated financial statements are presented in Pounds Sterling, which is the Company's functional and presentation currency, rounded to the nearest thousand.

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

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

Going concern

The directors confirm they are satisfied that the Group and Company have adequate resources, with £44.4m cash and £18.6m short term deposits, to continue in business for the foreseeable future factoring in the expected impact of Covid-19. They have also produced an analysis that demonstrates that the Group could cover its cash commitments even if there were zero sales over the following year from approving these accounts. For this reason, they continue to adopt the going concern basis in preparing the accounts.

Basis of consolidation

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

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

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

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

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

1 Accounting Policies continued

Equity accounted investments and joint arrangements

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

Joint operations

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

Equity accounted investments

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

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

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

Revenue recognition

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

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

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

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

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

Interest income

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

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

Dividend income

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

Notes to the Financial Statements continued

For the year ended 30 June 2020

1 Accounting Policies continued

Segment reporting

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

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

Pension costs

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

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

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

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

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

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

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

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

1 Accounting Policies continued

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

Foreign currencies

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

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.

Notes to the Financial Statements continued

For the year ended 30 June 2020

1 Accounting Policies continued

Leases

IFRS 16 replaced IAS 17 'Leases' and requires lessees to recognise right-of-use assets and lease liabilities for all leases apart from short-term and low value leases. The Group adopted IFRS 16 on 1 July 2019 using the simplified transition approach and has therefore not disclosed comparative amounts.

On adoption of IFRS16, the Group recognised lease liabilities in relation to leases that had previously been classified as 'operating leases' under the principles of IAS17. The liabilities were measured at the present value of the remaining lease payments using an appropriate incremental borrowing rate. The weighted average lease rate used was 5.5%.

Right-of-use assets have been measured on transition as if the new rules had always been applied with the difference to the lease liability value recognised as an adjustment to opening retained earnings at 1 July 2019.

The majority of leases in the Group have arisen from acquisition of companies as the Group usually purchases assets. Consequently, the adoption of IFRS 16 does not have a significant impact on the financial statements.

Financial Impact – Group

As reported in the Financial Statements for the year ended 30 June 2019 the Group had future aggregate minimum lease payments due under non-cancellable operating leases as follows:

	Land and buildings £'000	Other £'000	30 June 2019 Total £'000
Within one year	311	264	575
Within two to five years	1,061	316	1,377
Over five years	293	–	293
	1,665	**580**	**2,245**

The reconciliation of operating lease commitments disclosed at 30 June 2019 to lease liabilities recognised at 1 July 2019 is as follows:

Lease liabilities recognised on adoption	£'000
Operating lease commitments disclosed as at 30 June 2019	(2,245)
Discounted using the borrowing rate	483
Less: short-term and low value leases recognised on a straight-line basis as expense	52
Lease liability recognised at 1 July 2019	**(1,710)**
Of which are:	
Current lease liabilities	(373)
Non-current lease liabilities	(1,337)
	(1,710)

Right-of-use assets recognised at 1 July 2019	1 July 2019 £'000
Properties	929
Equipment	32
Motor vehicles	397
Total right-of-use assets	**1,358**
Deferred Tax asset recognised at 1 July 2019	**5**
Lease modification in respect of terminated lease July 2019	
NBV 1 July 2019	(929)
Lease creditor 1 July 2019	1,011
	82
Overall adjustment to retained earnings as at 1 July 2019	**(265)**

1 Accounting Policies continued

On adoption of IFRS 16, the property right-of-use asset for Thorlux Australasia PTY Limited was assessed to have a carrying value of £nil, resulting in an impairment of £250,000. This impairment is included in the opening adjustment to retained earnings.

For the year ended 30 June 2020 the impact on the Income Statement is as follows:

Finance costs have increased by £36,000, depreciation by £228,000 and other operating costs reduced by £301,000 resulting in an overall increase in profit before tax of £37,000.

Financial Impact – Company

Within the company, adoption of IFRS 16 resulted in retained earnings brought forward increasing by £1,000 with no material impact on right-of-use asset and lease liabilities.

Short term leases and low value assets

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

Intangible assets

Development costs

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

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

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.

Notes to the Financial Statements continued

For the year ended 30 June 2020

1 Accounting Policies continued

Software costs

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

Patent costs

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

Other intangible assets

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

Technology	14%
Brand name	14%–20%

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

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.

1 Accounting Policies continued

(iii) Measurement

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

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

Debt instruments

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

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

Equity instruments

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

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

(iv) Impairment

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

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

Notes to the Financial Statements continued

For the year ended 30 June 2020

1 Accounting Policies continued

Inventories

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

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

Trade receivables

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

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

Non-current assets and disposal groups held for sale

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

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.

1 Accounting Policies continued

Provisions

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

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

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

Warranty

The Group provides for expected warranty costs covering both specific known warranty claims and calculating expected future warranty claims in order to estimate the expected costs that will arise in respect of products sold within the remaining warranty periods. The expected future warranty claims provision is calculated by assessing historical data, industry failure rates and the Group's knowledge of products to determine the percentage of sales that should be provided for to cover future associated warranty costs.

Critical accounting estimates and judgements

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

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

Notes to the Financial Statements continued

For the year ended 30 June 2020

1 Accounting Policies continued

Estimates

Goodwill/Investment in subsidiaries

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

Warranty

The Group provides for expected warranty costs covering both specific known warranty claims and calculating expected future warranty claims in order to estimate the expected costs that will arise in respect of products sold within the remaining warranty periods. The usual warranty period provided is 5 years. 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. If the failure rate assumption used in the provision calculation were to increase by 5%, then the resulting provision would be higher by £90,000.

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. If the forecast EBITDA assumption were to increase by 5%, the resulting deferred consideration would increase by £300,000. Notes 20 and 28 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. If the forecast EBITDA assumption were to increase by 5%, the resulting deferred consideration would increase by £108,000. Notes 20 and 28 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.

Taxation

The investments made by the Group in research and development have resulted in patents being granted for features that are incorporated in the products the Group sells. This enables the Group to benefit from the patent box tax relief provided by the Government reducing the corporation tax liability. Note 6 contains details of the benefit received from patent box tax relief.

Inter-company loan impairment

The Company provides for expected credit losses that may arise from under-performing loans to subsidiary companies. The expected credit loss is calculated by looking at historical performance and the Company's knowledge of how the subsidiary is likely to perform in the future. Note 12 contains details of inter-company loan impairments based on an expected credit loss assumption of 45%. If the expected credit loss assumption was to increase to 55% there would be an extra charge of £267,000 to the Company.

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. **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.

Notes to the Financial Statements continued

For the year ended 30 June 2020

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 18) on the basis of expected cash flow. All external current liabilities are expected to mature within four months.

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.

Notes to the Financial Statements continued

For the year ended 30 June 2020

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

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

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

	Thorlux £'000	Netherlands companies £'000	Other companies £'000	Inter-segment adjustments £'000	Total continuing operations £'000
Year to 30 June 2020					
Revenue to external customers	**65,615**	**31,340**	**16,387**	**–**	**113,342**
Revenue to other group companies	**3,164**	**234**	**4,021**	**(7,419)**	**–**
Total revenue	**68,779**	**31,574**	**20,408**	**(7,419)**	**113,342**
Operating profit	**10,150**	**4,125**	**1,412**	**645**	**16,332**
Net finance expense					**(389)**
Profit before income tax					**15,943**
Year to 30 June 2019 (restated)					
Revenue to external customers	62,304	31,059	17,280	–	110,643
Revenue to other group companies	3,551	372	3,567	(7,490)	–
Total revenue	65,855	31,431	20,847	(7,490)	110,643
Operating profit (before disposal of property)	11,578	3,620	2,398	53	17,649
Profit on disposal of property					1,917
Operating profit	11,578	3,620	2,398	53	19,566
Net finance income					3
Profit before income tax					19,569

2 Segmental Analysis continued

Inter segment adjustments to operating profit consist of property rentals on premises owned by FW Thorpe Plc, adjustments to profit related to stocks held within the Group that were supplied by another segment and elimination of profit on transfer of assets between Group companies. The prior year segmental reporting has been restated to provide comparatives of the Netherlands companies together.

(b)i Geographical analysis

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

	2020 £'000	2019 £'000
UK	**69,657**	68,706
Netherlands	**28,748**	28,227
Rest of Europe	**12,265**	11,185
Rest of the World	**2,672**	2,525
	113,342	110,643

(b)ii Geographical analysis by product types

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

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

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

Notes to the Financial Statements continued

For the year ended 30 June 2020

3 Operating Profit

	2020 £'000	2019 £'000
Profit on sale of Property, Plant & Equipment	**(118)**	(2,116)
Depreciation of investment property	**19**	58
Depreciation of Property, Plant & Equipment		
– owned property	**2,993**	2,508
– right-of-use assets	**228**	–
Operating lease rentals		
– property	**–**	382
– other	**–**	388
Amortisation of intangible assets	**2,577**	2,456
Share appreciation rights (with associated share based payment charges)	**1,978**	2,175
Cost of inventories recognised as an expense	**45,110**	44,659
Research and development expenditure credit	**(249)**	(292)
Government grants	**(192)**	–
Currency gains in income statement	**(461)**	(69)

Services provided by the Company's auditors	2020 £'000	2019 £'000
Fees payable to Company's auditors for audit of financial statements	**210**	131
Fees payable to the Company's auditors and its associates for other services		
Audit of Company's subsidiaries	**–**	42
Other assurance services	**–**	6
	210	179

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	2020 Number	2019 Number	2020 Number	2019 Number
Production	**293**	273	**178**	170
Sales and distribution	**184**	177	**107**	100
Administration	**211**	216	**145**	149
Total average headcount	**688**	666	**430**	419

	Group		Company	
Employment costs of all employees (including executive directors)	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Wages & salaries	**27,957**	26,891	**17,803**	17,342
Social security costs	**3,262**	3,138	**1,965**	1,931
Other pension costs	**1,504**	1,453	**969**	896
	32,723	31,482	**20,737**	20,169

Included in wages and salaries are £1,821,000 (2019: £1,652,000) of temporary employees costs.

Other pension costs include contributions to pension schemes and other employer's pension related charges comprising life assurance of £80,000 (2019: £93,000), pension administration and professional charges of £119,000 (2019: £130,000) and private pension schemes amounting to £15,000 (2019: £15,000).

4 Employee Information continued

Contributions to the defined contribution section amounted to £258,000(2019: £251,000) and contributions to other schemes administered independently of the FW Thorpe pension schemes amounted to £849,000 (2019: £796,000).

	Group		Company	
Directors' Emoluments	**2020 £'000**	2019 £'000	**2020 £'000**	2019 £'000
Aggregate emoluments	**1,607**	1,974	**1,356**	1,683
Contributions to money purchase schemes	**19**	20	**19**	20
	1,626	1,994	**1,375**	1,703

At 30 June 2020 no retirement benefits were accruing to any director (2019: N/A) under the defined benefit scheme and to J E Thorpe (2019: J E Thorpe) under the defined contribution scheme. Additionally compensation payments for the loss of pension contributions totalling £245,000 (2019: £207,000) were made to 5 (2019: 5) directors.

	Group		Company	
Highest paid director	**2020 £'000**	2019 £'000	**2020 £'000**	2019 £'000
Total of emoluments and amounts receivable	**427**	442	**427**	442

Compensation payments for the loss of pension contributions for the highest paid director were £41,000 (2019: £146,000).

The key management personnel are the Group Board directors.

Further details are provided in the directors' remuneration report on pages 65 to 68.

5 Net Finance Income/Expense

	2020 £'000	2019 £'000
Finance income		
Current assets		
Interest receivable	**293**	312
Non-current assets		
Fair value adjustments on loans	**23**	–
Dividend income on financial assets at fair value through other comprehensive income	**187**	225
Net rental income	**64**	224
Loan interest	**141**	213
Gain on disposal of financial assets	**–**	75
	708	1,049
Finance cost		
Current liabilities		
Interest payable	**2**	1
Lease liability interest expense	**36**	–
Share appreciation rights distribution	**958**	922
Non-current assets		
Loss on settlement of loan notes	**–**	9
Loan interest	**101**	114
	1,097	1,046
Net finance (expense)/ income	**(389)**	3

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.

Notes to the Financial Statements continued

For the year ended 30 June 2020

6 Income Tax Expense

Analysis of income tax expense in the year:

	2020 £'000	2019 £'000
Current tax		
Current tax on profits for the year	**3,691**	3,963
Adjustments in respect of prior years	**(981)**	(609)
Total current tax	**2,710**	3,354
Deferred tax		
Origination and reversal of temporary differences	**(81)**	75
Total deferred tax	**(81)**	75
Income tax expense	**2,629**	3,429

The tax assessed for the year is lower (2019: lower) than the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%). The differences are explained below:

	2020 £'000	2019 £'000
Profit before income tax	**15,943**	19,569
Profit on ordinary activities multiplied by the standard rate in the UK of 19.00% (2019: 19.00%)	**3,029**	3,718
Effects of:		
Expenses not deductible for tax purposes	**854**	881
Accelerated tax allowances and other timing differences	**17**	55
Adjustments in respect of prior years	**(981)**	(609)
Chargeable gains relief on disposal of property	**–**	(352)
Patent box relief	**(643)**	(597)
Foreign profit taxed at higher rate	**353**	333
Tax charge	**2,629**	3,429

The effective tax rate was 16.49% (2019: 17.52%). Adjustments in respect of prior years relates to refunds received for prudent assumptions on additional investment allowances and patent box relief in the tax calculations.

The UK corporation tax rate of 19% (effective 1 April 2020) was substantively enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17%.

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	2020	2019
Weighted average number of ordinary shares in issue	**116,272,709**	116,060,378
Profit attributable to equity holders of the Company (£'000)	**13,314**	16,140
Basic earnings per share (pence per share) total	**11.45**	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	2020	2019
Weighted average number of ordinary shares in issue (diluted)	**116,805,366**	116,689,595
Profit attributable to equity holders of the Company (£'000)	**13,314**	16,140
Diluted earnings per share (pence per share) total	**11.40**	13.83

8 Property, Plant and Equipment

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

	Group: Freehold land and buildings £'000	Group: Plant and equipment £'000	Group: Total £'000	Company: Freehold land and buildings £'000	Company: Plant and equipment £'000	Company: 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

Freehold land which was not depreciated at 30 June 2020 amounted to £774,000 (2019: £769,000) (Group) and £500,000 (2019: £500,000) (Company).

Notes to the Financial Statements continued

For the year ended 30 June 2020

9 Intangible Assets

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

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

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

Amortisation and impairment of £2,577,000 (2019: £2,456,000) is included in the administrative expenses. Included in goodwill are amounts of £2,618,000 (2019: £2,618,000) arising from the acquisition of Portland Lighting Limited in 2011, €7,784,000 (£7,091,000) (2019: €7,784,000 (£6,976,000)) arising from the acquisition of Lightronics Participaties B.V. in 2015 and €5,057,000 (£4,607,000) (2019: €5,057,000 (£4,532,000)) 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.

9 Intangible Assets continued

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

For Portland Lighting Limited the value in use has been determined using cashflow projections covering a five year period with a terminal value all discounted at a rate of 6.3%. For prudence, no growth has been assumed from 2023. For an impairment to be required, the discount rate would need to exceed 11.77% (Group) and 9.27% (Company: investments in subsidiaries).

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

Due to the timing of the acquisitions that gave rise to the majority of our goodwill held, our assessment also considers business performance and likely net realisable value, which must be assessed as part of settlement of related share appreciation rights. At expected levels of EBITDA we consider that our goodwill is fully recoverable with headroom on the Lightronics and Famostar CGUs of £16m in the Group and £7m in the Company (investments in subsidiaries, financial assets at amortised cost and amounts due from group companies).

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

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

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

Notes to the Financial Statements continued

For the year ended 30 June 2020

9 Intangible Assets continued

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

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

10 Investments in Subsidiaries

The cost of investment in subsidiaries is as follows:

	Company	
	2020 £'000	2019 £'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 2019	14,581	–
At 30 June 2020	**14,581**	**–**

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

11 Investment Property

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Cost				
At 1 July	2,259	2,271	10,211	10,593
Additions	–	–	1,237	1,708
Disposals	–	(12)	–	(2,090)
At 30 June	**2,259**	2,259	**11,448**	10,211
Accumulated depreciation				
At 1 July	253	195	1,080	1,378
Charge for the year	19	58	238	254
Disposals	–	–	–	(552)
At 30 June	**272**	253	**1,318**	1,080
Net book amount				
At 30 June	**1,987**	2,006	**10,130**	9,131

The following amounts have been recognised in the income statement:

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Rental income	**142**	198	**408**	421
Direct operating expenses arising from investment properties that generate rental income	**(98)**	(95)	**(316)**	(270)

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 (2019: £1,296,000) is freehold land and therefore not depreciated; the property element includes accumulated depreciation of £272,000 (2019: £253,000) 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.

11 Investment Property continued

An external fair value exercise of the land by the River Wye and the land in Monmouthshire was last undertaken in June 2019 resulting in a valuation of £1.57m, which is greater than the carrying value of those specific investment properties. The directors' valuation of this investment property for the year ended 30 June 2020 shows no material change.

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

Each investment property generates rental income.

12 Financial Assets at Amortised Cost

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

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

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

Mackwell Electronics Limited

Following the disposal of Mackwell Electronics Limited on 2 December 2011, the Group acquired loan notes of £2,000,000 as part of the consideration. £Nil was repaid during the year (2019: £100,000), leaving a balance due at 1% over the Bank of England base rate of £377,000 (2019: £377,000).

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 £177,000 (2019: £200,000) for these loan notes. A payment of £20,000 was received on 30 July 2020 enabling a reduction in the provision of £23,000 (2019: £Nil).

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

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

Therefore the total balance due from Mackwell and its directors is £2,000,000 (2019: £1,977,000) after provisions.

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 €367,000 was repaid and at the date of the financial statements, the loan notes balance was €nil (2019: €367,000) equating to £nil (2019: £328,000) at the end of year exchange rate.

Notes to the Financial Statements continued

For the year ended 30 June 2020

12 Financial Assets at Amortised Cost continued

Famostar Emergency Lighting B.V.

Part of the acquisition of Famostar Emergency Lighting B.V. included partial funding of the 35% share appreciation rights held by the existing rights holders in Lightronics Participaties B.V. This was achieved by the issue of a loan of €1,640,000. During the year €941,000 was repaid and at the date of the financial statements, the loan notes balance was €467,000 (2019: €1,408,000) equating to £425,000 (2019: £1,262,000) 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 from Famostar and Lightronics is £425,000 which represents their carrying value at 30 June 2020. Of this balance, the Group exposure to credit risk on these receivables is £425,000.

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.

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
At 1 July	**3,567**	6,139	**12,115**	13,482
Issued	**–**	–	**2,283**	1,632
Repaid	**(1,136)**	(2,583)	**(1,484)**	(2,988)
Fair value adjustment	**23**	–	**(114)**	(124)
Exchange rate movement	**(29)**	11	**163**	113
At 30 June	**2,425**	3,567	**12,963**	12,115

	Group		Company	
Analysis of total financial assets at amortised cost	**2020 £'000**	2019 £'000	**2020 £'000**	2019 £'000
Non-current loans and receivables	**1,800**	3,567	**12,338**	12,115
Current loans and receivables	**625**	–	**625**	–
	2,425	3,567	**12,963**	12,115

The £2,283,000 loan issued by the Company was to Lightronics Participaties B.V. for the purchase of the property occupied by Famostar Emergency Lighting B.V..

The debt investment to Lightronics Participaties B.V. of €10,626,000 (£9,680,000) 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 £1,118,000 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 £261,000 (2019: £124,000) for these loan notes based on an expected credit loss of 45%.

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 (2019: £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. In the year, this has been reclassified to financial assets at fair value through other comprehensive income as the Group is not able to assert influence over the management of this investment.

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

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
At 1 July	**936**	936	**936**	968
Reclassification to financial assets at fair value through other comprehensive income	**(936)**	–	**(936)**	(32)
At 30 June	**–**	936	**–**	936

14 Financial Assets at Fair Value through Other Comprehensive Income

Group and Company	**30 June 2020 £'000**	30 June 2019 £'000
Beginning of year	**3,683**	3,820
Net additions	**61**	75
Loss on disposal	**–**	(70)
Reclassification from equity accounted investments and joint arrangements	**936**	–
Reclassification to trade and other receivables	**(74)**	–
Revaluation	**(834)**	(142)
	3,772	3,683

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.

An impairment of £407,000 (2019: £nil) is included in the revaluation amount of £834,000 for the investment in Luxintec S.L. based on the fair value assessment of this investment.

Financial assets at fair value through other comprehensive income comprise:

i) Listed equity in the UK, and are denominated in UK pounds. None of these assets is either past due or impaired; and

ii) The investment in Luxintec S.L. that has been reclassified from equity accounted investments in the year.

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.

Notes to the Financial Statements continued

For the year ended 30 June 2020

15 Inventories

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Raw materials	**16,257**	17,329	**8,654**	10,987
Work in progress	**2,964**	2,862	**2,379**	2,357
Finished goods	**6,075**	5,315	**5,881**	5,010
	25,296	25,506	**16,914**	18,354

The value of the inventory provision is £3,308,000 (2019: £3,006,000) for the Group and £1,702,000 (2019: £1,494,000) for the Company.

16 Trade and Other Receivables

	Group		Company	
Current	**2020 £'000**	2019 £'000	**2020 £'000**	2019 £'000
Trade receivables	**18,945**	19,427	**12,064**	11,406
Other receivables	**941**	734	**833**	538
Prepayments and accrued income	**1,370**	1,341	**986**	1,035
Amounts owed by subsidiaries	**–**	–	**8,250**	7,615
Total	**21,256**	21,502	**22,133**	20,594

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	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Trade receivables past due date not provided	**1,734**	1,303	**1,157**	548

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

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. A significant proportion of the trade receivables are insured. The policy covers 90% of the debt in the event of a claim for default, where the customer is in severe financial difficulty. No bad debt provision is made in respect of trade receivables from Government departments or agencies. There were no material changes to the value of expected credit losses on adoption of IFRS 9. At 30 June 2020 the bad debt provision for the Group amounted to £154,000 (2019: £54,000) and for the Company £27,000 (2019: £2,000).

No provision is held against trade receivables that are not yet due, due to the good credit history and expected financial performance of customers and the overall exposure is considered low due to levels of credit insurance in place. Credit limits are reviewed at least every 6 months to assess and amend, where appropriate, the credit limit offered to customers.

Included in amounts owed by subsidiaries are provisions for expected credit losses for Thorlux Lighting L.L.C. of £442,000 (2019: £359,000) and Thorlux Australasia PTY Limited of £497,000 (2019: £418,000), based on an expected credit loss of 45%.

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

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Bad debts written off	**47**	26	**41**	16
Bad debts recovered	**(41)**	(21)	**(40)**	(11)
Net bad debt expense	**6**	5	**1**	5

16 Trade and Other Receivables continued

At 30 June 2020, trade receivables were due to the Group and Company in the following currency denominations:

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Due in £ sterling	**12,525**	12,917	**11,192**	10,215
Due in € euro	**5,826**	5,615	**718**	1,099
Due in UAE dirham	**312**	433	**–**	–
Due in Australian dollars	**128**	370	**–**	–
Due in $ United States dollars	**154**	92	**154**	92
	18,945	19,427	**12,064**	11,406

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

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

17 Other Financial Assets at Fair Value Through Profit and Loss

The Group and Company had units in a sterling cash fund. At 30 June 2020 this amounted to £nil (2019: £387,000).

	30 June 2020 £'000	30 June 2019 £'000
Sterling cash fund	**–**	387

18 Short-term Financial Assets

Group and Company	**2020 £'000**	2019 £'000
Beginning of year	**26,483**	15,290
Net (withdrawals)/ deposits	**(7,903)**	11,193
	18,580	26,483

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.

19 Cash and Cash Equivalents

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Cash at bank and in hand	**44,422**	30,807	**37,218**	24,771

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 2020

20 Trade and Other Payables

	Group		Company	
	2020	2019	**2020**	2019
Current liabilities	**£'000**	£'000	**£'000**	£'000
Trade payables	**9,069**	11,547	**6,018**	8,296
Contract liabilities	**414**	–	**414**	–
Other payables	**16,948**	1,630	**12,826**	347
Social security and other taxes	**2,447**	2,275	**1,236**	664
Accruals and deferred income	**7,307**	6,460	**5,085**	4,603
Amounts owed to subsidiaries	**–**	–	**2,385**	3,380
	36,185	21,912	**27,964**	17,290
Non-current liabilities				
Other payables	**67**	12,804	**–**	10,242
	67	12,804	**–**	10,242

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

Included within other payables in current liabilities is a commitment to purchase the outstanding share appreciation rights (deferred consideration) in the subsidiaries Lightronics Participaties B.V. and Famostar Emergency Lighting B.V. of £15,550,000 (2019 non-current £12,757,000), including a loan of £1,971,000 (2019 non-current: £2,139,000) from Spuiweg Holding B.V. For the Company, the commitment to purchase the outstanding share appreciation rights (deferred consideration) is £12,429,000 (2019: £10,242,000).

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

21 Lease liabilities

Right-of-use assets

As detailed in the accounting policies note the Group adopted IFRS 16 on 1 July 2019.

	Group			
	Property £'000	Plant and Equipment £'000	Motor vehicles £'000	Total £'000
At 1 July 2019	929	32	397	1,358
Additions*	–	56	136	192
Depreciation charge for the year	–	(23)	(205)	(228)
Lease termination	(929)	–	–	(929)
Currency translation	–	2	11	13
At 30 June 2020	**–**	**67**	**339**	**406**

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

	Company	
	Motor vehicles £'000	Total £'000
At 1 July 2019	4	4
Depreciation charge for the year	(4)	(4)
At 30 June 2020	**–**	**–**

Lease liabilities

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

21 Lease liabilities continued

Maturity analysis

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

	Total £'000
Within one year	251
More than one but less than five years	444
More than five years	11
Total due including interest	**706**

The total cash paid on these leases during the year was £301,000.

	£'000
Expense relating to short-term leases	234
Expense relating to low value leases	8

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 2020 amounted to £616,000 (2019: £606,000). 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%

Notes to the Financial Statements continued

For the year ended 30 June 2020

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 2020 by an independent qualified actuary using the following major assumptions:

	2020	2019	2018	2017	2016
Price inflation	**3.30%**	3.50%	3.40%	3.50%	3.00%
Salary increases	**3.30%**	3.50%	3.40%	3.50%	3.00%
Discount rate	**1.40%**	2.10%	2.70%	2.60%	2.90%
Revaluation for deferred pensioners	**2.30%**	2.50%	2.40%	2.50%	2.00%
Pension increases in payment of 5% pa or RPI if less	**3.10%**	3.30%	3.20%	3.30%	2.90%
Pension increases in payment of 2.55% pa or RPI if less	**2.10%**	2.20%	2.10%	2.20%	2.00%
Life expectancy at age 65 – men	**22.5 years**	22.5 years	23.1 years	23.0 years	23.0 years
Life expectancy at age 65 in 20 years – men	**23.6 years**	23.5 years	24.8 years	24.7 years	24.0 years
Life expectancy at age 65 – women	**24.7 years**	24.7 years	25.4 years	25.3 years	25.0 years
Life expectancy at age 65 in 20 years – women	**25.9 years**	25.9 years	27.2 years	27.1 years	26.0 years

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

	30 June 2020		30 June 2019		30 June 2018		30 June 2017		30 June 2016	
	Expected long-term rate of return %	**Value £'000**	Expected long-term rate of return %	Value £'000	Expected long-term rate of return %	Value £'000	Expected long-term rate of return %	Value £'000	Expected long-term rate of return %	Value £'000
Equities	**1.4%**	**11,003**	2.70%	12,570	2.70%	13,154	2.60%	12,152	2.90%	14,968
Bonds	**1.4%**	**29,549**	2.70%	26,618	2.70%	24,769	2.60%	25,859	2.90%	19,311
Other	**1.4%**	**2,300**	2.70%	2,387	2.70%	1,665	2.60%	413	2.90%	1,237
Total market value of assets		**42,852**		41,575		39,588		38,424		35,516
Present value of scheme liabilities		**(42,583)**		(39,437)		(37,259)		(37,710)		(33,731)
Surplus in the scheme		**269**		2,138		2,329		714		1,785

Amounts recognised in Statement of Financial Position

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

	2020 £'000	2019 £'000
Present value of funded obligations	**(42,583)**	(39,437)
Fair value of plan assets	**42,852**	41,575
Surplus in the scheme	**269**	2,138
Less restriction of surplus recognised in the Statement of Financial Position	**(269)**	(2,138)
Asset recognised in the Statement of Financial Position	**–**	–

22 Pension Scheme continued

Movement in defined benefit obligation

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

	2020 £'000	2019 £'000
At 1 July	**(39,437)**	(37,259)
Current service cost	**(446)**	(423)
Interest cost	**(818)**	(992)
Contributions by plan participants	**(328)**	(298)
Actuarial loss	**(3,302)**	(2,195)
Benefits paid	**1,748**	1,730
At 30 June	**(42,583)**	(39,437)

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:

	2020 £'000	2019 £'000
At 1 July	**41,575**	39,588
Expected return in plan assets	**864**	1,058
Actuarial gains	**1,217**	1,755
Employer contributions	**616**	606
Employee contributions	**328**	298
Benefits paid	**(1,748)**	(1,730)
At 30 June	**42,852**	41,575

Amounts recognised in Income Statement

The amounts recognised in the Income Statement are as follows:

	2020 £'000	2019 £'000
Current service cost	**446**	423

Actuarial loss recognised in Statement of Comprehensive Income for the year

	2020 £'000	2019 £'000
Actual return less expected return on pension scheme assets	**1,217**	1,755
Experience losses arising on the scheme liabilities	**(171)**	(294)
Changes in assumptions underlying the present value on the scheme liabilities	**(3,131)**	(1,901)
Net interest income	**46**	66
Restriction of decrease in pension scheme surplus	**1,869**	191
Actuarial loss recognised in the Statement of Comprehensive Income	**(170)**	(183)

	2020 £'000	2019 £'000
Cumulative actuarial loss recognised in the Statement of Comprehensive Income at 1 July	**(4,447)**	(4,073)
Actuarial loss recognised in the Statement of Comprehensive Income for the year	**(2,039)**	(374)
Cumulative actuarial loss recognised in the Statement of Comprehensive Income at 30 June	**(6,486)**	(4,447)

Notes to the Financial Statements continued

For the year ended 30 June 2020

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 (2019: £189,000) is included in Other Payables.

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

The actual return on plan assets over the year ended 30 June 2020 was £2,081,000 (2019: £2,813,000) or 3.1% (2019: 7.1%). The Group expects to pay £634,000 contributions (2019: £636,000) into the pension scheme during the forthcoming year.

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

	2020		2019		2018		2017		2016	
	£'000	**%**	£'000	%	£'000	%	£'000	%	£'000	%
Difference between the expected and actual return on scheme assets	**1,217**		1,755		592		2,121		2,612	
Percentage of scheme assets		**3%**		4%		1.5%		6%		7%
Experience (gain)/ loss on scheme liabilities	**(171)**		(294)		214		(1,129)		(1,401)	
Percentage of the present value of scheme liabilities		**0%**		1%		(0.6%)		3%		4%
Changes in assumptions underlying the present value of the scheme liabilities	**(3,131)**		(1,901)		632		(2,254)		(2,609)	
Percentage of the present value of scheme liabilities		**7%**		5%		(1.7%)		6%		8%
Movement in recovery plan liability	**–**		–		–		–		–	
Percentage of the present value of scheme liabilities		**0%**		0%		0%		0%		0%
Net interest income	**46**		66		21		51		113	
Percentage of the present value of scheme liabilities		**0%**		0%		0%		0%		0%
Amount which has been recognised in the SOCI	**(2,039)**		(374)		1,459		(1,211)		(1,285)	
		5%		1%		4%		3%		4%

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 2020	42.6
Discount rate 0.5% p.a. higher	40.7
Increase in salaries 0.5% p.a. higher	42.8
Pension Increase (in payment and in deferment) 0.5% p.a. higher	43.6
Life expectancy one year longer	43.7

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.

23 Provisions for Liabilities and Charges

	Group			Company		
	WEEE provision £'000	Warranty provision £'000	Total £'000	WEEE provision £'000	Warranty provision £'000	Total £'000
At 1 July 2018	102	2,062	2,164	102	334	436
Additions	–	399	399	–	40	40
Utilisation	–	(176)	(176)	–	(10)	(10)
Currency translation	–	17	17	–	–	–
At 1 July 2019	102	2,302	2,404	102	364	466
Additions	–	559	559	–	368	368
Utilisation	–	(200)	(200)	–	(39)	(39)
Surplus	–	(65)	(65)	–	–	–
Currency translation	–	23	23	–	–	–
At 30 June 2020	**102**	**2,619**	**2,721**	**102**	**693**	**795**

	Group		Company	
Analysis of total provisions	**2020 £'000**	2019 £'000	**2020 £'000**	2019 £'000
Non-current	**2,721**	2,404	**795**	466
Total	**2,721**	2,404	**795**	466

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 2021.

Warranty provision

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

24 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	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Deferred tax assets	**–**	–	**–**	–
Deferred tax liabilities	**(601)**	(699)	**(398)**	(493)
Net deferred tax liabilities	**(601)**	(699)	**(398)**	(493)

Notes to the Financial Statements continued

For the year ended 30 June 2020

24 Deferred Income Tax continued

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

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Beginning of year	**(699)**	(647)	**(493)**	(421)
Adoption of IFRS 16	**5**	–	**1**	–
Income statement credit/(charge)	**81**	(75)	**71**	(96)
Tax credited directly to equity	**13**	24	**23**	24
Currency translation	**(1)**	(1)	**–**	–
End of year	**(601)**	(699)	**(398)**	(493)

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 2018	8	8
Charged to the income statement	(8)	(8)
At 1 July 2019	–	–
Charged to the income statement	–	–
At 30 June 2020	**–**	**–**

Deferred tax liabilities	Accelerated tax depreciation £'000	Research & development £'000	Fair value & other timing differences £'000	Total £'000
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 1 July 2019	150	668	(119)	699
Adoption of IFRS 16	–	–	(5)	(5)
Charged/(credited) to the income statement	107	(100)	(88)	(81)
Credited directly to equity	13	69	(95)	(13)
Currency translation	–	1	–	1
At 30 June 2020	**270**	**638**	**(307)**	**601**

24 Deferred Income Tax continued

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

Deferred tax liabilities	Accelerated tax depreciation £'000	Research & development £'000	Fair value & other timing differences £'000	Total £'000
At 1 July 2018	35	462	(76)	421
Charged/(credited) to the income statement	77	39	(20)	96
Credited directly to equity	–	–	(24)	(24)
At 1 July 2019	112	501	(120)	493
Adoption of IFRS 16	–	–	(1)	(1)
Charged/(credited) to the income statement	58	(45)	(84)	(71)
Credited directly to equity	13	59	(95)	(23)
At 30 June 2020	**183**	**515**	**(300)**	**398**

The deferred income tax credited to equity during the year is as follows:

	Group		Company	
Deferred tax credited to equity	**2020 £'000**	2019 £'000	**2020 £'000**	2019 £'000
Tax on revaluation of financial assets at fair value through other comprehensive income	**13**	24	**23**	24
	13	24	**23**	24

25 Share Capital

	Group and Company	
	2020 £'000	2019 £'000
Authorised, allotted and fully paid		
118,935,590 ordinary shares of 1p each (2019: 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	**2020 £'000**	2019 £'000	**2020 No. of shares**	2019 No. of shares
At 1 July	**28**	30	**2,814,932**	2,969,546
Shares issued from treasury	**(2)**	(2)	**(209,839)**	(200,614)
Shares repurchased	**–**	–	**–**	46,000
At 30 June	**26**	28	**2,605,093**	2,814,932

There were no new shares issued during the year (2019: nil). 209,839 (2019: 200,614) shares were issued from treasury for the exercise of share options, of which the Company repurchased nil (2019: 46,000). There are 1,044,482 (2019: 1,606,711) share options outstanding at the year end.

Notes to the Financial Statements continued

For the year ended 30 June 2020

26 Other Reserves

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Share premium account	**1,526**	1,266	**1,526**	1,266
Capital redemption reserves	**137**	137	**137**	137
Foreign currency translation reserve	**2,764**	2,535	**–**	–
	4,427	3,938	**1,663**	1,403

27 Dividends

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

Dividends paid (pence per share)	**2020**	2019
Final dividend	**4.10**	4.00
Interim dividend	**1.46**	1.43
Total	**5.56**	5.43

A final dividend in respect of the year ended 30 June 2020 of 4.20p per share, amounting to £4,886,000 (2019: £4,763,000) is to be proposed at the Annual General Meeting on 19 November 2020 and, if approved, will be paid on 26 November 2020 to shareholders on the register on 30 October 2020. The ex-dividend date is 29 October 2020. These financial statements do not reflect this dividend payable.

Dividends proposed (pence per share)	**2020**	2019
Final dividend	**4.20**	4.10

Dividends paid	**2020 £'000**	2019 £'000
Final dividend	**4,770**	4,639
Interim dividend	**1,698**	1,660
Total	**6,468**	6,299

Dividends proposed	**2020 £'000**	2019 £'000
Final dividend	**4,886**	4,763

28 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 £60,000 (2019: £86,000) for the year.

At 30 June 2020, there were 310,322 options exercisable (2019: 190,161) under the ESOP or SAYE schemes.

28 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 2019	1,180,161	124	426,550	209	1,606,711
Exercised during the year	(209,839)	124	–	–	(209,839)
Forfeited during the year	(330,000)	–	(22,390)	–	(352,390)
Outstanding at 30 June 2020	**640,322**	**124**	**404,160**	**209**	**1,044,482**

The weighted average contractual life of the share based payments outstanding at the end of the year is 4.3 years for the ESOP scheme and 1.8 years for the SAYE scheme.

b) Fair value calculations

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

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

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

Cash-settled share based payment charge

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

Under IFRS 2, an expense is recognised in the income statement for share based payments, calculated on the fair value at the settlement date. The application of IFRS 2 gave rise to a charge of £1,151,000 (2019: £790,000) for the year. The total liability at 30 June 2020 was £2,752,000 (2019: £1,601,000).

The fair value of the share based payment (being calculated by estimating the additional payment due to the relevant employees), was reviewed during the year based on current performance. This review resulted in an annual increase in the share based payment charge of £317,000 (2019: £343,000).

Notes to the Financial Statements continued

For the year ended 30 June 2020

29 Cash Generated from Operations

	Group		Company	
Cash generated from continuing operations	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Profit before income tax	**15,943**	19,569	**14,117**	17,544
Depreciation charge	**3,221**	2,508	**1,777**	1,574
Depreciation of investment property	**19**	58	**238**	254
Amortisation of intangibles	**2,577**	2,456	**1,590**	1,462
Profit on disposal of property, plant and equipment	**(118)**	(2,116)	**(109)**	(137)
Profit on disposal of investment property	**–**	–	**–**	(1,942)
Net finance expense/(income)	**389**	(3)	**(4,961)**	(5,650)
Retirement benefit contributions in excess of current and past service charge	**(170)**	(183)	**(170)**	(183)
Impairment of equity accounted investments	**–**	–	**–**	32
Share based payment charge	**1,211**	855	**1,211**	855
Research and development expenditure credit	**(249)**	(292)	**(174)**	(215)
Effects of exchange rate movements	**(219)**	(48)	**(81)**	(30)
Changes in working capital				
– Inventories	**238**	(4,025)	**1,439**	(4,230)
– Trade and other receivables	**571**	2,428	**(1,358)**	1,426
– Payables and provisions	**(182)**	3,831	**(561)**	4,700
Total cash generated from operations	**23,231**	25,038	**12,958**	15,460

30 Capital commitments

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

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Property, plant and equipment	**46**	918	**45**	635

31 Financial Instruments by Category

All financial instruments measured at fair value are categorised as level 2 in the fair value measurement hierarchy, whereby the fair value is determined by using valuation techniques, except for £3,243,000 (2019: £4,070,000) 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 2020				
Assets as per statement of financial position				
Financial assets at amortised cost	**2,425**	**–**	**–**	**2,425**
Financial assets at fair value through Other Comprehensive Income	**–**	**3,772**	**–**	**3,772**
Trade and other receivables	**19,886**	**–**	**–**	**19,886**
Short-term financial assets	**18,580**	**–**	**–**	**18,580**
Cash and cash equivalents	**44,422**	**–**	**–**	**44,422**
Total	**85,313**	**3,772**	**–**	**89,085**

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				
Financial assets at amortised cost	3,567	–	–	3,567
Financial assets at fair value through other comprehensive income	–	3,683	–	3,683
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

Notes to the Financial Statements continued

For the year ended 30 June 2020

31 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 2020				
Assets as per statement of financial position				
Financial assets at amortised cost	**12,963**	**–**	**–**	**12,963**
Financial assets at fair value through other comprehensive income	**–**	**3,772**	**–**	**3,772**
Trade and other receivables	**21,147**	**–**	**–**	**21,147**
Short-term financial assets	**18,580**	**–**	**–**	**18,580**
Cash and cash equivalents	**37,218**	**–**	**–**	**37,218**
Total	**89,908**	**3,772**	**–**	**93,680**

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				
Financial assets at amortised cost	12,115	–	–	12,115
Financial assets at fair value through other comprehensive income	–	3,683	–	3,683
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

The above analysis excludes prepayments.

	Group		Company	
Liabilities as per statement of financial position	**30 June 2020 £'000**	30 June 2019 £'000	**30 June 2020 £'000**	30 June 2019 £'000
Trade and other payables (excluding statutory liabilities)	**18,188**	19,634	**14,299**	16,625
Deferred consideration	**15,550**	12,757	**12,429**	10,242
Post employment benefits	**67**	47	**–**	–
Lease liabilities	**637**	–	**–**	–

Financial liabilities are measured at amortised cost.

Contractual cash flows relating to current financial liabilities are all due within one year, and are equal to their carrying value. Included in other payables (deferred consideration) is an interest bearing loan, of which the principal amount of €2.2m (£2.0m) is due for repayment within one year. Interest is contractually due to be paid annually until maturity, and is estimated at current rates to be €110,000 (£100,000) per year. Furthermore liabilities arising to repurchase share appreciation rights are non-interest bearing are all due within one year.

The Group and Company did not have derivative financial instruments at 30 June 2020 or 30 June 2019. All assets and liabilities above are considered to be at fair value.

32 Related Party Transactions

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

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

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.	–	–	–	–	–

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	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Philip Payne Limited	**(639)**	(1,021)	**61**	39
Solite Europe Limited	**(773)**	(1,034)	**159**	78
Portland Lighting Limited	**(400)**	(902)	**36**	8
TRT Lighting Limited	**(465)**	(278)	**819**	1,474
Thorlux Lighting L.L.C.	**–**	–	**238**	305
Lightronics Participaties B.V.	**(16)**	(22)	**4,782**	4,191
Thorlux Australasia PTY Limited	**–**	–	**1,802**	1,480
Thorlux Lighting GmbH	**(92)**	(123)	**–**	–
Famostar Emergency Lighting B.V.	**–**	–	**353**	40
Total	**(2,385)**	(3,380)	**8,250**	7,615

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 €10,626,000 (£9,680,000) (2019: €8,493,000 (£7,611,000) and Thorlux Lighting L.L.C. £1,118,000 (2019: £937,000). The Company has made provisions for receivables due from Thorlux Australasia PTY Limited of £497,000 and £703,000 due from Thorlux Lighting L.L.C.

Notes to the Financial Statements continued

For the year ended 30 June 2020

32 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 65 to 68. There are 2 employees who are related parties (2019: 3). Total remuneration for the year was £93,000 (2019: £87,000).

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 £7,000 (2019: £6,000), purchased goods and services amounting to £453,000 (2019: £288,000). At the year end there were trade balances due to Luxintec S.L. of £60,000 (2019: £69,000) and £nil due from Luxintec S.L. (2019: £190).

33 Group Companies

The parent Company has the following investments as at 30 June 2020 and 30 June 2019:

			Proportion of nominal value of issued shares held by Group and Company	
Name of undertaking	Country of incorporation	Description of shares held	**30 June 2020**	30 June 2019
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

33 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 2020, Compact Lighting Limited, Philip Payne Limited, Solite Europe Limited, Portland Lighting Limited and TRT Lighting Limited are exempt from the requirements of the Companies Act 2006 relating to the audit of individual financial statements by virtue of section 479A. As a result, the Group guarantees all outstanding liabilities to which the subsidiary company is subject. The Company registration number for Compact Lighting Limited is 02649528, for Philip Payne Limited it is 01361523, for Solite Europe Limited it is 02295852, for Portland Lighting Limited it is 02826511 and for TRT Lighting Limited it is 08092266.

34 Events after the Statement of Financial Position date

Subsequent to the date of the Statement of Financial Position and before the approval of these financial statements, the Group's subsidiary company, Lightronics Participaties B.V., experienced a fire at its facility in the Netherlands. Details of this are included in the Chairman's Statement on page 10. The Group's insurance policies will cover the costs from the disruption due to this fire and therefore no significant impact is expected on the Group's financial statements.

Notice of Meeting

Notice is hereby given that the Annual General Meeting of FW Thorpe Plc will be held at Merse Road, North Moons Moat, Redditch, Worcestershire, B98 9HH on 19 November 2020 at 3:15 pm to transact the business set out below.

The 2020 Annual General Meeting will be a closed meeting, in light of the UK Government's restrictions on public gatherings, which are in place at the time of issuing this notice. Shareholders will not be permitted entry to the meeting.

Ordinary business

1. To receive and adopt the Annual Report and Accounts for the year ended 30 June 2020.
2. To declare a final dividend.
3. To re-elect Mr M Allcock as a director.
4. To re-elect Mr A B Thorpe as a director.
5. To re-elect Mr A M Cooper as a director.
6. To re-appoint PricewaterhouseCoopers LLP as auditors of the Company, to hold office until the conclusion of the next General Meeting at which accounts are laid before the Company and to authorise the directors to fix the auditors' remuneration.

Special business

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

7. That the directors' remuneration report (as set out on pages 65 to 68 of the Annual Report and Accounts) for the year ended 30 June 2020 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 2021; 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. In light of the UK Government's restrictions on public gatherings, it has been confirmed that attendance at a general meeting by shareholders is not "essential for work purposes" and, accordingly, the meeting will be run as a closed meeting and shareholders, their proxies and other attendees will not be permitted to attend and will be refused entry. Shareholders are kindly urged to vote by proxy, appointing the Chairman of the meeting as their proxy, rather than a named person who will not be permitted to attend the meeting.
2. Subject to the UK Government's restrictions referred to above, copies of the directors' service contracts will be available for inspection during usual business hours, at the registered office of the Company on any weekday (Saturdays and public holidays excepted) from the date of this notice until the date of the meeting and also at the meeting for at least 15 minutes prior to, and until the conclusion of, the meeting. If you wish to inspect these documents, please contact the Company at shareholders@fwthorpe.co.uk.
3. 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 17 November 2020 (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.

4. 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 and shareholders are urged to appoint the Chairman of the meeting as their proxy, rather than a named person who will not be permitted to attend the meeting owing to the UK Government's restrictions.

   Details of how to appoint a proxy using the form of proxy are set out in the notes on the form of proxy.

5. 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. As no other persons will be entitled to attend the meeting in person due to the UK Government's restrictions, shareholders are urged not to appoint more than one proxy in relation to the meeting.
6. 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 17 November 2020 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.
7. 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.
8. 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 17 November 2020 (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.
9. 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.
10. 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).
11. As at 30 September 2020 (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 2,605,093 shares held in treasury, the total voting rights in the Company as at 30 September 2020 are 116,330,497.

Notice of Meeting continued

12. Please note that, as shareholders will not be able to attend the meeting, the Company is proposing to allow shareholders the opportunity to raise any issues or concerns arising from the business proposed to be conducted at the meeting. Appropriate questions on the business of the meeting should be emailed to shareholders@fwthorpe.co.uk before 6.00pm on 18 November 2020 and responses will be posted on the Company's website on the day after the meeting. The Company will answer any such question relating to the business being dealt with at the meeting, but no such answer need be given if:
    a. to do so would interfere unduly with the preparations for the meeting or involve the disclosure of confidential information; or
    b. the answer has already been given on a website in the form of an answer to a question; or
    c. it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

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

30 September 2020

AGM 2020

In the light of the UK Government's restrictions on public gatherings, which are in place at the time of issuing the notice convening the Company's Annual General Meeting for 2020, the Company is adopting the following arrangements in order to ensure that the health and safety of our shareholders, directors, employees and other key stakeholders are protected:

- The meeting will only address the formal matters contained in the notice convening the meeting.
- In accordance with the Company's articles of association, the quorum necessary to constitute the meeting is two members present in person or by proxy; therefore, two members will be in attendance to form the quorum and conduct the business.
- Attendance by additional shareholders Is not considered as "essential for work purposes" and so would not be permitted under the current restrictions. Shareholders may not attend in person and will be refused entry to the meeting, given the current restrictions.
- All shareholders are urged to appoint the Chairman of the meeting as their proxy, with voting instructions. Please refer to the notes to the notice of the meeting for more information regarding proxy voting. It is emphasised that any forms of proxy being returned via a postal service should be submitted as soon as possible, to allow for any delays to, or suspensions of, postal services in the UK as a result of measures being implemented by the UK Government.
- Please note that, as shareholders will not be able to attend the meeting, the Company is proposing to allow shareholders the opportunity to raise any issues or concerns arising from the business to be conducted at the meeting. Please refer to the notes to the notice of the meeting for more information.
- If the arrangements for the meeting change due to the UK Government changing the current restrictions or implementing further measures relating to the holding of general meetings prior to the meeting (including the arrangements outlined above), the Company will issue a further communication via the regulatory news service and on its website at www.fwthorpe.co.uk.

Financial Calendar

2020	
12 October	Posting of the Annual Report and Accounts
19 November	Annual General Meeting
26 November	Payment of final dividend
2021	
March	Announcement of interim results
April	Payment of interim dividend
September	Announcement of results for the year

Consultancy, design and production by:
jonesandpalmer.co.uk

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