OUR FINANCIALS

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Pictured: Renesse, Netherlands

Consolidated Income Statement

For the year ended 30 June 2018

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

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

Basic and diluted earnings per share	Notes	2018 pence	2017 pence
– Basic	7	13.91	12.54
– Diluted	7	13.81	12.47

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

The company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the company income statement.

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2018

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

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

Consolidated and Company Statements of Financial Position

As at 30 June 2018

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

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

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

Michael Allcock

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

Consolidated Statement of Changes in Equity

For the year ended 30 June 2018

	Notes	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Foreign currency translation reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 July 2016		1,189	656	137	1,606	87,119	90,707
Comprehensive income							
Profit for the year to 30 June 2017		–	–	–	–	14,500	14,500
Actuarial loss on pension scheme	22	–	–	–	–	(1,211)	(1,211)
Movement on unrecognised pension scheme surplus	22	–	–	–	–	1,071	1,071
Revaluation of available-for-sale financial assets	14	–	–	–	–	287	287
Movement on associated deferred tax	15	–	–	–	–	18	18
Exchange differences on translation of foreign operations		–	–	–	657	–	657
Total comprehensive income		–	–	–	657	14,665	15,322
Transactions with owners							
Dividends paid to shareholders	26	–	–	–	–	(4,858)	(4,858)
Share based payment charge	27	–	–	–	–	121	121
Total transactions with owners		–	–	–	–	(4,737)	(4,737)
Balance at 30 June 2017		**1,189**	**656**	**137**	**2,263**	**97,047**	**101,292**
Comprehensive income/(expense)							
Profit for the year to 30 June 2018		–	–	–	–	16,110	16,110
Actuarial loss on pension scheme	22	–	–	–	–	1,459	1,459
Movement on unrecognised pension scheme surplus	22	–	–	–	–	(1,615)	(1,615)
Revaluation of available-for-sale financial assets	14	–	–	–	–	189	189
Movement on associated deferred tax	15	–	–	–	–	(32)	(32)
Exchange differences on translation of foreign operations		–	–	–	119	–	119
Total comprehensive income		–	–	–	119	16,111	16,230
Transactions with owners							
Shares issued from exercised options		–	361	–	–	–	361
Dividends paid to shareholders	26	–	–	–	–	(5,737)	(5,737)
Share based payment charge	27	–	–	–	–	106	106
Total transactions with owners		–	361	–	–	(5,631)	(5,270)
Balance at 30 June 2018		**1,189**	**1,017**	**137**	**2,382**	**107,527**	**112,252**

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

Company Statement of Changes in Equity

For the year ended 30 June 2018

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

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

Consolidated and Company Statements of Cash Flows

For the year ended 30 June 2018

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

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

Notes to the Financial Statements

For the year ended 30 June 2018

1 Accounting Policies

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

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

Basis of preparation

The consolidated and company financial statements of FW Thorpe Plc have been prepared in accordance with International Financial reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), IFRIC interpretations and the Companies Act 2006 applicable to the Companies reporting under IFRS. The financial statements have been prepared on a going concern basis, under the historical cost convention other than available for sale and other financial assets held at fair value per the provisions of IAS 39.

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

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

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

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

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

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

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

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

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

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

IFRS 16 "Leases" (effective 1 January 2019)

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

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

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

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

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

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

1 Accounting Policies continued

Basis of preparation (continued)

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

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

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

Basis of consolidation

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

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

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

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

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

Equity accounted investments

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

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

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

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

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

Revenue recognition

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

Interest income

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

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

Dividend income

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

Notes to the Financial Statements continued

For the year ended 30 June 2018

1 Accounting Policies continued

Segment reporting

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

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

Pension costs

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

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

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

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

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

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

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

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

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

1 Accounting Policies continued

Foreign currencies

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

Taxation

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

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

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

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

Dividend distribution

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

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

Property, plant and equipment

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

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

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

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

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

Leases

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

Notes to the Financial Statements continued

For the year ended 30 June 2018

1 Accounting Policies continued

Intangible assets

Development costs

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

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

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

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

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

Fishing rights

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

Goodwill

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

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

Software costs

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

Patent costs

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

Other intangible assets

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

Technology	14%
Brand name	14%–20%

1 Accounting Policies continued

Investment properties

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

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

Investments in subsidiaries

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

Inventories

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

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

Trade receivables

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

Financial assets at fair value through profit and loss

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

Non-current assets and disposal groups held for sale

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

Short-term financial assets

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

Cash and cash equivalents

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

Current asset investments

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

Available-for-sale financial assets

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

Trade payables

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

Notes to the Financial Statements continued

For the year ended 30 June 2018

1 Accounting Policies continued

Provisions

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

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

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

Critical accounting estimates and judgements

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

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

Estimates	**Warranty** The Group provides for expected warranty costs covering both specific known warranty claims and calculating expected future warranty claims. The expected future warranty claims provision is calculated by assessing historical data, industry failure rates and the Group's knowledge of products to determine the percentage of sales that should be provided for to cover future associated warranty costs. **Lightronics share appreciation rights** The Group has an obligation to purchase the share appreciation rights from the management and former shareholders of the Lightronics business. To calculate the expected share appreciation repurchase value the Group have considered the recent and budgeted future performance of the Lightronics business analysing forecasted EBITDA, revenue and costs upon which the obligation is based. This analysis is reviewed and updated each year and, if necessary, adjustments are made to ensure that the provision value reflects the best current estimate of settlement with movements recognised as a share based payment charge. **Famostar share appreciation rights** The Group has an obligation to purchase the share appreciation rights from the same rights holders as for the Lightronics business. To calculate the expected share appreciation repurchase value the Group have considered the recent and budgeted future performance of the Famostar business analysing forecasted EBITDA, revenue and costs upon which the obligation is based. This analysis is reviewed and updated each year and, if necessary, adjustments are made to ensure that the provision value reflects the best current estimate of settlement with movements recognised as a share based payment charge. **Famostar fair value acquisition adjustments** The Group acquired Famostar Emergency Lighting B.V. during the year; as part of the acquisition the Group have performed a purchase price allocation review and have assessed the fair value of the assets acquired. Acquired non-current intangible assets are recognised when separately identifiable and the fair value measurable based on historical cost or with reference to common industry valuation methods. The fair value of finished goods inventory and requirement for warranty provision is assessed with reference to the historical data, industry practice and saleability of similar products. **Retirement benefit obligations** The Group recognises its obligations to employee retirement benefits. The quantification of these obligations is subject to significant estimates and assumptions regarding life expectancy, discount and inflation rates and the rate of increase in pension payments. In making these assumptions the Group takes advice from an independent qualified actuary about which assumptions best reflect the nature of the Group's obligations to employee retirement benefits. These assumptions are regularly reviewed by our actuaries Cartwright Benefit Consultants Ltd to ensure their appropriateness.

1 Accounting Policies continued

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

Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

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

(ii) Price risk

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

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

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

(iii) Commodity price risk

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

(iv) Interest rate risk

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

(b) Credit risk

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

Notes to the Financial Statements continued

For the year ended 30 June 2018

1 Accounting Policies continued

(c) Liquidity risk

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

Capital risk management

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

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

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

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

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

Fair value estimation

Financial instruments

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

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

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

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

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

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

Other assets and liabilities

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

Share capital

Ordinary shares are classified as equity.

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

Share based payments

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

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

Cash-settled share based payments

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

2 Segmental Analysis

(a) Business segments

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

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

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

	Thorlux £'000	Lightronics £'000	Other companies £'000	Inter-segment adjustments £'000	Total continuing operations £'000
Year to 30 June 2018					
Revenue to external customers	**64,645**	**20,860**	**24,109**	**–**	**109,614**
Revenue to other group companies	**3,930**	**196**	**2,956**	**(7,082)**	**–**
Total revenue	**68,575**	**21,056**	**27,065**	**(7,082)**	**109,614**
Operating profit	**13,611**	**2,050**	**3,407**	**398**	**19,466**
Net finance income					**101**
Share of profit of joint venture					**–**
Profit before income tax					**19,567**
Year to 30 June 2017					
Revenue to external customers	65,323	19,243	20,882	–	105,448
Revenue to other group companies	3,794	304	4,364	(8,462)	–
Total revenue	69,117	19,547	25,246	(8,462)	105,448
Operating profit/(loss)	14,162	2,372	2,163	(275)	18,422
Net finance expense					(249)
Share of profit of joint venture					178
Profit before income tax					18,351

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

b) Geographical analysis

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

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

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

Notes to the Financial Statements continued

For the year ended 30 June 2018

3 Operating Profit

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

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

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

4 Employee Information

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

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

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

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

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

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

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

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

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

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

The key management personnel are the Group Board directors.

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

Notes to the Financial Statements continued

For the year ended 30 June 2018

5 Net finance income/expense

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

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

6 Income Tax Expense

Analysis of income tax expense in the year:

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

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

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

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

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

7 Earnings Per Share

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

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

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

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

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

Notes to the Financial Statements continued

For the year ended 30 June 2018

8 Property, Plant and Equipment

	Group			Company		
	Freehold land and buildings £'000	Plant and equipment £'000	Total £'000	Freehold land and buildings £'000	Plant and equipment £'000	Total £'000
Cost						
At 1 July 2017	14,556	18,990	33,546	6,192	14,648	20,840
Acquisition of a subsidiary	528	1,323	1,851	–	–	–
Additions	3,301	2,558	5,859	68	2,107	2,175
Disposals	–	(1,247)	(1,247)	–	(469)	(469)
Transfers	294	(294)	–	–	–	–
Currency translation	(3)	(2)	(5)	–	–	–
At 30 June 2018	**18,676**	**21,328**	**40,004**	**6,260**	**16,286**	**22,546**
Accumulated depreciation						
At 1 July 2017	2,789	11,920	14,709	1,830	9,463	11,293
Acquisition of a subsidiary	435	1,188	1,623	–	–	–
Charge for the year	464	1,672	2,136	128	1,246	1,374
Disposals	–	(1,139)	(1,139)	–	(383)	(383)
Transfers	141	(141)	–	–	–	–
Currency translation	–	(4)	(4)	–	–	–
At 30 June 2018	**3,829**	**13,496**	**17,325**	**1,958**	**10,326**	**12,284**
Net book amount						
At 30 June 2018	**14,847**	**7,832**	**22,679**	**4,302**	**5,960**	**10,262**
Cost						
At 1 July 2016	11,541	18,410	29,951	5,867	14,614	20,481
Acquisition of a subsidiary	–	44	44	–	–	–
Additions	2,935	2,715	5,650	325	1,909	2,234
Disposals	–	(2,131)	(2,131)	–	(1,875)	(1,875)
Transfers	80	(80)	–	–	–	–
Currency translation	–	32	32	–	–	–
At 30 June 2017	14,556	18,990	33,546	6,192	14,648	20,840
Accumulated depreciation						
At 1 July 2016	2,567	12,484	15,051	1,718	10,238	11,956
Acquisition of a subsidiary	–	9	9	–	–	–
Charge for the year	222	1,407	1,629	112	994	1,106
Disposals	–	(1,988)	(1,988)	–	(1,769)	(1,769)
Currency translation	–	8	8	–	–	–
At 30 June 2017	2,789	11,920	14,709	1,830	9,463	11,293
Net book amount						
At 30 June 2017	11,767	7,070	18,837	4,362	5,185	9,547

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

9 Intangible Assets

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

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

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

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

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

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

Notes to the Financial Statements continued

For the year ended 30 June 2018

9 Intangible Assets continued

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

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

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

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

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

10 Investments in Subsidiaries

The cost of investment in subsidiaries is as follows:

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

The movement in the investment and provisions is as follows:

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

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

11 Investment Property

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

The following amounts have been recognised in the income statement:

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

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

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

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

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

Each investment property generates rental income.

Notes to the Financial Statements continued

For the year ended 30 June 2018

12 Loans and receivables

Mackwell Electronics Limited

Following the disposal of Mackwell Electronics Limited on 2 December 2011, the Group acquired loan notes of £2,000,000 as part of the consideration. £550,000 was repaid during the year and £77,000 interest was capitalised, leaving a balance due at 1% over the Bank of England base rate of £477,000 (2017: £950,000).

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

Sugg Lighting Limited

Following the disposal of Sugg Lighting Limited on 6 February 2015 the Group acquired loan notes of £1,634,000 secured on the freehold property. As at 30 June 2018, the outstanding value of these loan notes was £1,417,000 (2017: £1,472,720).

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

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

Lightronics Participaties B.V.

Part of the acquisition of Lightronics Participaties B.V. included partial funding of the 35% share appreciation rights held by existing shareholders and management. At the date of the financial statements, the loan notes balance was €1,349,000 (2017: €1,805,000) equating to £1,192,000 (2017: £1,585,000) at the end of year exchange rate. The loan notes are repayable on or before the sixth anniversary (1 April 2021) and attract an interest rate of 4%.

Famostar Emergency Lighting B.V.

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

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

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

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

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

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

13 Equity Accounted Investments

The Group has a joint venture in United Arab Emirates. Thorlux Lighting LLC is registered in United Arab Emirates and operates from a sales office in Abu Dhabi. The Group has applied the proportionate consolidation method of accounting to recognise this interest. Additions of £nil (2017: £32,000) reflects the 49% of the share capital the Company owns of this joint venture.

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

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

14 Available-for-sale Financial Assets

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

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

There were no impairment provisions on available-for-sale financial assets in 2018 or 2017.

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

None of these assets is either past due or impaired.

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

Notes to the Financial Statements continued

For the year ended 30 June 2018

15 Deferred Income Tax

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

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

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

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

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

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

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

15 Deferred Income Tax continued

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

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

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

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

16 Inventories

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

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

Notes to the Financial Statements continued

For the year ended 30 June 2018

17 Trade and Other Receivables

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

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

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

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

Provisions are made for bad debts when an undisputed debt is three months past due date or earlier if an adverse event occurs. A significant proportion of the trade receivables are insured. The policy covers 90% of the debt in the event of a claim for default. The bad debt provision includes the remaining 10% of the default in the event of a potential claim. No bad debt provision is made in respect of trade receivables from Government departments or agencies. At 30 June 2018 the bad debt provision for the Group amounted to £64,000 (2017: £128,000) and for the company £1,000 (2017: £nil).

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

During the year the following amounts were written off:

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

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

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

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

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

18 Other Financial Assets at Fair Value Through Profit and Loss

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

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

19 Short-term Financial Assets

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

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

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

20 Cash and Cash Equivalents

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

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

21 Trade and Other Payables

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

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

Notes to the Financial Statements continued

For the year ended 30 June 2018

22 Pension Scheme

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

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

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

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

The assets of the scheme are held separately from the assets of the Group, being invested in Managed Funds. Contributions by the Group to the scheme during the year ended 30 June 2018 amounted to £633,000 (2017: £675,000). Contributions are determined by an independent qualified actuary on the basis of triennial valuations using the Project Unit Method.

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

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

The figures at 30 June 2015 have been updated as at the Statement of Financial Position dates in order to assess the additional disclosures required under IAS 19 as at 30 June 2018 by an independent qualified actuary using the following major assumptions:

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

22 Pension Scheme continued

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

	30 June 2018		30 June 2017		30 June 2016		30 June 2015		30 June 2014	
	Expected long-term rate of return £'000	Value £'000	Expected long-term rate of return £'000	Value £'000	Expected long-term rate of return £'000	Value £'000	Expected long-term rate of return £'000	Value £'000	Expected long-term rate of return £'000	Value £'000
Equities	2.70%	13,154	2.60%	12,152	2.90%	14,968	n/a	13,696	n/a	12,796
Bonds	2.70%	24,769	2.60%	25,859	2.90%	19,311	3.80%	16,486	4.30%	14,707
Other	2.70%	1,665	2.60%	413	2.90%	1,237	n/a	1,522	n/a	1,448
Total market value of assets		39,588		38,424		35,516		31,704		28,951
Present value of scheme liabilities		(37,259)		(37,710)		(33,731)		(28,824)		(26,053)
Surplus in the scheme		2,329		714		1,785		2,880		2,898

Amounts recognised in Statement of Financial Position

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

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

Movement in defined benefit obligation

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

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

Movement in the fair value of the plan assets

The movement in the fair value of the plan assets of the year is as follows:

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

Notes to the Financial Statements continued

For the year ended 30 June 2018

22 Pension Scheme continued

Amounts recognised in Income Statement

The amounts recognised in the Income Statement are as follows:

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

Actuarial gain recognised in Statement of Comprehensive Income for the year

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

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

The restriction in the scheme surplus is excluded from the cumulative actuarial gain recognised in the Statement of Comprehensive Income. As a result of the most recent valuation, and in light of the non-recognition of the pension scheme surplus, the recovery plan liability of £189,000 (2017: £189,000) is included in Other Payables.

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

The actual return on plan assets over the year ending 30 June 2018 was £1,586,000 (2017: £3,147,000) or 4.1% (2017: 8.9%). The Group expects to pay £680,000 contributions (2017: £647,000) into the pension scheme during the forthcoming year.

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

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

23 Provision for Liabilities & Charges

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

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

WEEE provision

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

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

Although the timescale of the utilisation of this provision cannot be predicted with certainty, it is expected that it will not be utilised before 30 June 2019.

Warranty provision

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

24 Share Capital

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

The ordinary shareholders each have one vote per share.

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

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

Notes to the Financial Statements continued

For the year ended 30 June 2018

25 Other Reserves

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

26 Dividends

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

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

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

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

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

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

27 Share Based Payment Charge

Equity settled scheme

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

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

Under IFRS 2, an expense is recognised in the income statement for share based payments, calculated on the fair value at the settlement date. The application of IFRS 2 gave rise to a charge of £106,000 (2017: £121,000) for the year.

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

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

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

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

b) Fair value calculations

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

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

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

Cash-settled share based payment charge

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

Under IFRS 2, an expense is recognised in the income statement for share based payments, calculated on the fair value at the settlement date. The application of IFRS 2 gave rise to a charge of £429,000 (2017: £234,000) for the year. The total liability at 30 June 2018 was £811,000 (2017: £382,000).

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

Notes to the Financial Statements continued

For the year ended 30 June 2018

28 Cash Generated from Operations

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

29 Commitments

(a) Capital commitments

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

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

(b) Operating lease commitments

The Group leases premises under non-cancellable operating lease agreements. The lease terms are between one and ten years (2017: one and four years), and the lease agreements are renewable at the end of the lease period at market rate.

Additional information

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

Group	Land and buildings 2018 £'000	Other 2018 £'000	Total 2018 £'000	Land and buildings 2017 £'000	Other 2017 £'000	Total 2017 £'000
Within one year	262	244	506	298	144	442
Within two to five years	765	309	1,074	36	240	276
Over five years	463	–	463	–	–	–
	1,490	553	2,043	334	384	718

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

30 Financial Instruments by Category

All financial instruments measured at fair value are categorised as level 2 in the fair value measurement hierarchy, whereby the fair value is determined by using valuation techniques, except for £4,209,000 (2017: £4,019,000) of fixed rate listed investments included in available-for-sale and other financial assets at fair value through profit or loss that are classified as level 1. The valuation techniques for level 2 instruments use observable market data where it is available, for example quoted market prices, and rely less on estimates.

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

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

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

Notes to the Financial Statements continued

For the year ended 30 June 2018

30 Financial Instruments by Category continued

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

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

The above analysis excludes prepayments.

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

Financial liabilities are measured at amortised cost.

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

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

31 Related Party Transactions

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

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

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

Balances due to and from the Company by related entities were as follows:

	Amounts due to related party at 30 June		Amounts due from related party at 30 June	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Compact Lighting Limited	(55)	(35)	–	1,309
Philip Payne Limited	(878)	(909)	27	10
Solite Europe Limited	(935)	(574)	45	7
Portland Lighting Limited	(1,127)	(1,527)	10	2
TRT Lighting Limited	(132)	(175)	2,115	2,851
Thorlux Lighting LLC	–	–	789	1,105
Lightronics Participaties B.V.	(16)	(17)	3,128	2,095
Thorlux Australasia PTY Limited	–	–	1,748	1,588
Thorlux Lighting GmbH	(233)	–	–	–
Famostar Emergency Lighting B.V.	–	–	–	–
Total	(3,376)	(3,237)	7,862	8,967

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

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

The key management personnel are the Group Board directors; their interests are disclosed in the directors' remuneration report on pages 46 to 48. There are 4 employees who are related parties (2017: 4). Total remuneration for the year was £77,000 (2017: £195,000).

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

Notes to the Financial Statements continued

For the year ended 30 June 2018

32 Group Companies

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

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

The registered office addresses of these Group companies are:

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

The principal activities of these Group companies are:

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

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

33 Acquisition Of Subsidiary

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

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

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

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

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

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

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

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

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

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

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

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

34 Events After The Statement Of Financial Position Date

There were no significant events between the statement of financial position date and the approval of these financial statements.

Notice of Meeting

Notice is hereby given that the Annual General Meeting of FW Thorpe Plc will be held at Merse Road, North Moons Moat, Redditch, Worcestershire, B98 9HH on 22 November 2018 at 3:15 pm to transact the following business:

Ordinary business

1. To receive and adopt the Annual Report and Accounts for the year ended 30 June 2018.
2. To declare a final dividend.
3. To re-elect Mr A B Thorpe as a director.
4. To re-elect Mr C Muncaster as a director.
5. To re-elect Mr A M Cooper as a director.
6. To re-appoint PricewaterhouseCoopers LLP as auditors of the company, to hold office until the conclusion of the next General Meeting at which accounts are laid before the company and to authorise the directors to fix the auditors' remuneration.

Special business

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

7. That the directors' remuneration report (as set out on pages 46 to 48 of the Annual Report and Accounts) for the year ended 30 June 2018 be approved.
8. That the company be generally and unconditionally authorised to make market purchases (within the meaning of section 693(4) of the Companies Act 2006) of ordinary shares of 1p each of the company provided that:
   a. the maximum number of ordinary shares hereby authorised to be acquired is 11,893,559;
   b. the minimum price which may be paid for any such share is 1p;
   c. the maximum price which may be paid for any such share is an amount equal to 105% of the average of the middle market quotations for an ordinary share in the company as derived from the Alternative Investment Market for the five business days immediately preceding the day on which such share is contracted to be purchased;
   d. the authority hereby conferred shall expire on the date of the Annual General Meeting of the company in 2019; and
   e. the company may make a contract to purchase its ordinary shares under the authority hereby conferred prior to the expiry of such authority, which contract will or may be executed wholly or partly after the expiry of such authority, and may purchase its ordinary shares in pursuance of any such contract.

Notes

1. Copies of the directors' service contracts will be available for inspection during usual business hours, at the registered office of the company on any weekday (Saturdays and public holidays excepted) from the date of this notice until the date of the meeting and also at the meeting for at least 15 minutes prior to, and until the conclusion of, the meeting.
2. To be entitled to attend and vote at the meeting (and for the purposes of the determination by the company of the votes they may cast), members must be registered in the Register of Members of the company at 6.30 pm on 20 November 2018 (or, in the event of any adjournment, 6.30 pm on the date which is two days before the time of the adjourned meeting). Changes to the Register of Members of the company after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
3. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend, speak and vote on his or her behalf. A proxy need not also be a member but must attend the meeting to represent you. Details of how to appoint the Chairman of the meeting or another person as your proxy using the form of proxy are set out in the notes on the form of proxy. If you wish your proxy to speak on your behalf at the meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.
4. To appoint more than one proxy, an additional proxy form(s) may be obtained by contacting the company's registrars, Equiniti, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA, or you may photocopy the proxy form. Please indicate in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given.
5. A reply paid form of proxy is enclosed with shareholders' copies of this document. To be valid, it should be lodged with the company's registrars, Equiniti, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA, so as to be received not later than 3.15 pm on 20 November 2018 or 48 hours before the time appointed for any adjourned meeting or, in the case of a poll taken subsequent to the date of the meeting or adjourned meeting, so as to be received no later than 24 hours before the time appointed for taking the poll.

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

   In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent ID RA19, by 3.15 pm on 20 November 2018 (or, in the case of an adjournment of the Annual General Meeting, not later than 48 hours before the time fixed for the holding of the adjourned meeting). For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

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

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

7. As at 15 October 2018 (being the last practicable day prior to the publication of this notice), the company's issued share capital consists of ordinary shares of 1p each, carrying one vote each. Excluding 2,969,546 shares held in treasury, the total voting rights in the company as at 15 October 2018 are 115,966,044.

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

By order of the Board

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

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

15 October 2018

Financial Calendar

2018

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

2019

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