OUR GOVERNANCE

Pictured: Millets Farm Centre, Oxfordshire

Board of Directors

Mike Allcock

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

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

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

Craig Muncaster

Joint Group Chief Executive, Group Financial Director and Company Secretary

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

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

Andrew Thorpe

Executive Director

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

Keys Areas of Expertise/Responsibility:
Manufacturing, Product Design/Management, Sales & Marketing, Industry Knowledge, Strategy

Tony Cooper

Manufacturing Director, Thorlux Lighting

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

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

David Taylor

Managing Director, Philip Payne

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

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

James Thorpe

Business Development Director, Thorlux Lighting

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

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

Peter Mason

Non-Executive Director

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

Keys Areas of Expertise/Responsibility:
R Financial Management, Governance, Company Secretarial, Industry Knowledge

Ian Thorpe

Non-Executive Director

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

Keys Areas of Expertise/Responsibility:
R Manufacturing, Human Resources, Governance, Industry Knowledge

Committee key

R Remuneration Committee

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

Bankers
Lloyds
Church Green East
Redditch
Worcestershire
B98 8BZ

Solicitors
Keystone Law
48 Chancery Lane
London
WC2A 1JF

Pinsent Masons LLP
19 Cornwall Street
Birmingham
B3 2FF

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

Registrars
Equiniti
Aspect House
Spencer Road
Lancing
BN99 6DA

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

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

Directors' Report

The directors present their Directors' report with the audited consolidated financial statements of the Group and the Company for the financial year ended 30 June 2018.

Principal Activity

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

Business Review

The trading results for the year are set out in the Consolidated Income Statement on page 58 and the Group's financial position at the end of the year is set out in the Consolidated and Company Statement of Financial Position on page 60. A review of the performance of the business during the financial year and expected future developments are contained in the Chairman's Statement, the Operational Performance section and the Financial Performance section which form part of the Strategic Report.

Key Performance Indicators

The directors consider the main financial key performance indicators (KPIs) to be those disclosed on pages 16 and 17 (financial highlights). The two most important KPIs to the business are revenue and operating profit.

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

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

Principal Risks and Uncertainties

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

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

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

Internal Control

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

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

Other Areas of Control

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

Proposed Dividend

Details of the proposed dividend are disclosed in the Financial Performance section on pages 30 and 31.

Directors

The directors of the company during the year and at the date of this report are set out on pages 38 and 39.

The directors retiring by rotation are A B Thorpe, C Muncaster and A M Cooper who, being eligible, offer themselves for re-election. The contract for A B Thorpe is terminable on 24 months' notice. C Muncaster and A M Cooper have service contracts terminable on 12 months' notice.

Directors' Share Interests

The details of the directors' share interests are set out in the directors' remuneration report on page 48.

Directors' Indemnities

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

Board Constitution

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

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

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

I A Thorpe
Non-executive director.

Terms and conditions for the operation of this committee are in place and it meets as and when required. The committee's report is presented on pages 46 to 48.

Where there is a requirement for a senior personnel or subsidiary board appointment a sub-committee is formed. Any appointment to the Group Board would involve all Board members in the selection process.

The Board meets regularly during the year and has a schedule of matters reserved for its approval, which only the Board may change.

Substantial Shareholdings

At 15 October 2018, the company had received notification of the following interests in 3% or more of the issued share capital, excluding holdings of directors:

Liontrust Investment Partners LLP
6,892,138 (5.8%)

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

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

Relations with Shareholders

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

Directors' Authority to Issue Shares

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

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

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

Purchase of Own Shares

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

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

The proposed authority will be limited by the terms of the special resolution to the purchase of 11,893,559 ordinary shares representing 10% of the company's issued ordinary share capital at 15 October 2018 and a nominal value of £118,936.

The minimum price per ordinary share payable by the company (exclusive of expenses) will be 1p. The maximum to be paid will be an amount not more than 5% above the average of the middle market quotations for ordinary shares of the company as derived from the Alternative Investment Market on the five business days immediately preceding the date of each purchase. The company may either cancel any shares which it purchases under this authority or transfer them into treasury, and subsequently sell or transfer them out of treasury or cancel them. The maximum number of shares and the permitted price range are stated in order to comply with statutory and Stock Exchange requirements and should not be taken as representative of the number of shares (if any) which may be purchased, or the terms of such a purchase.

The authority will lapse on the date of the Annual General Meeting of the company in 2019. However, in order to maintain the Board's flexibility of action it is envisaged that it will be renewed at future Annual General Meetings.

Corporate Governance

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

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

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

Directors' Report continued

Principle	Extent of current compliance	Commentary	Further disclosure
1. Establish a strategy and business model which promote long-term value for shareholders	Compliant	The Group's business strategy is detailed in our Annual Report & Accounts and focuses on delivering long term growth and stability, achieved through four key strategic priorities: • Focus on high quality products and good leadership in technology • Continue to grow the customer base for Group companies • Focus on manufacturing excellence • Continue to develop high quality people	Find out more in the **Strategic Report** on pages 08 to 35 Read about our **Strategy** on pages 16 and 17 Read about our **Business Model** on pages 14 and 15
2. Seek to understand and meet shareholders needs and expectations	Compliant	Meetings are held with shareholders as required, this includes visits to our various company locations being organised and encouraged where possible. In addition, all announcements include contact details for shareholders to contact the Company if they so choose. The AGM is another forum for dialogue with our shareholders. The Notice of Meeting is sent to shareholders at least 21 days before the meeting. Any feedback during these meetings is encouraged and acted upon where appropriate.	Find out more in the **Directors' Report** on page 41
3. Take into account wider stakeholder and social responsibilities and their implications for long-term success	Compliant	Feedback from employees, customers, suppliers and other stakeholders is actively encouraged. Our employees are an important stakeholder group and we actively encourage dialogue with the company via various employee committees within our companies. Reports from these meetings are distributed to the Board.	Find out more in the **Strategic Report** on pages 08 to 35 and in our **Sustainability** section on pages 34 and 35
4. Embed effective risk management, considering both opportunities and threats, throughout the organisation	Compliant	The Board operates a continuous risk identification and evaluation process. The results are utilised by the Board to manage any significant risks. In addition, the executive directors regularly visit all operating sites and review financial and commercial issues with an executive director responsible for each individual company. The Board has overall responsibility for the system of internal control and for reviewing its effectiveness throughout the Group. Internal financial control is driven by Group finance who visit each company to assess compliance against key controls. This includes regular financial reporting that is compared against plan and previous year's performance.	Find out more about our **Principal Risk and Uncertainties** on pages 32 and 33 and in the **Directors' Report** on page 40
5. Maintain the board as a well-functioning, balanced team led by the chair	Partially Compliant	Total of eight directors, six executive directors and two non-executive directors. The non-executives are not considered fully independent. The Board considers that the non-executive directors are appropriate as they bring significant experience and expertise in the sector. In addition, as the directors retire on a three-year rotation, shareholders have a regular opportunity to ensure that the composition of the board is in line with their interests. There is a Remuneration Committee but no Audit Committee, with matters that would normally be tabled at an Audit Committee put to the full Board.	Find out more in **Our Governance** on pages 38 to 55 Read about our **Board of Directors** on pages 38 and 39 Read our **Directors' Report** on pages 40 and 41

Principle	Extent of current compliance	Commentary	Further disclosure
6. Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities	Compliant	The current composition of the Board provides the necessary skills, experience and capabilities for the size and context of the Group. The composition and succession of the Board are subject to review, considering the future needs of the Group.	Find out more in **Our Governance** on pages 38 to 55 Read about our **Board of Directors** on pages 38 and 39 Read our **Directors' Report** on pages 40 to 44
7. Evaluate board performance based on clear and relevant objectives, seeking continuous improvement	Partially Compliant	There is no formal evaluation process, however, the Chairman is responsible for Board performance and accordingly actively encourages feedback on the content and function of board meetings. The composition and succession of the Board are subject to constant review, considering the ever-changing needs of the Group. In addition, the directors retire by rotation every three years giving shareholders the opportunity to ensure that the board is aligned with their interests.	
8. Promote a corporate culture that is based on ethical values and behaviours	Compliant	Our core aim is for long term growth and stability. The Group management team is passionate about developing the business for the benefit of the shareholders, employees and customers. With our focus on excellence, we ensure our Group's culture is consistent with the aim of long term growth and stability. In order to achieve and maintain such a culture, we invest in training our employees, as mentioned in the Annual Report & Accounts.	Find out more in the **Strategic Report** on pages 08 to 35 Read about our **Strategy** on pages 16 and 17
9. Maintain governance structures and processes that are fit for purpose and support good decision making by the board	Compliant	The Board as a whole is responsible for robust governance practices. The roles and responsibilities of each director are clear and responsibilities understood. The Board meets at least eight times each year, with additional meetings as required.	Find out more in the **Directors' Report** on pages 40 to 44 Read about our **Board of Directors** on pages 38 and 39
10. Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	Compliant	The Company communicates through the Annual Report & Accounts, full-year and interim announcements, the AGM and one-to-one meetings with existing or potential shareholders. A range of corporate information is also available on the Company's website. Meetings with shareholders, employee groups, management and other representative groups provide a platform for raising any concerns relating to corporate governance.	Find out more online at: **www.fwthorpe.co.uk**

Directors' Report continued

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

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

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

Statement on the Provision of Information to Independent Auditors

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

Independent Auditors

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

Going Concern

The directors confirm that they are satisfied that the Group and Company have adequate resources, with £28.7m cash and £15.3m short-term deposits, to continue in business for the foreseeable future, and for this reason, they continue to adopt the going concern basis in preparing the accounts.

Approval of Strategic and Directors' Report

The directors confirm that the information contained within the Strategic Report on pages 08 to 35 and the Directors' Report on pages 40 to 44 is an accurate representation of the Group's strategy and performance.

By order of the Board

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

15 October 2018

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

Company Registration Number: 317886

Statement of Directors' Responsibilities

in respect of the Financial Statements

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

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

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

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

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

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

Directors' confirmations

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

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

By order of the Board

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

15 October 2018

Directors' Remuneration Report

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

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

Remuneration Committee

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

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

Remuneration Policy

Executive Directors

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

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

The remuneration package consists of the following elements:

1. Basic salary, benefits in kind and other benefits. The salary is determined in August each year, unless there has been a change in responsibilities, where an adjustment will be made at the same time. The benefits in kind mainly consist of the provision of a car and health insurance. A director may choose to take a cash allowance instead of a car. Other benefits consist of pension arrangements and life assurance.
2. Annual bonus. The bonus is made up of two elements. The first element relates to the operating profit of the business unit for which the director has specific performance responsibilities. The second element relates to the operating profit of the Group as a whole. The bonuses are paid in September and relate to the period ending on 30 June in the same year.
3. Long term incentive scheme. This scheme consists of the "Executive Share Ownership Plan" (ESOP) details of which are shown on page 48.

Non-Executive Directors

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

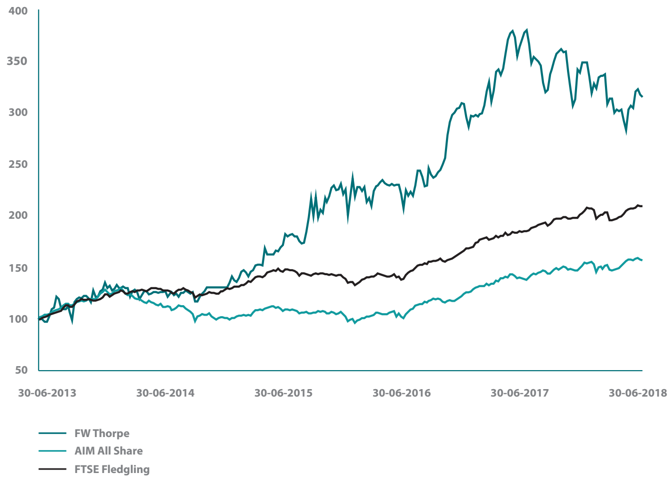
Directors' Service Contracts

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

Performance Graph

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

Total shareholder return



Directors' Emoluments (Audited)

Executive directors	2018 Salary/fees £'000	2018 Bonus £'000	2018 Benefits £'000	2018 Total £'000	2017 Total £'000	2018 Share options £'000	2017 Share options £'000
A B Thorpe	92	93	28	213	419	72	–
M Allcock	256	201	17	474	436	76	–
D Taylor	135	110	17	262	223	98	–
A M Cooper	153	125	15	293	263	98	–
C Muncaster	230	188	16	434	291	44	–
J E Thorpe	102	101	8	211	–	–	–
Non-executive directors							
C M Brangwin	–	–	–	–	24	–	–
I A Thorpe	27	–	15	42	41	–	–
P D Mason	27	–	4	31	31	–	–
	1,022	818	120	1,960	1,728	388	–

The directors' emoluments exclude contributions to the pension scheme.

Directors' Pension Arrangements

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

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

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

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

M Allcock and A M Cooper ceased being active members of the FW Thorpe Retirement Benefits Scheme and C Muncaster has ceased being an active member of his personal pension scheme due to HMRC limits on lifetime allowances and annual contributions. Subsequently the company has entered into pension compensation arrangements with these three directors to compensate them for the loss of these employer pension contributions. During the financial year the company paid pension compensation to M Allcock of £78,716 (2017: £37,319), A M Cooper £2,335 (2017: £2,152) and to C Muncaster £11,062 (2017: £nil).

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

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

	Age at year end	Normal pension age	Value of accrued pension at 30 June 2018 £pa	Director's contributions during the year £	Change in value of accrued pension since 30 June 2017 £pa
D Taylor	56	65	82,178	8,590	9,359

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

	2018 £'000	2017 £'000
J E Thorpe	7,674	–

Directors' Remuneration Report continued

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

	2018 £'000	2017 £'000
C Muncaster	**3,399**	13,596
A M Cooper	**10,000**	10,000

Directors' Shareholdings

The directors listed below were in office during the year. Directors' interests in the share capital of the company at 30 June 2018 and 1 July 2017 were as follows:

	Ordinary shares of 1p Beneficial	
Executive directors	**2018**	2017
A B Thorpe	**27,642,700**	27,602,700
M Allcock	**144,000**	114,000
D Taylor	**84,913**	55,913
A M Cooper	**112,224**	84,000
C Muncaster	**20,000**	–
J E Thorpe	**1,371,450**	–
Non-executive directors		
I A Thorpe	**25,047,120**	25,047,120
P D Mason	**1,626,370**	1,626,370

The market price of the company's shares at the beginning and end of the financial year was 390p and 332.5p respectively, and the range of market prices during the year was from 290p to 402.8p.

Executive Share Ownership Plan (ESOP)

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

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

During the year the first tranche of shares of this ESOP vested as the performance conditions were met in the financial year ended 30 June 2015, options vested and exercised in the year are shown in the table below:

	A B Thorpe	M Allcock	D Taylor	A M Cooper	C Muncaster	J Thorpe
Number at 1 July 2017	200,000	200,000	200,000	200,000	200,000	–
Awarded	–	–	–	–	–	–
Vested	40,000	40,000	40,000	40,000	40,000	–
Exercised	(40,000)	(40,000)	(40,000)	(40,000)	(20,000)	–
Lapsed	–	–	–	–	–	–
Number at 30 June 2018	160,000	160,000	160,000	160,000	180,000	–

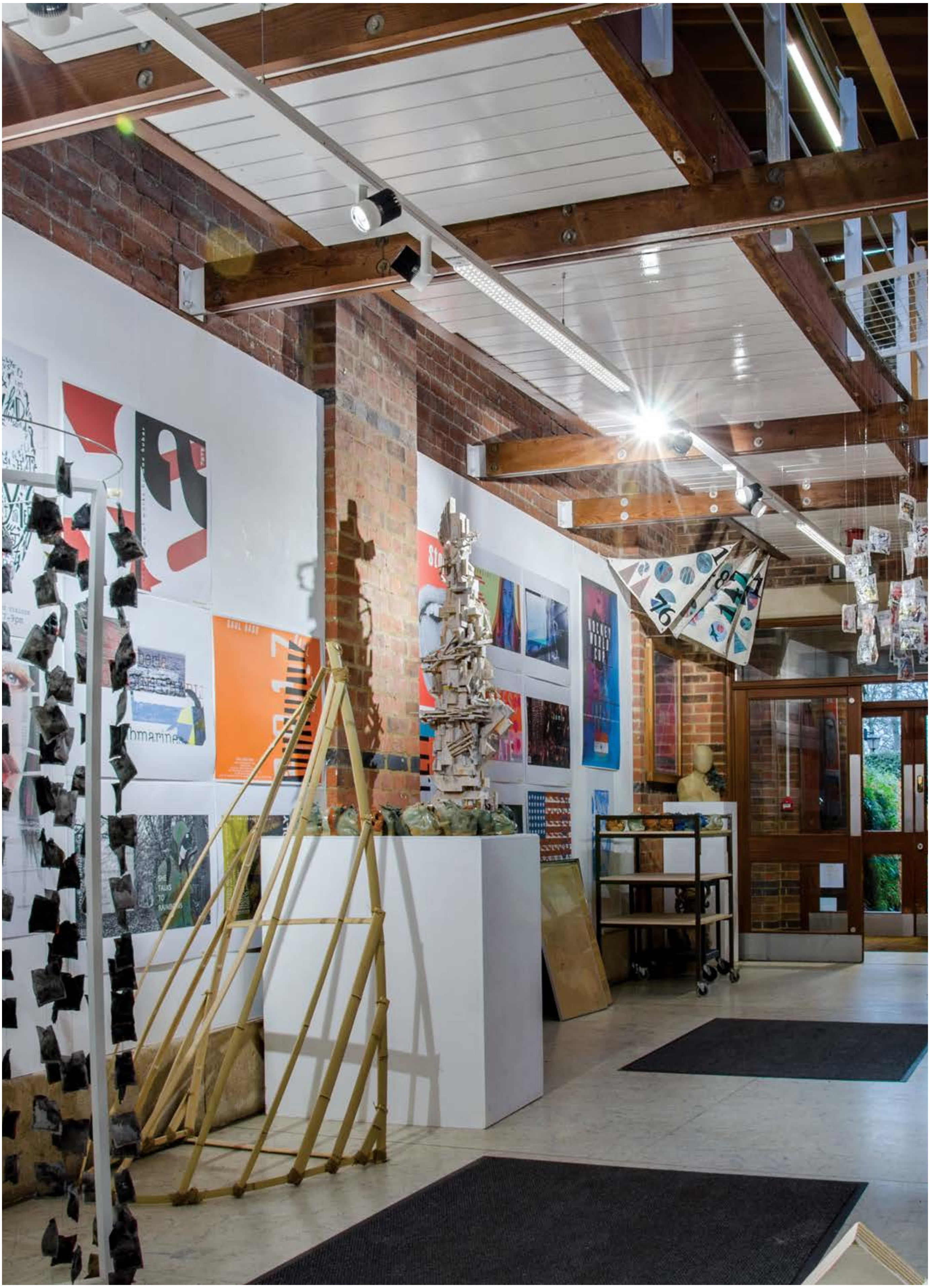
There have been no other changes in the interests of the directors in the share capital of any company in the Group during the period 1 July 2018 to 15 October 2018.

Approved by the Board and signed on its behalf by:

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

15 October 2018

Pictured: Rugby School, Warwickshire



Independent Auditors' Report

to the Members of FW Thorpe Plc

Report on the audit of the financial statements

Opinion

In our opinion, FW Thorpe Plc's Group financial statements and Company financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's and of the Company's affairs as at 30 June 2018 and of the Group's profit and the Group's and the Company's cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise: the Consolidated and Company Statements of Financial Position as at 30 June 2018; the Consolidated Income Statement and Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Cash Flows, and the Consolidated and Company Statements of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

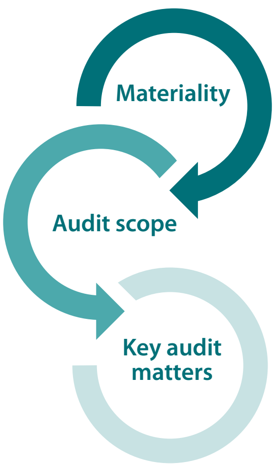
We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit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

Independence

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

Our audit approach

Overview



- Overall Group materiality: £900,000 (2017: £1,000,000), based on approximately 5% of profit before tax.
- Overall Company materiality: £800,000 (2017: £900,000), based on approximately 5% of profit before tax.

- We have conducted an audit of the complete financial information of the two financially significant reporting units; Thorlux Lighting and Lightronics, as well as conducting the full scope audits of four reporting units located in the UK such that the audit work was completed prior to finalisation of the Group financial statements.
- The audit work performed at these six reporting units, together with additional procedures performed on centralised functions at the group level, including audit procedures over the consolidation, gave us the evidence we needed for our opinion on the Group financial statements as a whole.

- Valuation of the Lightronics share appreciation rights repurchase obligation (Group and Company).
- Valuation of the Famostar share appreciation rights repurchase obligation (Group and Company).
- Valuation of the warranty provision (Group and Company).
- Valuation of the capitalised internal development costs (Group and Company).
- Appropriateness of the fair value of the assets and liabilities acquired on the acquisition of Famostar Emergency Lighting B.V. (Group).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Independent Auditors' Report continued

to the Members of FW Thorpe Plc

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Valuation of Lightronics share appreciation rights repurchase obligation Refer to the critical accounting estimates and judgements in note 1 to the Financial Statements and note 21 for trade and other payables. As part of the acquisition of Lightronics in FY15, share appreciation rights equivalent to 35% of the acquired business were sold back to the previous investors and management. The Group and Company are obliged to re-purchase these rights at an EBITDA (Earnings before interest, tax, depreciation and amortisation expense) multiple (based on an average of the previous two years) by FY21 with the option to exercise being held by the previous investors and management. Where the share appreciation rights are due to previous investors, this is accounted for as contingent consideration whereas for previous management who remain employed it is accounted for as a cash settled share based payment. Any re-valuation of the contingent consideration is recognised immediately whilst any re-valuation of the total share based payment charge is spread across the remaining option period, with both elements charged to administrative expenses. The valuation of the repurchase obligation involves judgement with respect to both the expected EBITDA at redemption and also the redemption date. **Group and Company**	We tested the key judgements within the repurchase obligation valuation being the annual revenue and EBITDA growth assumptions and the timing of when the option is likely to be exercised. With reference to the historical performance of Lightronics, the wider macro-economic conditions, review of forecast information and discussions with Lightronics management, these assumptions on growth and timing were considered to be reasonable. We recalculated and ensured there were no changes in the split in the share appreciation rights percentage holdings between previous investors and management through enquiries with management and review of board minutes. We considered the accounting for each tranche and ensured it was compliant with the requirements of IAS 39 – "Financial Instruments: Recognition and measurement" and IFRS 2 – "Share-based payment". We found that the valuation of the share appreciation rights repurchase obligation was consistent with the evidence obtained.
Valuation of Famostar share appreciation rights repurchase obligation Refer to the critical accounting estimates and judgements in note 1 to the Financial Statements and note 21 for trade and other payables. As part of the acquisition of Famostar in FY18, share appreciation rights equivalent to 35% of the acquired business were sold back to previous Lightronics shareholders. The Group and Company are obliged to re-purchase these rights at an EBITDA (Earnings before interest, tax, depreciation and amortisation expense) multiple (based on an average of the previous two years) by FY21 with the option to exercise being held by the previous investors and management. The share appreciation rights are treated as a cash settled share based payment with the initial liability and any re-valuation of the liability recognised immediately within administrative expenses as there are no ongoing performance conditions attached. The valuation of the repurchase obligation involves judgement with respect to both the expected EBITDA at redemption and also the redemption date. **Group and Company**	We tested the key judgements within the repurchase obligation valuation being the annual revenue and EBITDA growth assumptions and the timing of when the option is likely to be exercised. With reference to the historical performance of Famostar, the wider macro-economic conditions, review of forecast information and discussions with management, these assumptions on growth and timing were considered to be reasonable. We recalculated and considered the accounting for each tranche and ensured it was compliant with the requirements of IAS 39 – "Financial Instruments: Recognition and measurement" and IFRS 2 – "Share-based payment". We found that the valuation of the share appreciation rights repurchase obligation was consistent with the evidence obtained.

Independent Auditors' Report continued

to the Members of FW Thorpe Plc

Key audit matter	How our audit addressed the key audit matter
Valuation of warranty provision Refer to the critical accounting estimates and judgements in note 1 to the Financial Statements and note 23 for provisions. The Group and Company makes provisions for warranties where it is obliged to repair or replace faulty goods under the terms and conditions of sale. The typical warranty provision offered is for a period of five years although longer periods can be offered on certain product lines. Amounts have been provided based on known faults at the year-end date where rectification will be due and also based on expected failure rates as applied to sales made which are within the warranty period. The valuation of the warranty provision involves judgement with respect to the expected failure rate especially when applied to new products at the start of their warranty period. **Group and Company**	We have audited the specific provisions held at year-end by inspecting correspondence to confirm rectification is required and recalculating the provision amount based on material cost and estimated labour and installation expenditure. We have enquired with management and reviewed board minutes to ensure that no specific rectification issues have been identified which were not provided for at year-end. We have corroborated actual failure rates against the expected failure rate as used to calculate a provision where no known rectification issues have been identified. We have additionally reviewed the judgement management has made on those products where it would be too early in the sales cycle to extrapolate a failure rate across the remaining warranty term. We found that the valuation of the warranty provision was consistent with the evidence obtained and the estimates applied are not unreasonable.
Valuation of capitalised internal development costs Refer to the critical accounting estimates and judgements in note 1 to the Financial Statements and note 9 for intangibles. The Group undertakes development activities on new products and such internal development costs are capitalised where allowable under IAS 38 – "Intangible Assets." Judgement has been applied in considering whether the requirements for capitalising such internal development costs under IAS 38 have been met, the level and nature of costs which should be capitalised and also the period over which the capitalised costs should be amortised. **Group and Company**	We have assessed the development activities performed by the Group against the criteria for capitalising internal development costs under IAS 38. We have performed testing over the amounts capitalised in the year by agreeing payroll amounts to payslips and assessing the percentage of payroll costs capitalised with respect to the employee and their role in the development of products. We have assessed the amortisation period of three years across the Group with reference to the product launches and knowledge of the industry. We found that the valuation of capitalised development costs was consistent with the evidence obtained.
Appropriateness of the fair value of the assets and liabilities acquired on the acquisition of Famostar Emergency Lighting B.V. As disclosed in note 33, the Group acquired Famostar Emergency Lighting B.V. during the year. The Group have used the acquisition method of accounting to recognise the values of the acquired assets and liabilities in the Group's consolidated financial statements. These consolidated financial statements reflect the acquired business's results from the date that the acquisition has been completed. Using the acquisition method of accounting requires the acquired assets and assumed liabilities to be recorded as at the acquisition date at their respective fair values. Any excess of the purchase consideration over the estimated fair values of acquired identified net assets is recorded as goodwill in the balance sheet and is allocated to an appropriate business segment. **Group**	We have understood and agreed that the appropriate intangible assets have been identified. We have assessed the appropriateness of the valuation methodology and underlying assumptions used to value these intangible assets. We have also assessed the fair value of the consideration and the other acquired assets and liabilities to ensure that the calculation of goodwill arising on acquisition is appropriate.

Independent Auditors' Report continued

to the Members of FW Thorpe Plc

How we tailored the audit scope

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

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

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

Materiality

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

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

	Group financial statements	Company financial statements
Overall materiality	£900,000 (2017: £1,000,000).	£800,000 (2017: £900,000).
How we determined it	Approximately 5% of profit before tax.	Approximately 5% of profit before tax.
Rationale for benchmark applied	We believe that profit before tax is the primary measure used by the shareholders in assessing the performance of the group, and is a generally accepted auditing benchmark.	We believe that profit before tax is the primary measure used by the shareholders in assessing the performance of the entity, and is a generally accepted auditing benchmark.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £40,000 and £800,000. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £45,000 (Group audit) (2017: £50,000) and £40,000 (Company audit) (2017: £50,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

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

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

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

Independent Auditors' Report continued

to the Members of FW Thorpe Plc

Reporting on other information

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

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

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

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

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 June 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 45, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Independent Auditors' Report continued

to the Members of FW Thorpe Plc

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

David Teager
(Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
East Midlands

15 October 2018