FW THORPE PLC

Annual Report & Accounts 1997

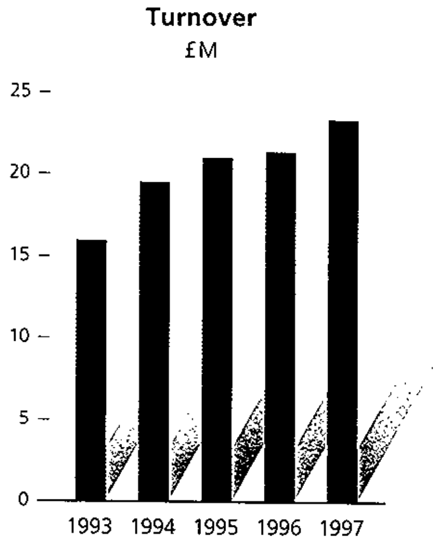
Contents

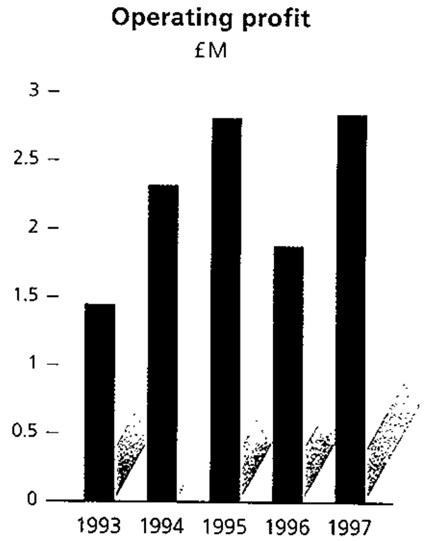
F W THORPE PLC

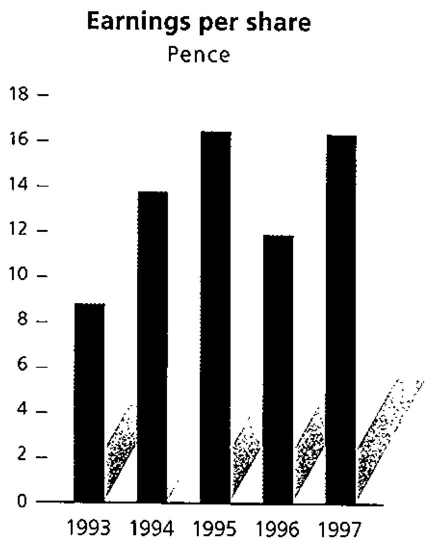
F W Thorpe Group manufactures a comprehensive range of interior and exterior quality lighting equipment for industrial and commercial applications.
The Group operates out of modern UK manufacturing facilities in Redditch, Aldridge, Portsmouth and Solihull and its products are sold throughout the world.

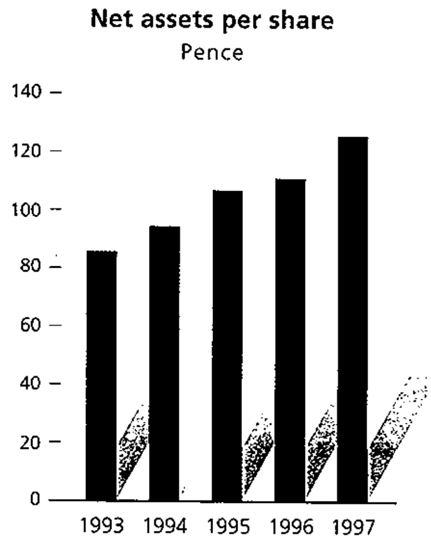
Financial Highlights

	1997	1996	Increase
Turnover	**£23.7m**	£21.3m	**11%**
Operating profit	**£2.9m**	£1.9m	**53%**
Profit before taxation	**£3.1m**	£2.2m	**40%**
Earnings per share	**16.3p**	11.9p	**37%**
Total dividend per share	**4.5p**	4.18p	**8%**
Net assets	**£15.9m**	£14.4m	**10%**









Chairman's Statement

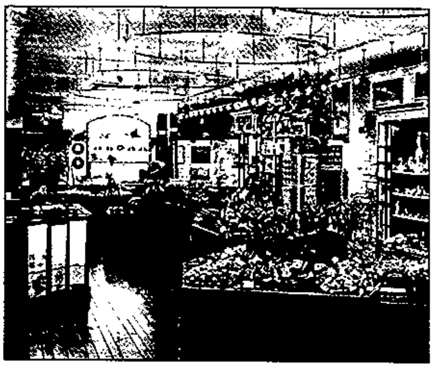
I am pleased to be able to report that the turnover and profit of the Group have shown a recovery from the situation that existed at this time last year.

The turnover for the year under review reached a new record figure of £23.7m compared to £21.3m, a 11.4% increase. This produced a profit before tax of £3.1m which was 40% higher than last year's figure of £2.2m.

We are recommending a final dividend of 3.13p which when included with the paid interim dividend will show an increase of 7.7% compared to the last financial year.

Thorlux Lighting

I reported that the market for industrial and commercial lighting had not shown any signs of a recovery. However, from January onwards we saw a definite improvement that carried on right through to the end of the year under review. Our energy efficient lighting control system,



the 'Eco-System' embodying the electronics developed in-house, helped us to obtain some good contracts. Orders for industrial products also saw an increase. The Hong Kong tunnel lighting contracts were manufactured during the period but have not all yet been shipped due to delays on site. It is anticipated that the whole project will be completed by December of this year.

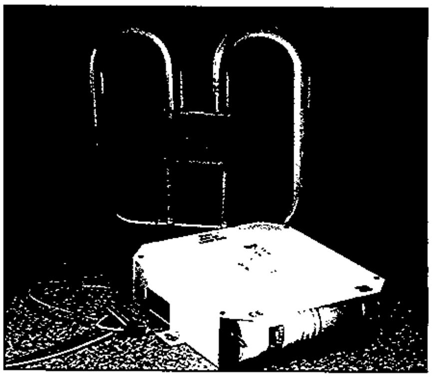
Export sales grew steadily throughout the year but the results of the high pound will undoubtedly have some effect in due course. To offset this we have benefited on our purchases of material from abroad where the strong pound has given us some advantages.

We continue to work hard in developing our export markets with regular visits to the Far East and Australia as well as the Middle East, Europe and Scandinavia. I am sure that the time and effort invested will be well worthwhile.

Our Design and Development Department are working on a number of new lighting products which will be launched over the next few months. A lot of time and effort is also being expended into the development of electronic lighting controls which are becoming such an important part of a modern lighting installation.

There have been only minor investments in plant and machinery over the year and our cash balance still remains at a healthy level. However, our working capital has seen an increase due, in the main, to our need to provide the funding for the export project work.

Mackwell Electronics

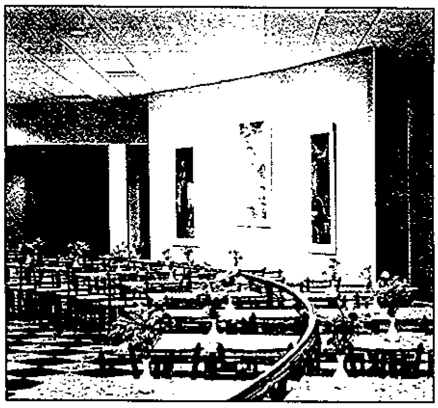


This year Mackwell has produced both record turnover and profits for the Group. As well as manufacturing emergency lighting products for sale to the general lighting industry, they develop and assemble electronic controls which are

Chairman's Statement

incorporated by Thorlux in their own products. Significant investment is being made in research and development as well as in plant and machinery to ensure that Mackwell continues as a market leader in its field. A number of new products will be launched over the next 12 months, these having been designed for manufacture on the modern production equipment now installed.

Compact Lighting



Compact have now enjoyed a year free from disruption caused by moving factories and the associated re-organisation. They increased their sales and despite the extra costs of a larger factory produced a modest profit for the year. Further investments will be made in the business, both in terms of people and facilities, that will ensure steady growth over the next few years.

Philip Payne

The smallest company in the Group designs and markets a wide range of illuminated signs, particularly high quality Exit Signs. They enjoyed a good year and will continue to develop and serve the specialised market they know so well.

People

In order to maintain the continuity and strength of management of the Board, it was decided to make two appointments from within the Group which took effect from 1 July 1997.

Dr David Dimeloe joined Mackwell Electronics two years ago as its new Managing Director. In his capable hands the business has grown significantly and his experience will be of great benefit to the Board.

Mr David Lippold was appointed to the Managing Directorship of Compact Lighting three years ago. Despite the difficulties of operating in such a competitive market, he is enthusiastically developing the business.

From 1 October 1997, Mr Ian Thorpe has taken up a position as a non-executive director of the Company.

Our financial results this year are due in no small part to the efforts of all our staff in all the member companies. On behalf of my colleagues I would express to them our thanks for their hard work.

The future

We are encouraging, within all Group companies, investment in the design and development of technically superior products, the installation of modern manufacturing plant and the provision of high levels of customer service. Whilst we will always be constrained by the general market conditions, this investment will allow us to continue building a successful Group of lighting companies.

I anticipate that the group's performance over the remaining period of this financial year will show a steady improvement dependant however on a continued recovery in the general market situation.

Colin Brangwin

Chairman

1 October 1997

Report of the Directors

Report of the directors

The directors have pleasure in submitting their annual report and the audited accounts of the Group for the year ended 30 June 1997.

Principal activity and business review

The main activity of the Group continues to be the manufacture of industrial and commercial lighting equipment. A review of the business is included in the Chairman's Statement on page 2.

Results and dividends

The results for the year are set out in detail on page 8.

On 13 May 1997 the Company paid an interim dividend of 1.37p per share and the directors recommend the payment of a final dividend of 3.13p per share.

Directors and directors' interests

The directors listed below were in office throughout the whole of the year. Directors' interests in the share capital of the company at 30 June 1997 and 30 June 1996 and movements in their share options in the year were as follows:

	Ordinary shares of 10p					
	Beneficial		Options (including SAYE)			
	1997	1996	**1997**	Granted	Cancelled	1996
C. M. Brangwin	**864,155**	938,155	**20,000**	–	(5,904)	25,904
P. D. Mason	**73,931**	56,931	**66,653**	8,497	(5,904)	64,060
A. B. Thorpe	**2,756,955**	2,674,060	**20,000**	–	–	20,000
I. A. Thorpe	**2,504,712**	2,504,712	**–**	–	–	–
M. D. Lippold	**131,819**	131,819	**–**	–	–	–

M. D. Lippold acquired 1,000 shares on 14 July 1997.

A. B. Thorpe acquired 1,000 shares on 29 July 1997.

The market price of the Company's shares at the beginning and end of the financial year was 214p and 133.5p respectively and the range of market prices during the year was from 125.5p to 214p.

In addition C. M. Brangwin has a joint non-beneficial interest in 242,348 shares.

Details of the share options granted to C. M. Brangwin, P. D. Mason and A. B. Thorpe at 30 June 1997 are as follows:

	Date granted	Option price per ordinary share	Number of options	Exercise period
C. M. Brangwin	17 April 1989	92p	20,000	Before 17 April 1999
P. D. Mason	17 April 1989	92p	58,156	Before 17 April 1999
	13 May 1997	107p	8,497	1 July 2002 – 31 December 2002
A. B. Thorpe	17 April 1989	92p	20,000	Before 17 April 1999

During the year no director had any beneficial interest in any material contracts with the Company, or any of its subsidiaries, other than share options shown above and service contracts.

D. A. Dimeloe and D. M. Lippold were appointed to the Board on 1 July 1997. In accordance with the Articles of Association of the Company they retire from office at the Annual General Meeting, but offer themselves for election at that meeting.

The director retiring by rotation is I. A. Thorpe who, being eligible, offers himself for re-election.
D. A. Dimeloe, D. M. Lippold and I. A. Thorpe do not have service contracts with the Company.

Substantial interests

At 1 October 1997 the Company had received notification of the following interests in 3 per cent or more of the issued share capital:

Britannic Assurance PLC	985,000 shares	(7.6 per cent)
E. G. Thorpe	690,084 shares	(5.3 per cent)

Group research and development activities

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

Report of the Directors

Fixed assets
The directors are of the opinion that the market value of the freehold land and buildings is in excess of their net book value.

Company status
In the opinion of the directors the Company is not a close company within the meaning of the Income and Corporation Taxes Act 1988 and there has been no change in this respect since 30 June 1997.

Charitable gifts
During the year the Group gave £7,525 for charitable purposes.

Creditor payment policy
The Group's policy concerning the payment of its trade creditors is to accept and follow the normal terms of payment amongst suppliers to the lighting industry. Payments are made when they fall due usually at the end of the calendar month following the month in which delivery of goods or services is made. Where reasonable settlement discount terms are offered for early payment, these terms are usually taken up. The number of days represented by the Group's year end trade creditors is 55 (1996: 56).

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

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

The involvement of employees in the Group's performance is encouraged by various incentive schemes including an Inland Revenue approved profit related pay scheme and SAYE share scheme.

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

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

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

Auditors
A resolution to re-appoint the auditors, Coopers & Lybrand, will be proposed at the annual general meeting.

Directors' remuneration
Directors remuneration is outlined in detail in note 5 on page 12.

Directors' authority to issue shares
The London Stock Exchange no longer requires the consent of shareholders to each issue by the Company of equity capital for cash made otherwise than to existing shareholders in proportion to their existing shareholdings. This relaxation is subject to the Company obtaining the authority of shareholders under Section 95 of the Companies Act 1985 to disapply generally the provisions of Section 89 of that Act.

Ordinary resolution number 7 and special resolution number 8 would give the directors the authority to allot ordinary shares up to an aggregate nominal amount of £208,234 and would further empower them to allot ordinary shares for cash up to a maximum of £64,588 (representing 5% of the issued equity share capital of the Company) other than pro rata to existing members as if section 89(1) of the Companies Act did not apply. These authorities, if approved, would expire at the conclusion of the next annual general meeting, save that the authority relating to Section 89(1) would expire 15 months after being passed, if earlier.

Report of the Directors

Corporate governance

Code of Best Practice

The Code of Best Practice was published in December 1992 by the Committee on the Financial Aspects of Corporate Governance. As reported last year the directors examined carefully how far the current practice of the Company conforms with the recommendations made in the Code of Best Practice and fully endorse the principles of openness, integrity and accountability by the Code and except for those matters listed below, the directors consider the Company to be compliant with best practice.

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 to constitute audit and remuneration committees, as recommended by the Code and as such does not comply with section A of the best practice provisions annexed to the Listing rules.

The Auditors have direct access to all members of the Board and attend and present their reports at appropriate Board Meetings.

The Board recognises the importance of seeking independent advice on certain issues and does from time to time engage an independent experienced company director to carry out a review of directors' remuneration. Although no such review was carried out in the last twenty-four months, reviews will be carried out in the future.

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

Mr. C. M. Brangwin is Chairman and Chief Executive, but it is felt that the current composition and operation of the Board is adequate to ensure a balance of power and authority. Mr. I. A. Thorpe who was an executive director of the Group became a non-executive director on 1 October 1997, joining Mr. M. D. Lippold who had also been an executive director of the Group. The Board considers their advice and wisdom to be independent of the executive directors.

Internal financial control

The Board of directors has overall responsibilities for the Group's systems of internal financial control and for monitoring their effectiveness.

The systems of internal financial control are designed to provide reasonable, but not absolute, assurance against material misstatement or loss.

The executive directors regularly visit all operating sites and review with local management financial and commercial issues affecting the Group's operations.

Regular financial reporting includes budgets, rolling forecasts and monthly financial reports comparing performance against plan. These reports are reviewed locally with a Group representative and monitored by the Group Board.

The directors confirm they have carried out a review of the effectiveness of the system of internal financial control as it operated during the year ended 30 June 1997 and that this review forms the basis of on-going assessments.

Going concern

After making enquiries the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

The auditors have confirmed that, in their opinion with respect to the directors' statements on internal financial control and going concern (above) the directors have provided the disclosures required by the Listing Rules of the London Stock Exchange and such statements are not inconsistent with information of which they are aware from their audit work on the financial statements; and that the directors' other statements above appropriately reflect the Company's compliance with the other aspects of the Cadbury Code specified for their review by Listing Rules 12.43(J). They were not required to perform the additional work necessary to, and did not express any option on the effectiveness of either the Company's system of internal financial control or its corporate governance procedures nor on the ability of the Company or Group to continue in operational existence.

By order of the Board

P. D. Mason

Company Secretary

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

1 October 1997

Statement of Directors' Responsibilities

The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit or loss for that period.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 30 June 1997. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for taking reasonable steps to safeguard the assets of the Company and the Group, and to prevent and detect fraud and other irregularities.

Report of the Auditors

To the members of F W Thorpe PLC

We have audited the financial statements on pages 8 to 18.

Respective responsibilities of directors and auditors
As described above, the Company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion
In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 30 June 1997 and of the profit, total recognised gains and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Coopers & Lybrand

Chartered Accountants and Registered Auditors
Birmingham
1 October 1997

Consolidated Profit and Loss Account

for the year ended 30 June 1997

	Notes	1997 £'000	1996 £'000
Turnover	2	**23,699**	21,273
Cost of sales		**15,236**	14,436
Gross profit		**8,463**	6,837
Net operating expenses	3	**5,586**	4,910
Operating profit		**2,877**	1,927
Interest receivable and similar income	7	**238**	291
Profit on ordinary activities before taxation	4	**3,115**	2,218
Taxation on profit on ordinary activities	8	**1,010**	686
Profit for the year	9	**2,105**	1,532
Dividends	9	**582**	540
Retained profit for the year		**1,523**	992
Earnings per ordinary share	10	**16.3p**	11.9p

Statement of retained profit

At 30 June 1996	**12,817**	12,054
Goodwill arising on acquisition written off	**-**	(229)
Retained profit for the year	**1,523**	992
At 30 June 1997	**14,340**	12,817

All operations in the year were continuing operations.

The Group has no recognised gains and losses in the year other than the profit for the year.

There is no difference between the result as disclosed in the profit and loss account and the result on a historical cost basis.

The notes on pages 11 to 18 form part of these accounts.

The report of the auditors is on page 7.

Consolidated and Company Balance Sheets

as at 30 June 1997

		Group		Company	
	Notes	**1997 £'000**	1996 £'000	**1997 £'000**	1996 £'000
Fixed assets					
Tangible assets	11	**6,129**	6,403	**5,679**	6,029
Investments	12	**291**	291	**672**	672
Current assets					
Stocks	13	**5,100**	3,872	**3,991**	2,866
Debtors	14	**5,278**	4,402	**5,924**	4,957
Investments	15	**2,402**	2,459	**2,402**	2,459
Cash at bank and in hand		**1,736**	954	**1,409**	984
		14,516	11,687	**13,726**	11,266
Creditors					
Amounts falling due within one year	16	**4,773**	3,739	**3,741**	2,963
Net current assets		**9,743**	7,948	**9,985**	8,303
Total assets less current liabilities		**16,163**	14,642	**16,336**	15,004
Provisions for liabilities and charges					
Deferred taxation	17	**251**	253	**251**	253
Net assets		**15,912**	14,389	**16,085**	14,751
Capital and reserves					
Called up share capital	18	**1,292**	1,292	**1,292**	1,292
Share premium account	18	**280**	280	**280**	280
Profit and loss account		**14,340**	12,817	**14,513**	13,179
Equity shareholders' funds	25	**15,912**	14,389	**16,085**	14,751

These accounts were approved by the board on 1 October 1997

C. M. Brangwin
P. D. Mason
Directors

The notes on pages 11 to 18 form part of these accounts.

The report of the auditors is on page 7.

Consolidated Cash Flow Statement

for the year ended 30 June 1997

	Note	1997 £'000	1996 £'000
Net cash inflow from operating activities	19	**2,187**	1,995
Returns on investments and servicing of finance			
Interest and dividends received		**248**	308
Taxation			
UK corporation tax paid		**(728)**	(1,082)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		**(503)**	(2,252)
Sale of tangible fixed assets		**67**	124
Sales of fixed asset investments		**–**	18
Acquisitions and disposals			
Purchase of subsidiary		**–**	(289)
Equity dividends paid		**(546)**	(526)
Cash inflow/(outflow) before management of liquid resources and financing		**725**	(1,704)
Management of liquid resources			
Cash placed on short term deposit		**(535)**	(91)
Cash returned on short term deposits		**592**	400
Financing			
Issue of share capital		–	62
Increase/(decrease) in cash in the period		**782**	(1,333)

FRS1 (Cash flow statements) has been revised in 1996 to change the format for reporting cash flows. The revised standard came into effect for accounting periods ending on or after 23 March 1997. Accordingly, the cash flow statement has been presented under the new format.

The notes on pages 11 to 18 form part of these accounts.

The report of the auditors is on page 7.

Notes to the Accounts

for the year ended 30 June 1997

1 Accounting policies

Basis of accounting
The accounts have been prepared under the historical cost convention and in accordance with applicable UK Accounting Standards. A summary of the more important accounting policies which have been applied consistently is set out below:

Basis of consolidation
The consolidated accounts include the accounts of the Company, and its subsidiaries which are prepared to 30 June. The goodwill arising on consolidation, representing the excess of purchase price for the acquired entity over the fair value ascribed to its net assets at the date of acquisition, is written off against reserves. The results of subsidiaries acquired are included in the consolidated profit and loss account from the date of acquisition.

Turnover
Turnover represents the invoiced value of sales, excluding value added tax.

Research and development
Research and development expenditure is written off directly to the profit and loss account in the year in which it occurs.

Tangible fixed assets and depreciation
Depreciation is calculated on the basis shown below. The following rates of depreciation are applied to write off the original cost of assets over their estimated useful lives:

Freehold building straight line at 2%

Plant, equipment, fixtures and fittings straight line at 7% to 50%

No depreciation is charged on freehold land.

Investment property
The investment property is included at current valuation.

Fixed asset investments
Shares in subsidiary undertakings and listed investments are stated at cost less provisions necessary for any permanent diminution in value.

Stocks
Stocks are valued at the lower of cost and net realisable value. Cost represents the cost of materials and in the case of work in progress and finished goods, the cost of direct labour and those production overheads incurred in bringing the stock to its present location and condition, related to the normal level of activity. Due allowance is made for obsolete and slow moving stocks. Net realisable value represents the estimated selling price reduced by all costs of completion, marketing, selling and distribution.

Debtors
Known bad debts are written off and specific provision is made for any debts considered to be doubtful.

Deferred taxation
Provision for deferred taxation is made where in the opinion of the directors there is reasonable probability that the taxation will become payable in the foreseeable future. The provision is calculated at the rates of taxation expected to apply when the provision is utilised.

Pensions
Contributions to the pension scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the Group.

Operating leases
Costs in respect of operating leases are charged on a straight line basis over the lease term.

2 Analysis of turnover

The turnover attributable to each of the Group's geographical markets is:

	1997	1996
	£'000	£'000
United Kingdom	**19,018**	17,077
Other European countries	**1,618**	1,530
Africa	**56**	43
North and South America	**74**	32
Middle East	**696**	586
India, Australia and Far East	**2,237**	2,005
	23,699	21,273

All turnover, profit before taxation and net assets originate in the UK.

Notes to the Accounts

for the year ended 30 June 1997

3 Net operating expenses

	1997 **£'000**	1996 £'000
Distribution costs	**1,734**	1,598
Administrative expenses	**3,852**	3,312
	5,586	4,910

4 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging/(crediting):

	1997 **£'000**	1996 £'000
Depreciation of tangible assets	**730**	660
Auditors' remuneration for audit (Company £21,000, *1996: £20,000*)	**35**	34
Hire of other assets (operating leases)	**94**	19
Research and development	**325**	286
Profit on sale of fixed assets	**(20)**	(24)

Remuneration of the Company's auditors for provision of non-audit services to the Company and its subsidiaries was £9,000 *(1996: £15,000)*.

5 Directors' emoluments

	1997 Salary/ Fees £'000	**1997 Bonus** (note 1) **£'000**	**1997 Benefits** (note 2) **£'000**	**1997 Total £'000**	1996 Total £'000
Executive directors					
C. M. Brangwin	**103**	**7**	**12**	**122**	117
P. D. Mason	**65**	**19**	**10**	**94**	83
A. B. Thorpe	**74**	**19**	**11**	**104**	94
I. A. Thorpe	**53**	–	**10**	**63**	69
Non-executive directors					
M. D. Lippold	**15**	–	**11**	**26**	26
Total	**310**	**45**	**54**	**409**	389

1. In line with other employees of FW Thorpe PLC, executive directors are allocated a profit share based on a percentage of their salary.
2. Benefits for directors relate mainly to the provision of cars and fuel.
3. Pensions paid by the Company to a former director and to the dependent of a former director were £64,000 *(1996: £64,000)*.
4. The executive directors participate in the defined benefit category of the Company's pension scheme.
   The scheme is contributory and enables members to achieve a maximum of two thirds of their pensionable pay at normal retirement age. Pensionable salary includes profit bonus and benefits calculated on the average of the previous three years as these are considered part of the regular earnings of the executive directors.
5. The highest paid director's total emoluments were £122,000 *(1996: £117,000)* and his accrued pension benefit was £71,000 *(1996: £64,000)*.
6. Directors' remuneration policy
   The directors' remuneration is determined by the directors acting as a unitary board but seeking advice from independent sources and aims to retain and motivate the directors and to be fair and reasonable in relation to their responsibilities within the Group. The board has given full consideration to section B of the best practice provisions annexed to the Listing Rules when setting directors' remuneration.
   C. M. Brangwin, P. D. Mason and A. B. Thorpe have service contracts renewed annually in March which are terminable on three years notice immediately after renewal and two years notice one year later when the contracts are re-considered for renewal. These contracts are considered appropriate in the context of the overall remuneration policy.
7. Details of the directors' share options are set out on page 4.

Notes to the Accounts

for the year ended 30 June 1997

6 Employee information

(a) The average number of employees employed by the Group (including executive directors) during the year is analysed below:	**1997 Number**	1996 Number
Production	**243**	240
Selling and distribution	**78**	78
Administration	**90**	92
	411	410

(b) Employment costs of all employees (including executive directors):	**£'000**	£'000
Aggregate gross wages and salaries	**5,570**	5,142
Employers' national insurance contributions	**518**	489
Employers' pension charge	**319**	292
Total direct costs of employment	**6,407**	5,923

7 Interest receivable and similar income

	1997 £'000	1996 £'000
Interest from current asset investments	**232**	273
Income from fixed asset investments	**6**	10
Profit on sale of fixed asset investments	**–**	8
	238	291

Income from investments includes £15,000 *(1996: £10,000)* from listed investments.

8 Taxation on profit on ordinary activities

	1997 £'000	1996 £'000
United Kingdom corporation tax at 32.5% *(1996: 33%)*		
Current	**994**	682
Deferred	**7**	22
Tax attributable to franked investment income	**2**	2
(Over)/under provision in respect of prior years		
Current	**7**	(1)
Deferred	**–**	(19)
	1,010	686

9 Profit for the year and dividends

Profit for the year

As permitted by Section 230 of the Companies Act 1985 the holding company has not published a separate profit and loss account. The Group profit for the year of £2.1 million *(1996: £1.53 million)* includes a profit of £1.92 million *(1996: £1.41 million)* in respect of the holding company.

Dividends	**1997 £'000**	1996 £'000
Interim paid of 1.37p per share *(1996: 1.33p per share)*	**178**	172
Final proposed of 3.13p per share *(1996: 2.85p per share)*	**404**	368
	582	540

Notes to the Accounts

for the year ended 30 June 1997

10 Earnings per share

Earnings per share is calculated on profit on ordinary activities after taxation of £2.1million *(1996: £1.53 million)* on 12,917,657 *(1996: 12,900,301)* shares being the weighted average shares in issue during the year. The fully diluted earnings per share is not materially different from the basic earnings per share.

11 Tangible fixed assets

	Group			*Company*		
	Freehold land and buildings	*Plant and equipment*	*Total*	*Freehold land and buildings*	*Plant and equipment*	*Total*
Cost	£'000	£'000	£'000	£'000	£'000	£'000
At 1 July 1996	4,041	5,119	9,160	4,041	4,483	8,524
Additions	58	445	503	58	239	297
Disposals	–	(113)	(113)	–	(116)	(116)
At 30 June 1997	**4,099**	**5,451**	**9,550**	**4,099**	**4,606**	**8,705**
Accumulated depreciation						
At 1 July 1996	358	2,399	2,757	358	2,137	2,495
Charge for the year	69	661	730	69	523	592
Disposals	–	(66)	(66)	–	(61)	(61)
At 30 June 1997	**427**	**2,994**	**3,421**	**427**	**2,599**	**3,026**
Net book value						
At 30 June 1997	**3,672**	**2,457**	**6,129**	**3,672**	**2,007**	**5,679**
At 30 June 1996	3,682	2,720	6,403	3,683	2,346	6,029

12 Fixed asset investments

	Group			*Company*			
	Investment property	*Listed on the Stock Exchange*	*Total*	*Investment property*	*Listed on the Stock Exchange*	*Investments in subsidiaries*	*Total*
Cost or valuation	£000	£000	£000	£000	£000	£000	£000
At 1 July 1996	219	72	291	219	72	608	899
Additions	–	–	–	–	–	–	–
Disposals	–	–	–	–	–	–	–
At 30 June 1997	**219**	**72**	**291**	**219**	**72**	**608**	**899**
Amounts written off							
At 1 July 1996 and 30 June 1997	–	–	–	–	–	**227**	**227**
Net book value							
At 30 June 1997	**219**	**72**	**291**	**219**	**72**	**381**	**672**
At 30 June 1996	219	72	291	219	72	381	672

The aggregate market value of the investments listed on The London Stock Exchange is £519,000 *(1996: £316,000).*

The investment property has been valued by directors at 30 June 1997 on the basis of open market value and shows no change since 30 June 1996.

13 Stocks

	Group		*Company*	
	1997	1996	**1997**	1996
	£'000	£'000	**£'000**	£'000
Raw materials, components and consumables	**2,072**	1,872	**1,250**	1,146
Work in progress	**919**	827	**771**	731
Finished goods	**2,109**	1,173	**1,970**	989
	5,100	3,872	**3,991**	2,866

Notes to the Accounts

for the year ended 30 June 1997

14 Debtors

	Group		*Company*	
	1997	1996	**1997**	1996
	£'000	£'000	**£'000**	£'000
Amounts falling due within one year				
Trade debtors	**5,160**	4,218	**4,058**	3,261
Amounts owed by subsidiary undertakings	**–**	–	**1,735**	1,528
Other debtors	**51**	57	**88**	50
Prepayments and accrued income	**67**	127	**43**	118
	5,278	4,402	**5,924**	4,957

15 Current asset investments

	Group and Company	
	1997	1996
	Cost	Cost
	£'000	£'000
Short term bank deposits (up to 3 months)	**2,332**	2,389
Other – aggregate market value £237,000 *(1996: £226,000)*	**70**	70
	2,402	2,459

16 Creditors

	Group		*Company*	
	1997	1996	**1997**	1996
	£'000	£'000	**£'000**	£'000
Amounts falling due within one year				
Trade creditors	**2,418**	1,681	**1,662**	1,195
Corporation tax	**969**	685	**840**	639
Other taxation and social security	**395**	371	**331**	298
Other creditors	**302**	98	**326**	72
Accruals	**285**	536	**178**	391
Dividends payable	**404**	368	**404**	368
	4,773	3,739	**3,741**	2,963

17 Deferred taxation

	Group and Company Full potential liability		*Group and Company Amount provided*	
	1997	1996	**1997**	1996
	£'000	£'000	**£'000**	£'000
Tax effect of timing differences				
Capital gains deferred	**121**	129	**–**	–
Capital allowances and timing differences	**352**	355	**352**	345
	473	484	**352**	345
Advance corporation tax recoverable	**(101)**	(92)	**(101)**	(92)
	372	392	**251**	253

Movement in the provision	£'000
At 1 July 1996	253
Amount provided	7
Advance corporation tax recoverable	(9)
At 30 June 1997	**251**

Notes to the Accounts

for the year ended 30 June 1997

18 Share capital and share premium

	Authorised		Allotted, called-up and fully paid		Share premium account
	Number	Nominal value	Number	Nominal value	
Ordinary shares of 10p each		£'000		£'000	£'000
At 1 July 1996	15,000,000	1,500	12,917,657	1,292	280
Issued, allotted and fully paid	–	–	–	–	–
At 30 June 1997	**15,000,000**	**1,500**	**12,917,657**	**1,292**	**280**

Options which have been granted for 10p ordinary shares remaining outstanding at 30 June 1997 are as follows:

Number of shares	*Subscription price per share*	*Period of option*
98,156	92p	Before 17 April 1999.
109,324	189p	1 July 2000 to 31 December 2000
278,056	107.3p	1 July 2002 to 31 December 2002

Details of the directors' share options are given in the directors' report.

On 25 April 1997 options were granted to employees for 278,056 ordinary shares under the Company's S.A.Y.E. Share Option Scheme.

19 Reconciliation of operating profit to net cash inflow from operating activities

	1997	1996
	£'000	£'000
Operating profit	**2,877**	1,927
Depreciation	**730**	660
Profit on sale of fixed assets	**(20)**	(24)
Decrease/(increase) in stocks	**(1,228)**	161
Increase in debtors	**(886)**	(551)
(Decrease)/increase in creditors	**714**	(178)
Other non-cash items	–	–
Net cash inflow from operating activities	**2,187**	1,995

Analysis of net funds

	1 July 1996	Movement	**30 June 1997**
	£'000	£'000	**£'000**
Net cash:			
Cash at bank and in hand	954	782	**1,736**
Liquid resources:			
Current asset investments	2,459	(57)	**2,402**
Net funds	3,413	725	**4,138**

Reconciliation of net cashflow to movement in net funds

	£'000
Increase in cash in the period	782
Cash inflow from decrease in liquid resources	(57)
Movement in net funds in the period	725
Net funds at 1 July 1996	3,413
Net funds at 30 June 1997	**4,138**

Notes to the Accounts

for the year ended 30 June 1997

20 Capital commitments

Commitments for future capital expenditure at 30 June 1997 were as follows:

	Group		*Company*	
	1997	1996	**1997**	1996
	£'000	£'000	**£'000**	£'000
Authorised and contracted for	**116**	140	**58**	50

21 Operating leases

Annual commitments on operating leases which all relate to land and buildings expire:

	Group		*Company*	
	1997	1996	**1997**	1996
	£'000	£'000	**£'000**	£'000
In two to five years	**18**	18	–	–
Over five years	**63**	63	–	–
	81	81	–	–

22 Contingent liabilities

The Company has given a VAT guarantee to H.M. Customs and Excise for £20,000 *(1996: £20,000)*.

23 Pension scheme

The Group now operates an occupational pension scheme split into two sections. The combined assets of the scheme are invested in a Managed Fund.

A defined benefit section is operated in respect of pension scheme members who joined prior to 30 September 1995. The actuarial valuation of the scheme is independently produced. The most recent actuarial valuation was at 1 January 1994. The assumptions which have the most significant effect on the results of the valuation are those relating to the return on investment and the rates of increase in salaries and pensions. It was assumed that the investment returns would be 1% per annum compound higher than the general increase in wages and salaries and 5% higher than present and future pension increases.

This valuation revealed that the assets at 1 January 1994 were £2,084,000, the actuarial value of which represented 88% of the benefits accrued to members, after allowing for expected future increases in earnings. Action has been taken to eliminate the deficit by moving assets to a more appropriate long term investment, and reducing the cost of running the scheme. A further valuation was undertaken as at 1 January 1997, and the report is expected shortly.

A defined contribution is paid for pension scheme members joining from 1 October 1995 onwards.

Employers contributions of £245,000 were made during the year.

At 30 June 1997 the accounts included a pension scheme prepayment of £39,000 *(1996: £73,000)*.

Notes to the Accounts

for the year ended 30 June 1997

24 Interests in group undertakings

Name of undertaking	*Country of incorporation*	*Description of shares held*	*Proportion of nominal value of issued shares held by Group and Company*
Mackwell Electronics Ltd	Great Britain	Ordinary £1 shares	100%
Compact Lighting Ltd	Great Britain	Ordinary £1 shares	100%
Axis Lighting Ltd	Great Britain	Ordinary £1 shares	100%
Philip Payne Ltd	Great Britain	Ordinary £1 shares	100%

All of the above Companies operated in their country of incorporation or registration.

The principal activities of these subsidiaries are:

Mackwell Electronics Ltd	–	design and manufacture of lighting components
Compact Lighting Ltd	–	design and manufacture of low energy lighting equipment
Philip Payne Ltd	–	design and manufacture of illuminated signs.

The results of the subsidiary companies have been included in the consolidated financial statements.

Goodwill totalling £577,000 has been written off to reserves in prior years.

25 Reconciliation of movements in equity shareholders' funds

	Year ended 30 June 1997 £'000	Year ended 30 June 1996 £'000
Profit for the year	**2,105**	1,532
Shares issued	–	62
Dividends	**(582)**	(540)
Goodwill arising on acquisition written off	–	(229)
Net increase in equity shareholders' funds	**1,523**	825
Opening equity shareholders' funds	**14,389**	13,564
Closing equity shareholders' funds	**15,912**	14,389

26 Related party transactions and balances

The company has taken advantage of the exemption allowed by FRS 8 not to disclose transactions and balances with related company undertakings, 90% or more of whose voting rights are controlled within the group.

Five Year Financial Record

	1993 £'000	1994 £'000	1995 £'000	1996 £'000	**1997** **£'000**
Turnover	16,122	19,468	20,913	21,273	**23,699**
Operating profit	1,497	2,340	2,832	1,927	**2,877**
Share of loss of associated undertaking	(57)	–	–	–	–
Interest receivable and similar income	216	170	308	291	**238**
Profit before taxation	1,656	2,510	3,140	2,218	**3,115**
Taxation	592	808	1,050	686	**1,010**
Profit after taxation	1,064	1,702	2,090	1,532	**2,105**
Dividends	331	404	515	540	**582**
Net assets	10,447	11,880	13,564	14,389	**15,912**
Earnings per share	8.6p	13.7p	16.4p	11.9p	**16.3p**
Dividends per share	2.7p	3.2p	4.0p	4.18p	**4.5p**
Net assets per share	84p	94p	106p	111p	**123p**

Notice of Meeting

Notice is hereby given that the sixty-first annual general meeting of F W Thorpe PLC will be held at Merse Road, North Moons Moat, Redditch, Worcestershire B98 9HH on 12 November 1997 at 3.15 pm to transact the following business:

Ordinary business

1 To receive and adopt the directors' report and accounts for the year ended 30 June 1997.

2 To declare a dividend;

3 To re-elect Mr. I. A. Thorpe as a director;

4 To elect Mr. D. M. Lippold as a director;

5 To elect Dr. D. A. Dimeloe as a director;

6 To re-appoint Coopers & Lybrand 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 authority to allot relevant securities (within the meaning of Section 80 of the Companies Act 1985) conferred on the directors by Article 15 of the Articles of Association of the company be and hereby is renewed for the period ending at the conclusion of the annual general meeting of the company to be held in 1998 and that for such period the Section 80 Amount (as defined in said Article 15) shall be £208,234.

8 That the power to allot equity securities (within the meaning of Section 94 of the Companies Act 1985) conferred on the directors by Article 15 of the Articles of Association of the company be and hereby is renewed for the period ending at the earlier of the conclusion of the annual general meeting of the company to be held in 1998 and the expiry of the period of 15 months following the passing of this resolution and that for such period the Section 89 Amount (as defined in the said Article 15) shall be £64,588.

Notes

(a) A member entitled to attend and vote at the meeting may appoint one or more proxies, whether a member of the company or not, to attend and, on a poll, vote on the member's behalf. A form of proxy accompanies this notice.

(b) The register of directors' share interests pursuant to Section 325 of the Companies Act 1985 will be available for inspection at the annual general meeting.

By order of the Board

P. D. Mason

Company Secretary

Merse Road
North Moons Moat
Redditch
Worcestershire B98 9HH

1 October 1997

Financial Calendar

1997	17 October	Posting of report and accounts
	12 November	Annual general meeting
	19 November	Payment of final dividend
1998	March	Announcement of half year results
	May	Payment of interim dividend
	October	Announcement of results for the year

Advisors

Auditors
Coopers & Lybrand
Temple Court
35 Bull Street
Birmingham B4 6JT

Bankers
Lloyds Bank PLC
Church Green East
Redditch
Worcestershire B98 8BZ

Solicitors
Martineau Johnson
St Philips House
St Philips Place
Birmingham B3 2PP

Registrars
Lloyds Bank PLC
The Causeway
Goring-By-Sea
Worthing
West Sussex BN12 6DA

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

Registered No. 317886

Directors and Officers

From left to right: *I. A. Thorpe, D. M. Lippold,*
D. A. Dimeloe, A. B. Thorpe, C. M. Brangwin, M. D. Lippold, P. D. Mason

Directors

C. M. Brangwin, BSc CEng MIEE
Chairman and Chief Executive

D. A. Dimeloe BSc. Ph.D

D. M. Lippold BSc. (Hons) ACA

P. D. Mason, BSc Eng FCA

A. B. Thorpe

M. D. Lippold – *Non-Executive Director*

I. A. Thorpe – *Non-Executive Director*

Secretary

P. D. Mason, BSc Eng FCA

Michael D. Lippold (age 67)

Appointed a Non-Executive Director in July 1995 having retired after 9 years as Chairman of the Group.

He took up the position of Sales Director of FW Thorpe Plc in 1972 and in 1986 was appointed Chairman and Joint Managing Director. Also a Non-Executive Director of Fibreforce Plc.

Ian A. Thorpe (age 51)

Manufacturing Director of Thorlux Lighting from 1978 until 1993 when he became Personnel Director.

He became a Non-Executive Director on 1 October 1997.

Form of Proxy

(For shareholders use only)

I/We ....

(Block letters please)

of ....

being a member of the above named company, hereby appoint

....

or failing him the Chairman of the meeting, as my/our proxy to vote for me/us and on my/our behalf at the annual general meeting of the company to be held at the Registered Office of the company on 12 November 1997 and at every adjournment thereof

Please indicate with a cross in the appropriate space how you wish your vote to be cast. If no specific direction as to voting is given your proxy will vote or abstain at his/her discretion

	Resolution	FOR	AGAINST
1	To adopt directors' report and accounts.		
2	To declare a final dividend.		
3	To re-elect Mr. I. A. Thorpe as a director.		
4	To elect Mr. D. M. Lippold as a director.		
5	To elect as Dr. D. A. Dimeloe as a director.		
6	To re-appoint Coopers & Lybrand and authorise the directors to fix the auditors' remuneration.		
7	To give the directors authority to allot relevant securities (Section 80 C.A. 1985).		
8	To disapply Section 89 (1) C.A. 1985.		

Dated this ....day of ....1997 Signature ....

Notes:

This proxy must reach the company's registered office not less than forty-eight hours before the time appointed for the meeting.

Any alteration made to this form of proxy should be initialled.

If you wish to appoint a proxy other than the Chairman of the meeting please insert the name and address of your proxy (who need not be a member of the company).

In the case of joint holders the signature of one holder will be accepted.

In the case of joint holders, the vote of the senior who tenders a vote whether in person or by proxy shall be accepted to the exclusion of votes of the other joint holders and for this purpose seniority will be determined by the order in which the names stand in the register of members in respect of the joint holding.

In the case of a corporation this proxy should be under its common seal or under the hand of an officer or attorney or other person duly authorised.

Completion of the proxy form will not prevent a shareholder attending and voting in person.

SECOND FOLD

Lloyds Bank Registrars
Team 6
The Causeway
Worthing
West Sussex
BN99 6DB

FIRST FOLD

THIRD FOLD