FW THORPE PLC

LIGHTING THE INDUSTRIAL

& COMMERCIAL WORLD

Annual Report & Accounts
2003

FW THORPE

LIGHTING THE INDUSTRIAL

Contents

TOTAL LIGHTING SOLUTIONS

F W Thorpe Group designs and manufactures a comprehensive range of interior and exterior lighting, which is produced in the U.K. and sold throughout the world. Although our name is seldom seen, our quality products enhance the lives of people everyday.

The Group management team is passionate about developing the business for the benefit of shareholders, employees, and customers. With the energy and ability of our staff we look to the future with enthusiasm.

& COMMERCIAL WORLD

Chairman's Statement

"Group performance is creditable in an industrial and commercial lighting market that continually becomes more competitive."

Group turnover for the year was £32.7 million compared to £29.5 million last year. An operating profit of £3.5 million resulted giving a 233% increase on our difficult trading year in 2002 and a 13% increase on the financial year 2001. This performance shows that the Group is firmly still on track and the improvements in both turnover and profit should be considered against a background that Sugg Lighting, the main contributor to our poor performance in 2002, continued making losses in 2003 albeit at a significantly lower level.

The Group performance, I think, is creditable in an industrial and commercial lighting market that continually becomes more competitive not only from a price point of view but also from the point of view of competent competitors. Many of these competitors are now solid sophisticated manufacturers from Europe who have replaced, in the market, less competent UK firms who have subsequently disappeared from the arena. This situation demonstrates that your Group is obtaining improved turnover and profitability whilst running with the best in the market.

To meet these challenges the Group continues to put substantial resource into the design and development of new products both in new product areas and in updating successful but ageing products.

Increasing product sophistication and the need to increase capacity requires corresponding continuous improvement in production methods and, here again, your Group follows an active policy of development, using its resources to procure manufacturing space and performance production equipment when and where required.

To reflect the above results and to restore growth in the dividend, which was only maintained in 2002, your board is recommending a final dividend of 4.7p which, when included with the interim dividend, already paid, makes a total for the year of 6.6p, which is a 10% increase above last year.

Review of Divisions

Thorlux Lighting

Thorlux, the largest individual business within the Group, enjoyed an increase in orders of 17% during the year to 30 June 2003 and an increase in operating profit of 55%. Customers, in the general market, have seen regular introduction of new products from Thorlux and this has underpinned its standing and assisted in customer perception of Thorlux as a first choice supplier. New product developments in road tunnel lighting have also been well received and allowed the Company, this year, to gain its first UK tunnel lighting projects. The export market for Thorlux has been and remains difficult with many older traditional overseas markets in decline as well as the Company having to sell with a relatively high valued pound. Particular effort is now being made to establish the Company, under its own brand, in some of the more sophisticated markets in Europe.

Performance shows that the group is firmly still on track

On 30 June Mike Allcock, previously Technical Director, became the Managing Director of Thorlux Lighting and I would like to wish him every success in his new post.

Mackwell Electronics

Mackwell has, again, produced a record sales output for the year to 30 June 2003 and this has in turn produced a record profit. Business was good on both the home and export market, the latter of which has been a point of concentration for Mackwell in recent years. A good level of success has been attained, despite the Company being a relatively new player in these export markets. This has been accomplished with a relatively high value pound and, therefore, any fall in the value of the pound will assist further with these export sales. On the home market there has recently been more competition from abroad but Mackwell is meeting these challenges. During the year a new link building has been constructed to consolidate the site giving an extra 900 square metres of floor space. This building has just been completed and is now available for production. Further sophisticated electronic PCB manufacturing equipment has been purchased and is being commissioned.

Compact Lighting

Compact Lighting has also had a successful year improving sales turnover albeit with a roughly similar profit to last year. Some new High Street names have been added to the Compact customer list, although some existing contracts have come to their conclusion. The static profit was mainly due to internal factory and sales force reorganisation causing some loss of efficiency but retail sales are still buoyant nationally.

Philip Payne

Philip Payne is now well ensconced into its new larger premises, mentioned last year, and this move has allowed continuing substantial growth in its turnover and profits. Philip Payne is the smallest player in the Group serving a niche market in emergency lighting, but its growth has continued at a pace. The growing requirement for internal sophistication in the design of buildings should continue to give good future potential to Philip Payne's services.

Sugg Lighting

The problems the Group had suffered due to the performance of Sugg Lighting were set out in our Annual Report last year. Measures taken at that time, including a redundancy program and other cost cutting measures, reduced the losses. In November 2002 the Sales Director, Geoff White, was given overall management responsibility and became Director & General Manager. Since that date reorganisation of the Sales Force has been manifest together with initiatives to improve product design, manufacturability and production techniques. The board has confidence that Sugg will show further improvement during the coming year due to the product improvements and efficiencies that have been made.

People

The Group, of course, could not move successfully forward without the valued continuing contribution from all its employees and I would like to thank all our Group employees for their effort and diligence over the past year.

Colin Brangwin, has recently stepped down from the position of Group Chairman and I, and the board, would like to thank Colin for the valuable service he has given to the Group over a period of some 40 years. Colin will be continuing as a Non-Executive Director of F W Thorpe Plc and we look forward to receiving the benefit of his experience for many years to come.

The Future

The Group has started the new financial year encouragingly, but it is always difficult to forecast what the rest of the year may bring. Retail sales are buoyant but Government finances appear to be coming under some strain. Which way imminent balances fall is difficult to predict, and so we can only make every effort to have the best products we can produce available to our customers, when and where they wish to use them. The level of business available is down to global events and those who govern our economy.

Andrew Thorpe
Chairman

18 September 2003

Directors and Advisers

Directors	A B Thorpe	*Chairman (appointed 1 July 2003) and Joint Chief Executive*
	P D Mason BSc. Eng FCA MIEE	*Financial Director and Joint Chief Executive*
	M Allcock MIEE	*Technical Director and Managing Director of Thorlux Lighting from 1 July 2003*
	D A Dimeloe BSc. Ph.D	*Managing Director of Mackwell Electronics*
	D M Lippold BSc. ACA	*Managing Director of Compact Lighting*
	C M Brangwin BSc. C Eng. MIEE (aged 65)	*Non-executive Director. After joining the Company in 1963, he was appointed a Director in 1969, later as joint Managing Director and in 1995 was appointed Chairman. He became Non-executive Chairman in 2000 resigning from this role on 30 June 2003.*
	I A Thorpe (aged 57)	*Non-executive Director Manufacturing Director of Thorlux Lighting from 1978 until 1993 when he became Personnel Director. He became a Non-executive Director on 1 October 1997.*

Secretary P D Mason BSc. Eng FCA MIEE

Auditors PricewaterhouseCoopers LLP, Temple Court,
35 Bull Street, Birmingham B4 6JT

Bankers Lloyds TSB, Church Green East,
Redditch, Worcestershire B98 8BZ

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

Registrars Lloyds TSB Registrars, The Causeway, Goring-by-Sea,
Worthing, West Sussex BN99 6DA

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

Web Sites
www.thorlux.com
www.mackwell.co.uk
www.compact-lighting.co.uk
www.p-payne.co.uk
www.sugglighting.co.uk

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 2003.

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 15.

On 13 May 2003 the Company paid an interim dividend of 1.9p per share *(2002: 1.8p)*. A final dividend of 4.7p *(2002: 4.2p)* per ordinary share is proposed and, if approved, will be paid on 13 November 2003.

Directors

The Directors of the Company at the date of this report are set out on page 4. C M Brangwin resigned as non-executive Chairman on 30 June 2003, and he continues to serve as a non-executive Director. A B Thorpe was appointed Chairman on 1 July 2003. M Allcock was appointed Managing Director of Thorlux Lighting on 1 July 2003.

The Directors retiring by rotation are M Allcock, D A Dimeloe and D M Lippold, who, being eligible, offer themselves for re-election. Their contracts are 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 12.

Substantial shareholdings

At 6 October 2003 the Company had received notification of the following interests in 3 per cent or more of the issued share capital, excluding holdings of Directors:

E G Thorpe	664,170 shares	(5.7 per cent)
Rights and Issues Trust Plc	500,000 shares	(4.3 per cent)
Discretionary Unit Fund	350,000 shares	(3.0 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.

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.

Charitable gifts

During the year the Group gave £418 *(2002: £2,241)* for charitable purposes. The Company allocates an annual amount for charitable giving which is based on the previous year's profitability, and is considered appropriate in order to help foster its business relationships including those with its customers, suppliers, employees and the local community.

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 which is 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 Company's and the Group's year end trade creditors is 48 and 51 respectively *(2002: 48 and 48)*.

Report of the Directors

Employee policies

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

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

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

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

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

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

Auditors

Following the conversion of PricewaterhouseCoopers to a Limited Liability Partnership on 1 January 2003, PricewaterhouseCoopers resigned as auditors on 21 February 2003 and the Directors have appointed its successor PricewaterhouseCoopers LLP to fill the casual vacancy created by the resignation. A resolution to re-appoint PricewaterhouseCoopers LLP as auditors to the Company will be proposed at the Annual General Meeting.

Directors' Authority to Issue Shares

The Financial Services Authority no longer requires the consent of shareholders to each issue by the Company of equity share 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. As referred to in the notice of meeting for AGM, ordinary resolution number 8 and special resolution number 9 would give the Directors the authority to allot ordinary shares up to an aggregate nominal amount of £325,200, and would further empower them to allot ordinary shares for cash up to a maximum of £58,740 (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.

Purchase of Own Shares

Resolution 10 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 London Stock Exchange 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 1,174,800 ordinary shares representing 10% of the Company's issued ordinary share capital and a nominal value of £117,480 at 6 October 2003. The minimum price per ordinary share payable by the Company (exclusive of expenses) will be 10p. 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

Report of the Directors

Company as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the date of each purchase. Any shares purchased by the Company will be cancelled and the number of shares in issue will be reduced accordingly. 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 2004. 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 listing rules of the Financial Services Authority require listed companies to explain how they have applied the principles of the code of practice known as the Combined Code. This statement explains how the Company has applied the principles set out in Section 1 of the Combined Code.

The Directors have examined carefully how far the current practice of the Company conforms with the recommendations made in the Combined Code and fully endorse the principles of openness, integrity and accountability of the Code. The Directors consider the Company to be compliant with the principles of best practice with the exception of the matters listed below.

- The board does not have an independent audit committee;
- At least half the Board does not comprise independent non-executive directors and the Board has not appointed a senior independent director;
- The terminable period of the service contracts for A B Thorpe and P D Mason exceeds one year;
- The pensionable salary includes benefits in kind and/or profit bonus for those Directors who are members of the defined benefit scheme.
- The Board has combined the roles of Joint Chief Executive and Chairman.

The Directors 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's business.

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 recommended by the Code, 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:

C M Brangwin	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 9 to 12.

The auditors have direct access to all members of the board and attend and present their reports at appropriate board meetings.

Nomination committees are formed when it is felt to be appropriate for senior personnel and subsidiary board appointments. Any appointment to a Group board position 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.

The Directors 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's business,

Report of the Directors

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.

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 controls 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.

Internal financial control

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.

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

In addition the executive Directors regularly visit all operating sites and review with local management financial and commercial issues affecting the Group's operations. Regular financial reporting includes 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.

Other areas of control

The Combined Code introduced a requirement that Directors review the effectiveness of the Group's systems of internal controls on an annual basis. This requirement extends the Directors' review to cover all controls, including operational, compliance and risk management as well as financial.

During the year and continuing after the year end the board has operated a formal risk identification and evaluation programme as part of a continuous review of the Group's internal controls. This programme 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.

Going concern

The Directors confirm that they are satisfied that the Group has adequate resources to continue in business for the foreseeable future, and for this reason, they continue to adopt the going concern basis in preparing the accounts.

By order of the board

P D Mason
Company Secretary

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

Directors' Remuneration Report

The board has prepared this report to the shareholders, taking into account the provisions in Schedule B of the Combined Code on Corporate Governance and Directors' Remuneration Report Regulations 2002. 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 condition of employment.

Remuneration committee

The current members of the remuneration committee are the non-executive Directors C M Brangwin (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 advice from a specialist external organisation 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. The performance related remuneration is linked to both short-term and long-term goals.

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. Share options. There are currently two executive share option schemes, and options were granted to Directors on 6 May 1999 – the majority of which are provided as part of an Inland Revenue approved scheme. Both schemes allow the executives to participate in share price growth and are normally exercisable between 3 and 10 years after grant providing certain performance criteria are met. Some of the executive Directors had share options through a SAYE scheme. This scheme matured on 1 July 2002, and options could be exercised up to 31 December 2002 at a price of 107.3p per share, thereafter options lapsed.

Remuneration policy – non-executive Directors

The board as 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 or participate in the executive share option scheme. Their benefits in kind consist mainly of the provision of heath insurance and a car for C M Brangwin (until 31 March 2003).

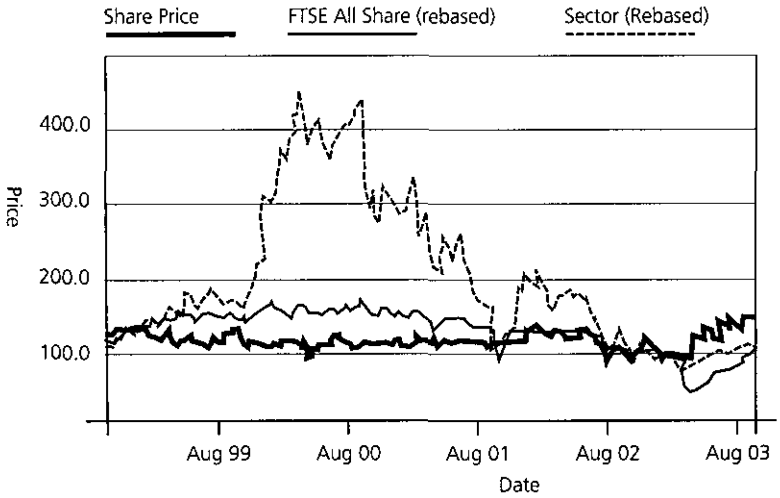
Directors' Remuneration Report

Directors' service contracts

The policy for Directors' service contracts is to follow the Code for new appointments, however, for contracts in existence prior to the date the Code became effective no amendment is expected be made in view of the predicted service lives of the people concerned. D A Dimeloe, D M Lippold and M Allcock have service contracts terminable on one year's notice. 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 considered for renewal. These contracts do not comply with the Code because they are in excess of one year. C M Brangwin and I A Thorpe do not have service contracts with the Company.

Performance graph

The graph below shows the comparative data for the FTSE all share index and the FTSE electronic and electrical equipment sector as these are considered to be the most appropriate comparative indices for the Company's business, and approximates to total shareholder return.



Audited information

The audited information relating to Directors' emoluments is set out below.

Directors' emoluments

	2003 salary/ fees £'000	2003 bonus £'000	2003 benefits £'000	2003 Total £'000	2002 Total £'000
Executive Directors					
A B Thorpe	104	27	16	147	130
P D Mason	96	27	15	138	123
M Allcock	59	17	11	87	79
D A Dimeloe	84	46	10	140	104
D M Lippold	68	16	9	93	90
Non-executive Directors					
C M Brangwin	33	–	20	53	51
I A Thorpe	27	–	2	29	33
Total	471	110	83	687	610

Benefits consist mainly of the provision of cars and fuel, or cash equivalent, and health insurance.
The bonus for D A Dimeloe includes a contribution of £23,000 to the pension scheme.

Directors' Remuneration Report

Directors' pension arrangements

A B Thorpe, P D Mason and I A Thorpe participate in the defined benefit section of the F W Thorpe Retirement Benefits Scheme. M Allcock, D A Dimeloe and D M Lippold are members of the defined contribution section of the scheme. M Allcock has a final salary guarantee as he was previously a member of the defined benefit section. C M Brangwin is a retired member of the defined benefit section.

The F W Thorpe Retirement Benefits Scheme is a funded, Inland Revenue 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 2/3 of pensionable salary at normal retirement date. Pensionable salary for P D Mason, A B Thorpe and I A Thorpe includes profit bonus and benefits calculated on the average of the previous three years. M Allcock's pensionable salary includes an average of the previous three years profit bonus. These definitions do not comply with the Code; however, the committee believes that they are appropriate when looking at the remuneration package as a whole. Defined contribution members contribute up to 5% of basic salary and the Company contributes up to 14%.

All the executive Directors are covered by life assurance benefit of 4 times pensionable salary. In addition, the defined benefit scheme members are entitled to a spouse's pension on death.

The following Directors 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 2002 £pa	Value of accrued pension at 30 June 2003 £pa	Additional pension earned over the year ended 30 June 2003	Pension Entitlement Transfer Value for the year
A B Thorpe	53	60	59,766	65,361	4,579	51,072
P D Mason	54	60	45,014	51,224	5,445	64,767
M Allcock	35	65	10,012	11,850	1,668	4
I A Thorpe	57	60	36,933	36,933	–	–

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.

	2003	2002
	£	£
D A Dimeloe	**11,480**	11,200
D M Lippold	**5,304**	5,200

Directors' Remuneration Report

Directors' shareholdings

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 2003 and 1 July 2002 were as follows:

	Ordinary shares of 10p	
	Beneficial	
	2003	2002
A B Thorpe	**2,782,369**	2,776,669
P D Mason	**149,837**	149,837
M Allcock	**7,900**	7,900
D A Dimeloe	**7,189**	7,189
D M Lippold	**1,400**	400
C M Brangwin	**773,155**	773,155
I A Thorpe	**2,504,712**	2,504,712

In addition, C M Brangwin has a joint non-beneficial interest in 332,348 shares.

Directors' share options

Details of the share options at 30 June 2003 are as follows:

	30 June 2002	Granted during year	Exercised during year	Lapsed during year (SAYE)	At 30 June 2003	Option price	Date Exercisable from	Expiry date of options
A B Thorpe	30,000	–	–	–	30,000	117p	7 May 2002	6 May 2009
P D Mason	38,497	–	–	8,497	30,000	117p	7 May 2002	6 May 2009
M Allcock	26,764	–	–	6,764	20,000	117p	7 May 2002	6 May 2009
D A Dimeloe	38,497	–	–	8,497	30,000	117p	7 May 2002	6 May 2009
D M Lippold	38,497	–	–	8,497	30,000	117p	7 May 2002	6 May 2009

The performance criteria for the exercise of the executive share options require that the growth in the annualised earnings per share, adjusted to a pre-tax basis must exceed RPI by more than 3% when measured against a basis year. This criteria has been met. P D Mason exercised 25,641 options on 26 September 2003. There have been no other changes in the share options in the period 30 June 2003 to 6 October 2003.

The market price of the Company's shares at the beginning and end of the financial year was 125p and 140p respectively and the range of market prices during the year was from 90p to 150p.

Except for the exercise of options by P D Mason on 26 September, 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 2003 to 6 October 2003.

Approved by the Board and signed on its behalf by:

P D Mason
Company Secretary

Statement of Directors' Responsibilities

Company law requires the Directors to prepare accounts for each financial year which 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 for that period.

In preparing those accounts, the Directors are required to:

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

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the accounts comply with the *Companies Act 1985*. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditor's Report

to the members of F W Thorpe PLC

We have audited the financial statements, which comprise the profit and loss account, the balance sheet, the cash flow statement, and the related notes which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out in the statement of accounting policies. We have also audited the disclosures required by Part 3 of Schedule 7A to the Companies Act 1985 contained in the Directors' remuneration report. ('the auditable part').

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of Directors' responsibilities. The Directors are also responsible for preparing the Directors' remuneration report.

Our responsibility is to audit the financial statements and the auditable part of the Directors' remuneration report in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board.This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the auditable part of the Directors' remuneration report have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Directors' report, the unaudited part of the Directors' remuneration report, the chairman's statement and the corporate governance statement.

We review whether the corporate governance statement reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules of the Financial Services Authority and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the Company's or Group's corporate governance procedures or its risk and control procedures.

Basis of audit 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 and the* auditable part of the Directors' remuneration report.

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 and the auditable part of the Directors' remuneration report 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 the Company's and Group's affairs at 30 June 2003 and of the profit and cash flows for the Group for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- those parts of the Directors' remuneration report required by Part 3 of Schedule 7A to the Companies Act 1985 have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Birmingham
6 October 2003

Consolidated Profit and Loss Account

for the year ended 30 June 2003

	Notes	2003 £'000	2002 £'000
Turnover	2	**32,677**	29,452
Cost of sales		**(20,301)**	(19,113)
Gross profit		**12,376**	10,339
Net operating expenses	3	**(8,889)**	(9,293)
Operating profit		**3,487**	1,046
Interest receivable and similar income	7	**245**	196
Profit on ordinary activities before taxation	4	**3,732**	1,242
Taxation on profit on ordinary activities	8	**(1,110)**	(513)
Profit for the year	9	**2,622**	729
Dividends	9	**(773)**	(701)
Retained profit for the year	21	**1,849**	28
Earnings per ordinary share			
– ordinary	10	**22.4p**	6.3p
– diluted	10	**21.8p**	6.2p

All of the above results were from continuing operations.

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

There are no recognised gains or losses other than the results for the year as stated above.

The notes on pages 18 to 34 form part of these accounts.

The report of the auditors is on page 14.

Consolidated and Company Balance Sheets

as at 30 June 2003

	Notes	Group 2003 £'000	Group 2002 £'000	Company 2003 £'000	Company 2002 £'000
Fixed assets					
Tangible assets	12	**8,601**	9,022	**7,483**	7,737
Investments	13	**244**	244	**847**	847
		8,845	9,266	**8,330**	8,584
Current assets					
Stocks	14	**6,196**	5,423	**4,076**	3,724
Debtors	15	**6,303**	6,007	**5,418**	5,410
Investments	16	**70**	70	**70**	70
Cash at bank and in hand		**6,742**	4,352	**6,450**	4,380
		19,311	15,852	**16,014**	13,584
Creditors: amounts falling due within one year	17	**(5,919)**	(4,793)	**(3,771)**	(3,126)
Net current assets		**13,392**	11,059	**12,243**	10,458
Total assets less current liabilities		**22,237**	20,325	**20,573**	19,042
Creditors: amounts falling due after one year	18	**–**	(7)	**–**	–
Provisions for liabilities and charges					
Deferred taxation	19	**(428)**	(414)	**(437)**	(403)
Net assets		**21,809**	19,904	**20,136**	18,639
Capital and reserves					
Called up share capital	20	**1,171**	1,166	**1,171**	1,166
Capital redemption reserve	21	**135**	135	**135**	135
Share premium account	21	**411**	360	**411**	360
Profit and loss account	21	**20,092**	18,243	**18,419**	16,978
Equity shareholders' funds	27	**21,809**	19,904	**20,136**	18,639

These accounts were approved by the board on 6 October 2003.

A B Thorpe } Directors
P D Mason

The notes on pages 18 to 34 form part of these accounts.

The report of the auditors is on page 14.

Consolidated Cash Flow Statement

for the year ended 30 June 2003

	Notes	2003 £'000	2002 £'000
Net cash inflow from operating activities	22	**4,203**	4,329
Returns on investments and servicing of finance			
Interest and dividends received		**245**	196
Taxation			
UK corporation tax paid		**(677)**	(844)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		**(879)**	(1,084)
Sale of tangible fixed assets		**169**	167
Net cash outflow for capital expenditure and financial investments		**(710)**	(917)
Equity dividends paid		**(714)**	(700)
Cash inflow before financing		**2,347**	2,064
Financing			
Issue of shares		**56**	–
Capital elements of hire purchase and finance lease payments		**(13)**	(46)
Cash inflow/(outflow) from financing		**43**	(46)
Increase in cash in the year	22	**2,390**	2,018

Notes to the Accounts

for the year ended 30 June 2003

1 Accounting policies

Basis of accounting

These consolidated financial statements have been prepared under the historical cost convention, as modified by the valuation of investment properties. The accounting policies which have been consistently applied are set out below and are in accordance with applicable UK accounting standards.

Basis of consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries, which are prepared to 30 June. The results of the entities acquired are included in the consolidated profit and loss account from the date of acquisition.

Property, plant and equipment

Land and buildings, plant, equipment, furniture and fittings are stated at historical cost less depreciation.

Depreciation is calculated on the straight-line method to write off the cost of each asset to its residual values over its estimated useful life as follows:

Freehold land	Nil
Freehold buildings	25 – 50 years
Plant, equipment, fixtures and fittings	2 – 15 years

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in operating profit.

Leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the profit and loss account over the lease period. The property, plant and equipment acquired under finance leases is depreciated over the useful life of the asset or the lease term.

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

Investment property

Depreciation is not provided on investment properties. The requirement of the Companies Act 1985 is to depreciate all fixed assets, but this conflicts with the generally accepted principle set out in SSAP 19. These properties are held for investment rather than consumption and the Directors consider that systematic depreciation would be inappropriate. The accounting policy adopted is therefore necessary for the accounts to give a true and fair view.

Other investments

Shares in subsidiaries and listed investments are stated at cost less any provision necessary for any permanent diminution in value.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary undertaking at the date of acquisition. In accordance with Financial Reporting Standard 10 (FRS 10), goodwill arising from acquisitions after 1 July 1998 is amortised over its useful economic life, up to a maximum of 20 years. Prior to this date goodwill was written off directly to reserves.

Where an indication of impairment exists, the carrying amount of any goodwill is assessed and written down immediately to its recoverable amount.

Notes to the Accounts

for the year ended 30 June 2003

1 Accounting policies *(continued)*

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is determined by the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads, based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

Debtors

Trade debtors are carried at original invoice amount less an estimate made for doubtful debts based on a review of all outstanding amounts at the year end. Bad debts are written off when identified.

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, and other short-term highly liquid investments.

Deferred income taxes

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Tax rates enacted or substantively enacted by the balance sheet date are used to determine deferred income tax. Balances are not discounted.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

Warranty

The Group recognises the estimated liability to repair or replace products still under warranty at the balance sheet date. This provision is calculated based on past history of the level of repairs and replacements.

Revenue recognition

Sales are recognised upon delivery of products. Sales are shown net of value added tax and discounts, and after eliminating sales within the Group.

Pension obligations

The cost of providing pensions is charged to the profit and loss account so as to spread the regular cost over the service lives of employees on a systematic basis in accordance with the advice of the actuaries.

The Group's contributions to defined contribution pension plans are charged to the profit and loss account in the period to which the contributions relate.

Foreign currency translation

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions; gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the profit and loss account.

Research and development

Research and development expenditure is recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Policy on derivatives and financial instruments

The Group does not hold any derivatives other than exchange swaps. Where these exist at the year end they are not valued in the balance sheet as they are used to hedge currency movements. If foreign currency debtors and creditors exist at the year end which have been hedged in this way the contracts and swap values are considered in valuing these items.

Financial instruments are valued at historical cost.

Notes to the Accounts

for the year ended 30 June 2003

2 Analysis of turnover

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

	2003 £'000	2002 £'000
United Kingdom	**29,323**	25,820
Other European Countries	**1,948**	1,843
Africa	**37**	252
North and South America	**54**	144
Middle East	**783**	646
India, Australia and Far East	**532**	747
	32,677	29,452

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

The business of the parent Company and its subsidiaries all relate to one segment, being commercial lighting manufacture and sale.

3 Net operating expenses

	2003 £'000	2002 £'000
Distribution costs	**1,984**	2,194
Administrative expenses	**6,905**	6,596
Impairment of goodwill	**–**	503
	8,889	9,293

4 Profit on ordinary activities before taxation

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

	2003 £'000	2002 £'000
Depreciation of tangible assets – owned assets	**1,185**	1,267
– financed leased assets	**8**	8
Auditors' remuneration (Company £25,000, 2002: £25,000)	**45**	45
Amortisation of goodwill	**–**	30
Leasehold land and buildings – operating leases	**177**	173
Hire of plant and machinery	**36**	34
Research and development	**907**	517
Profit on sale of fixed assets	**(62)**	(33)

(a) Remuneration of the Group's auditors for provision of non-audit services to the Company and its subsidiaries was £16,000 *(2002: £15,000).*

5 Directors' emoluments

	2003 Total £'000	2002 Total £'000
Aggregate emoluments	**687**	610
Contributions to Money Purchase pension scheme	**17**	16
	704	626

Further details are provided in the Directors' remuneration report on pages 9 to 12.

6 Employee information

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

	2003 Number	2002 Number
Production	**285**	285
Selling and distribution	**79**	79
Administration	**115**	117
	479	481

Employment costs of all employees (including executive Directors):

	2003 £'000	2002 £'000
Aggregate gross wages and salaries	**8,485**	8,193
Employers' national insurance contributions	**814**	762
Employers' pension and related charges	**724**	550
Total direct costs of employment	**10,023**	9,505

7 Interest receivable and similar income

	2003 £'000	2002 £'000
Interest from current asset investments	**184**	151
Income from fixed asset investments	**61**	45
	245	196

Income from investments includes £4,000 *(2002: £4,000)* from listed investments.

Notes to the Accounts

for the year ended 30 June 2003

8 Taxation on profit on ordinary activities

	2003	2002
	£'000	£'000
Current tax:		
UK Corporation tax on profits for the period	1,138	554
Adjustment in respect of previous periods	(42)	(6)
Total current tax	1,096	548
Deferred tax:		
Origination and reversal of timing differences	14	(20)
Adjustment in respect of previous periods	-	(15)
Total deferred tax	14	(35)
Taxation on profit on ordinary activities	1,110	513

The tax assessed for the year is lower than the standard rate of corporation tax in the UK *(30%)*. The differences are explained below:

	2003	2002
	£'000	£'000
Profit on ordinary activities	3,732	1,242
Profit on ordinary activities multiplied by the standard rate in the UK 30% *(30%)*	1,120	373
Effects of:		
Expenses not deductible for tax purposes	4	146
Accelerated tax allowances and other timing differences	14	35
Adjustments to tax charge in respect to previous period	(42)	(6)
Current tax charge	1,096	548

Notes to the Accounts

for the year ended 30 June 2003

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 £2,622,000 *(2002: £729,000)* includes a profit of £2,214,000 *(2002: £876,000)* in respect of the holding Company.

	2003 £'000	2002 £'000
Dividends		
Interim paid of 1.9p per share *(2002: 1.8p per share)*	223	210
Final proposed of 4.7p per share *(2002: 4.2p per share)*	550	491
	773	701

10 Earnings per share

Ordinary earnings per share is calculated by dividing the net profit attributable to shareholders of £2,622,000 *(2002: £729,000)* by the weighted average number of ordinary shares in issue during the year of 11,705,128 *(2002: 11,661,813).*

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The weighted average number of ordinary shares is calculated at 12,009,165 *(2002: 11,700,131).*

11 Intangible fixed assets

Group	Goodwill £'000
Cost	
At 1 July 2002 and 30 June 2003	600
Aggregate amortisation	
At 1 July 2002 and 30 June 2003	600
Net book value at 1 July 2002 and 30 June 2003	-

The goodwill arising on the acquisition of Sugg Lighting Limited was impaired in 2002.

Goodwill arising on the acquisition of subsidiaries before 1 July 1998, of £577,000 had been written off to reserves in prior years.

12 Tangible fixed assets

	Group			Company		
	Freehold land and buildings £'000	*Plant and equipment* £'000	*Total* £'000	*Freehold land and buildings* £'000	*Plant and equipment* £'000	*Total* £'000
Cost						
At 1 July 2002	6,606	9,829	16,435	6,474	6,813	13,287
Additions	137	742	879	136	460	596
Group transfer	–	–	–	–	13	13
Disposals	–	(655)	(655)	–	(462)	(462)
At 30 June 2003	**6,743**	**9,916**	**16,659**	**6,610**	**6,824**	**13,434**
Accumulated depreciation						
At 1 July 2002	871	6,542	7,413	824	4,726	5,550
Charge for the year	119	1,074	1,193	104	663	767
Group Transfer	–	–	–	–	6	6
Disposals	–	(548)	(548)	–	(372)	(372)
At 30 June 2003	**990**	**7,068**	**8,058**	**928**	**5,023**	**5,951**
Net book value						
At 30 June 2003	**5,753**	**2,848**	**8,601**	**5,682**	**1,801**	**7,483**
At 30 June 2002	5,735	3,287	9,022	5,650	2,087	7,737

Depreciation has not been charged on freehold land that is stated at its cost of £1,218,000 *(2002: £1,218,000).*

Assets held under finance leases and capitalised in plant and equipment:

	Group		Company	
	2003 £'000	2002 £'000	**2003** £'000	2002 £'000
Cost	**54**	54	**–**	–
Accumulated depreciation	**(28)**	(20)	**–**	–
Net book value	**26**	34	**–**	–

Notes to the Accounts

for the year ended 30 June 2003

13 Fixed asset investments

	Group			Company			
	Investment property	Listed on the Stock Exchange	Total	Investment property	Listed on the Stock Exchange	Investments in subsidiaries	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation							
At 1 July 2002 and 30 June 2003	**219**	**25**	**244**	**219**	**25**	**2,173**	**2,417**
Provisions for diminution in value							
at 31 July 2002 and 30 June 2003	–	–	–	–	–	**1,570**	**1,570**
Net book value							
At 1 July 2002 and 30 June 2003	219	25	244	219	25	603	847

The aggregate market value of the investments listed on the London Stock Exchange as at 30 June 2003 was £69,000 *(2002: £91,000).*

Details of the investments in subsidiaries are set out in note 26.

14 Stocks

	Group		Company	
	2003	2002	**2003**	2002
	£'000	£'000	**£'000**	£'000
Raw materials, components and consumables	**3,031**	2,563	**1,615**	1,446
Work in progress	**1,292**	1,152	**893**	748
Finished goods	**1,873**	1,708	**1,568**	1,530
	6,196	5,423	**4,076**	3,724

15 Debtors

	Group		Company	
	2003	2002	**2003**	2002
Amounts falling due within one year	**£'000**	£'000	**£'000**	£'000
Trade debtors	**5,928**	5,715	**3,885**	3,720
Amounts owed by subsidiary undertakings	–	–	**293**	157
Other debtors	**68**	37	**41**	37
Prepayments and accrued income	**307**	255	**155**	110
	6,303	6,007	**4,374**	4,024
Amounts falling due after one year				
Amounts owed by subsidiary undertakings	–	–	**1,044**	1,386
	6,303	6,007	**5,418**	5,410

Notes to the Accounts

for the year ended 30 June 2003

16 Current asset investments

	Group and Company	
	2003	2002
	Cost	Cost
	£'000	£'000
Units in cash fund – aggregate market value £311,000 *(2002: £303,000)*	**70**	70
	70	70

17 Creditors: amounts falling due within one year

	Group		*Company*	
	2003	2002	**2003**	2002
	£'000	£'000	**£'000**	£'000
Net obligation under finance leases and hire purchase contracts	**7**	11	**–**	–
Trade creditors	**3,095**	2,379	**1,537**	1,315
Corporation tax	**777**	357	**675**	439
Other taxation and social security	**751**	683	**536**	429
Other creditors	**386**	422	**350**	250
Accruals	**353**	450	**123**	202
Dividends payable	**550**	491	**550**	491
	5,919	4,793	**3,771**	3,126

18 Creditors: amounts falling due after one year

	2003	2002
	£'000	£'000
Net obligation under finance leases and hire purchase contracts	**–**	7

Future minimum payments under finance leases and hire purchase contracts are as follows:

	2003	2002
	£'000	£'000
Within one year	**8**	13
One to five years	**–**	8
After five years	**–**	–
Total gross payments	**8**	21
Less finance charges included above	**(1)**	(3)
	7	18

19 Deferred taxation

Deferred taxation provided in the financial statements is as follows:

	Group		*Company*	
	2003	2002	**2003**	2002
	£'000	£'000	**£'000**	£'000
Tax effect of timing differences:				
Capital allowances	**422**	411	**428**	399
Other	**6**	3	**9**	4
	428	414	**437**	403

	Group	*Company*
	£'000	£'000
Movement in the provision		
At 1 July 2002	414	403
Increase in provision	14	34
At 30 June 2003	**428**	**437**

20 Share capital

	Group and Company	
	2003	2002
	£'000	£'000
Ordinary shares of 10p per share		
Authorised (15,000,000 shares)	**1,500**	1,500
Allotted and fully paid		
At 1 July 2002	**1,166**	
Shares issued	**5**	
At 30 June 2003 11,713,559 shares *(2002: 11,661,813 shares)*	**1,171**	1,166

During the year 51,746 shares were issued for cash of £56,000.

Options that have been granted for 10p ordinary shares remaining outstanding at 30 June 2003 are as follows:

Number of shares	*Subscription price per share*	*Period of option*
230,000	117p	7 May 2002 to 6 May 2009

Details of the Directors' share options are given in the Directors' report. On 26 September options were exercised for 34,441 shares.

21 Reserves

	Group			*Company*		
	Share premium account £'000	Capital redemption reserve £'000	Profit and loss £'000	Share premium account £'000	Capital redemption reserve £'000	Profit and loss £'000
At 1 July 2002	360	135	18,243	360	135	16,978
Shares issued	51	–	–	51	–	–
Profit for the year	–	–	1,849	–	–	1,441
At 30 June 2003	**411**	**135**	**20,092**	**411**	**135**	**18,419**

Notes to the Accounts

for the year ended 30 June 2003

22 Notes to the cash flow statement

(a) Reconciliation of operating profit to net cash inflow from operating activities

	2003 £'000	2002 £'000
Operating profit	**3,487**	1,046
Depreciation	**1,193**	1,275
Amortisation of goodwill	**–**	30
Impairment charge on goodwill	**–**	503
Profit on sale of fixed assets	**(62)**	(33)
(Increase)/Decrease in stocks	**(773)**	29
(Increase)/Decrease in debtors	**(296)**	1,823
Increase/(Decrease) in creditors	**654**	(344)
Net cash inflow from operating activities	**4,203**	4,329

(b) Reconciliation of movement in net funds

	1 July 2002 £'000	Cash flow £'000	30 June 2003 £'000
Cash at bank and in hand	4,352	2,390	**6,742**
Finance leases and purchase contracts:			
Due after 1 year	(7)	–	**(7)**
Due within 1 year	(11)	11	**–**
Liquid resources	70	–	**70**
	4,404	2,401	**6,805**

(c) Reconciliation of net cash flow to movement in net funds

	2003 £'000	2002 £'000
(Decrease)/Increase in net cash	**2,390**	2,018
Movement in borrowings	**11**	46
Net funds at 1 July 2002	**4,404**	2,340
Net funds at 30 June 2003	**6,805**	4,404

23 Capital commitments

Commitments for future capital expenditure at 30 June 2003 were as follows:

	Group		*Company*	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Authorised and contracted for	**510**	129	**182**	129

Notes to the Accounts

for the year ended 30 June 2003

24 Operating leases

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

	Group		*Company*	
	2003	2002	**2003**	2002
	£'000	£'000	**£'000**	£'000
In two to five years	**25**	25	**–**	–
Over five years	**148**	136	**–**	–
	173	161	**–**	–

25 Pension scheme

The Group operates a combined defined benefits/defined contribution scheme in the UK. Entrants who joined after 1 October 1995 join a defined contribution section. The scheme is approved by the Inland Revenue under Chapter 1 Part XIV of the Income and Corporation Taxes Act 1988. Membership is contracted in to the second state pension.

The assets of the scheme are held separately from the assets of the Company. Contributions by the Company to the Scheme during the year ended 30 June 2003 amounted to £530,000. Contributions are determined by an independent qualified actuary on the basis of triennial valuations using the Projected Unit Method.

The date of the most recent actuarial valuation is 1 July 2001, and the value of the fund at this date was £6,277,000. This was sufficient to cover 83% of the value of the benefits accrued to members after allowing for future increases in earnings. In arriving at the actuarial valuation, the following assumptions were adopted:

Investment return before retirement	**6.50%**
Investment return after retirement	**6.50%**
Average salary increases	**4.75%**
Price inflation	**2.50%**

The figures at 1 July 2001 have been updated in order to assess the additional disclosures required under FRS 17 as at 30 June 2003 by an independent qualified actuary using the following major assumptions:

	30 June 2003	30 June 2002
Price inflation	**2.50%**	2.50%
Salary increases	**4.28%**	4.28%
Discount rate	**5.25%**	5.75%
Pension increases in payment of 5% pa or RPI if less	**2.50%**	5.00%

Notes to the Accounts

for the year ended 30 June 2003

25 Pension scheme *(continued)*

On this basis, the illustrative balance sheet figures required under FRS 17 are as follows:

	30 June 2003		30 June 2002	
	Expected long term rate of return	Value £'000	Expected long term rate of return	Value £'000
Equities	8.00%	4,281	8.00%	4,005
Bonds	5.00%	1,395	5.25%	1,142
Property	7.50%	239	7.75%	259
Other	3.75%	164	4.00%	97
Total market value of assets		6,079		5,503
Present value of scheme liabilities		10,190		8,267
Deficit in the Scheme		(4,111)		(2,764)
Related tax asset		1,233		829
Net pension deficit		(2,878)		(1,935)

Movement in deficit during the year	30 June 2003 £'000	30 June 2002 £'000
Deficit in Scheme at beginning of the year	(2,764)	(579)
Current service cost	(388)	(343)
Contributions	530	378
Other finance income	(63)	3
Actuarial loss on pension scheme	(1,426)	(2,223)
Surplus in scheme at end of year	(4,111)	(2,764)
Related tax asset	1,233	829
Net pension deficit	(2,878)	(1,935)

Analysis of amount that would be charged to operating profit in respect of defined benefit scheme

	30 June 2003 £'000	30 June 2002 £'000
Current service cost	(388)	(343)
	(388)	(343)

The current service cost for final salary guarantee members is expected to rise from year to year as the final salary section is closed to new entrants.

Notes to the Accounts

for the year ended 30 June 2003

25 Pension scheme *(continued)*

Analysis of amount that would be credited to other financial income

	30 June 2003	30 June 2002
	£'000	£'000
Expected return on pension scheme assets	**424**	441
Interest on pension scheme liabilities	**(487)**	(438)
Net Return	**(63)**	3

Analysis of amount that would be recognised in statement of total recognised gains and losses

	30 June 2003	30 June 2002
	£'000	£'000
Actual return less expected return on pension scheme assets	**(408)**	(1,508)
Experience gains and losses arising on the scheme liabilities	**–**	176
Changes in assumptions underlying the present value on the scheme liabilities	**(1,018)**	(891)
Actuarial loss which would have been recognised in the STRGL	**(1,426)**	(2,223)

History of experience gains and losses that would have been recognised in the Statement of Recognised Gains and Losses (STRGL)

	30 June 2003		30 June 2002	
	£'000	Percentage	£'000	Percentage
Difference between the expected and actual return on scheme assets	**(408)**		(1,508)	
Percentage of scheme assets		**7%**		27%
Experience loss on scheme liabilities	**–**		176	
Percentage of the present value of scheme liabilities				2%
Effect of changes in assumptions underlying the present value of the scheme liabilities	**(1,018)**		(891)	
Percentage of the present value of scheme liabilities		**10%**		11%
Total amount which would have been recognised in STRGL	**(1,426)**		(2,223)	
Percentage of the present value of the scheme liabilities		**14%**		27%

25 Pension scheme *(continued)*

Changes to net assets and profit and loss reserve

If the amounts had been recognised in the financial statements, the Group's net assets and profit and loss reserve at 30 June 2003 would have been as follows:

	2003 £'000	2002 £'000
Net assets excluding pension deficit	21,809	19,904
Pension deficit	(2,878)	(1,935)
Net assets including pension deficit	18,931	17,969
Profit and loss account excluding pension deficit	20,092	18,243
Pension deficit	(2,878)	(1,935)
Profit and loss account including pension deficit	17,214	16,308

26 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 Limited	England	Ordinary £1 shares	100%
Compact Lighting Limited	England	Ordinary £1 shares	100%
Philip Payne Limited	England	Ordinary £1 shares	100%
Sugg Lighting Limited	England	Ordinary £1 shares	100%
Axis Lighting Limited	England	Ordinary £1 shares	100%

All of the above companies operated in their country of incorporation and registration.

The principal activities of these subsidiaries are:

Mackwell Electronics Limited	– design and manufacture of lighting components
Compact Lighting Limited	– design and manufacture of low energy lighting equipment
Philip Payne Limited	– design and manufacture of illuminated signs
Sugg Lighting Limited	– design and manufacture of traditional architectural lighting
Axis Lighting Limited	– non trading

27 Reconciliation of movements in equity shareholders' funds

	Group		*Company*	
	Year ended 30 June 2003 £'000	Year ended 30 June 2002 £'000	**Year ended 30 June 2003 £'000**	Year ended 30 June 2002 £'000
Profit for the year	**2,622**	729	**2,214**	876
Dividends	**(773)**	(701)	**(773)**	(701)
Net increase in equity shareholders' funds	**1,849**	28	**1,441**	175
Issue of shares	**56**	–	**56**	–
Opening equity shareholders' funds	**19,904**	19,876	**18,639**	18,464
Closing equity shareholders' funds	**21,809**	19,904	**20,136**	18,639

28 Related party transactions and balances

The Company has taken advantage of the exemption allowed by FRS8 not to disclose transactions and balances with related Company undertakings, 90% or more of whose voting rights are controlled within the Group.

During the year, A B Thorpe, P D Mason and C M Brangwin entered into transactions with the Group as individuals amounting to £36,000, relating to the purchase of Company vehicles. The transactions were made at terms and conditions available to other staff, and no balances were outstanding at the year end.

29 Financial instruments

The Group has a policy of maintaining cash resources arising from its operations by balancing the day to day cash requirements with those resources and by not undertaking any long term borrowings. This policy enables the Group to fund its future operations. To assist with this the Group has a system of overall Group treasury management, coupled with individual banking arrangements held by each of the Group's subsidiaries. The Group also has a small overdraft facility on its current account to ensure that cash is available in the current account in the event that an unforeseen requirement arises. The Group has a policy not to trade derivatives, and this has been observed throughout the year.

The Group's financial instruments comprise cash and liquid resources, small amounts of listed investments, and various other *items such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial* instruments is to manage the cash available for the Group's operations. The Group has occasionally used forward foreign exchange contracts in order to hedge currency movements when customers pay in or suppliers require foreign currency. The value of these contracts has not been significant.

Notes to the Accounts

for the year ended 30 June 2003

29 Financial instruments *(continued)*

The Group treasury function reviews the cash holding of the Group as a whole on a daily basis and considers the future cash requirements in both £ sterling and foreign currency. Based on this assessment, cash will be placed on short-term deposit or kept available to meet day-to-day requirements throughout the Group.

The policies for managing foreign currency risk are highlighted above. At 30 June 2003, after taking account of the effects of foreign exchange contracts held, the Group had no significant currency exposures.

In the financial instruments disclosures made in the accounts, the Group has taken advantage of the exemption conferred by FRS 13 to exclude short term debtors and creditors.

Financial assets

The Group has no financial assets, other than cash and bank and in hand and an immaterial amount of listed investments.

Financial liabilities

The Group has finance leases, which constitute financial liabilities. The Group does not use finance leases to manage risk and the majority of these have been acquired as part of business acquisitions. Given the level of the liability at the year end, the related weighted average data required by FRS13 does not warrant disclosure.

The Group holds currency bank accounts, which are used for receipts from customers and payments to suppliers. The Group occasionally uses forward currency swap arrangements to manage obligations on a short-term basis. The Group had no forward currency swap arrangements at the year end because the currency available in those bank accounts broadly matched currency obligations at that time *(2002: £440,000)*. The related average data has not been produced because there were no contracts in place at the year end.

There is no material difference between the book value and fair values of financial assets and financial liabilities.

Five Year Financial Record

	1999 £'000	2000 £'000	2001 £'000	2002 £'000	**2003** **£'000**
Turnover	25,410	27,173	33,054	29,452	**32,677**
Operating profit	2,510	2,702	3,077	1,046	**3,487**
Profits on sale of fixed asset investments	397	–	–	–	–
Interest receivable and similar income	481	315	153	196	**245**
Profit before taxation	3,388	3,017	3,230	1,242	**3,732**
Taxation	(1,036)	(1,004)	(899)	(513)	**(1,110)**
Profit after taxation	2,352	2,013	2,331	729	**2,622**
Dividends	1,988	682	700	701	**773**
Net assets	18,489	18,612	19,876	19,904	**21,809**
Earnings per share – ordinary	18.1p	16.0p	19.8p	6.3p	**22.4p**
Dividends per share	15.25p	5.7p	6.0p	6.0p	**6.6p**
Net assets per share	142p	155p	170p	171p	**186p**

Notice of Meeting

Notice is hereby given that the sixty-seventh Annual General Meeting of F W Thorpe Plc will be held at Merse Road, North Moons Moat, Redditch, Worcestershire B98 9HH on 6 November 2003 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 2003;

2 To declare a dividend;

3 To re-elect M Allcock as a Director;

4 To re-elect D A Dimeloe as a Director;

5 To re-elect D M Lippold as a Director;

6 To re-appoint PricewaterhouseCoopers LLP as Auditors of the Company, to hold office until the conclusion of the next general meeting at which accounts are laid before the Company and to authorise the Directors to fix the auditors' remuneration.

Special business

To consider and if thought fit to pass the following resolutions which will be proposed, in the case of 7 and 8 as ordinary resolutions, and in the case of 9 and 10 as special resolutions.

7 That the Directors' remuneration report (as set out on pages 9 to 12 of the Annual Report and Accounts) for the year ended 30 June 2003 be approved.

8 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 2004 and that for such period the Section 80 Amount (as defined in said Article 15) shall be £325,200.

9 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 2004 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 £58,740.

10 That the Company be generally and conditionally authorised to make market purchases (within the meaning of Section 163(3) of the Companies Act 1985) of ordinary shares of 10p each of the Company provided that:

a) The maximum number of ordinary shares hereby authorised to be acquired is 1,174,800;

b) The minimum price which may be paid for any such share is 10p;

Notice of Meeting

c) The maximum price which may be paid for any such share is an amount equal to 105% of the average of the middle market quotations for an ordinary share in the Company as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which such share is contracted to be purchased;

d) The authority hereby conferred shall expire on the date of the Annual General Meeting of the Company in 2004; and

e) The Company may make a contract to purchase its ordinary shares under the authority hereby conferred prior to the expiry of such authority, which contract will or may be executed wholly or partly after the expiry of such authority, and may purchase its ordinary shares in pursuance of any such contract.

Notes

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 and copies of the Directors' service contracts 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

6 October 2003

Financial Calendar

2003	10 October 2003	Posting of report and accounts
	6 November 2003	Annual general meeting
	13 November 2003	Payment of final dividend
2004	March	Announcement of half year results
	May	Payment of interim dividend
	September	Announcement of results for the year

Form of Proxy

(for shareholders use only)

I/We ....
(Block letters please)

of ....

being a member of F W Thorpe Plc, 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 6 November 2003 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.

ORDINARY RESOLUTIONS	FOR	AGAINST
1 To adopt the Directors' Report and Accounts		
2 To declare a final dividend		
3 To re-elect M Allcock as a Director		
4 To re-elect D Dimeloe as a Director		
5 To re-elect D Lippold as a Director		
6 To re-appoint PricewaterhouseCoopers LLP as Auditors of the Company		
SPECIAL RESOLUTIONS		
7 To approve the Directors' remuneration report		
8 To give the Directors authority to allot relevant securities (Section 80 C.A. 1985)		
9 To give the Directors authority to allot equity securities (Section 94 C.A. 1985)		
10 To give the Company authority to make market purchases of its ordinary shares		

Dated this............... day of ....2003 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

BUSINESS REPLY SERVICE
Licence No. SEA 10846

1

Lloyds TSB Registrars
Team 6
The Causeway
Worthing
West Sussex
BN99 6ZL

FIRST FOLD

THIRD FOLD (Tuck in)

- THORLUX LIGHTING
- COMPACT LIGHTING
- SUGG LIGHTING
- MACKWELL ELECTRONICS
- PHILIP PAYNE

FW THORPE PLC

Merse Road,
North Moons Moat,
Redditch,
Worcestershire
B98 9HH