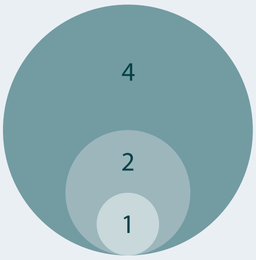
Image: Fujifilm, Bedford

Our Governance.


FUJIFILM

Board of Directors.

The Board in numbers



- 20+ years
- 1-20 years
- Less than one year

Mike Allcock

Chairman, Joint Group Chief Executive

Appointment/background:

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

Key areas of expertise/ responsibility:

Lighting & Controls Technology, Product Design/Management, Industry Knowledge, Marketing, Strategy

Craig Muncaster

Joint Group Chief Executive, Group Financial Director and Company Secretary

Appointment/background:

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

Key areas of expertise/ responsibility:

Financial Management, Commercial/Legal Risk, Investor Relations, Mergers & Acquisitions, Company Secretarial

James Thorpe

Business Development Director, Thorlux Lighting

Appointment/background:

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

Key areas of expertise/ responsibility:

Sales & Marketing, Business Development, Digital Marketing

Andrew Thorpe

Non-Executive Director

Appointment/background:

Andrew is the grandson of the Company founder, Frederick William Thorpe. After serving an apprenticeship with the Company, he has worked in various parts of the business, leading to the positions of Export Sales Director, Manufacturing Director and then Managing Director of Thorlux Lighting. In 2000, he became Joint Group Chief Executive and in 2003 Group Chairman, positions he held until July 2017. In July 2019 Andrew became a non-executive director and member of the remuneration committee.

Key areas of expertise/ responsibility:

R

Manufacturing, Product Design/ Management, Sales & Marketing, Industry Knowledge, Strategy, Governance

Peter Mason

Non-Executive Director

Appointment/background:

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

Key areas of expertise/ responsibility:

R

Financial Management, Governance, Company Secretarial, Industry Knowledge

Ian Thorpe

Non-Executive Director

Appointment/background:

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

Key areas of expertise/ responsibility:

R

Manufacturing, Human Resources, Governance, Industry Knowledge

Frans Haafkens

Non-Executive Director

Appointment/background:

Frans holds a Master's degree in Mechanical & Control Engineering and an MBA. He is Managing Partner at Dutch investment firm i4hi, a company having direct investments in manufacturing and technology businesses. He spent his formative years with McKinsey & Co. as well as working for a short period in the UK lighting industry.

Frans is a Dutch national who has worked with the Group in recent years supporting the continued success of its Dutch entities, Lightronics and Famostar, both as a consultant and an investor.

Key areas of expertise/ responsibility:

Mergers & Acquisitions, Business Management, Industry Knowledge, Strategy

Committee key

R Remuneration Committee

Directors' report.

The directors present their Directors' report with the audited consolidated financial statements of the Group and the Company for the financial year ended 30 June 2023.

Principal activity

The main activity of the Group continues to be the design, manufacture and supply of professional lighting equipment.

Each company within the Group operates in a different market of the lighting sector.

Business review

The trading results for the year are set out in the Consolidated Income Statement on page 108 and the Group's financial position at the end of the year is set out in the Consolidated and Company Statements of Financial Position on page 110. A review of the performance of the business during the financial year and expected future developments are contained in the Chairman's Statement, the Operational Performance section and the Financial Performance section which form part of the Strategic Report.

Key performance indicators

The directors consider the main financial key performance indicators (KPIs) to be those disclosed on pages 36 and 37 (financial highlights). The two most important KPIs to the business are revenue and operating profit.

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

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

Principal risks and uncertainties

The table on pages 81 to 83 details what we consider to be the principal risks and uncertainties to the business, and how we seek to manage and mitigate these risks.

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

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

Internal control

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

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

Other areas of control

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

Proposed dividend

Details of the proposed dividend are disclosed in the Financial Performance section on pages 52 and 53.

Directors

The directors of the Company during the year and at the date of this report are set out on pages 86 and 87.

F Haafkens was appointed to the board on 17 November 2022. In accordance with the Articles of Association he will retire from office at the Annual General Meeting, but offers himself for election at that meeting.

The directors retiring by rotation are M Allcock and C Muncaster who, being eligible, offer themselves for re-election. M Allcock has a service contract terminable on two years' notice. C Muncaster has a service contract 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 97.

Directors' indemnities

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

Board constitution

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

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

P D Mason

Non-executive director and Chairman of the committee.

A B Thorpe

Non-executive director.

I A Thorpe

Non-executive director.

Terms and conditions for the operation of this committee are in place and it meets as and when required. The committee's report is presented on pages 95 to 98.

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

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

Substantial shareholdings

At 12 October 2023, the Company had received notification of the following interests in 3% or more of the issued share capital, excluding holdings of directors:

Liontrust Investment Partners LLP
6,839,667 (6.0%)

Estate of C M Brangwin
7,271,550 (6.2%)

Relations with shareholders

Directors are kept informed of the views of shareholders by face-to-face contact at the Company's premises on the day of the Annual General Meeting where possible and, if appropriate, by meeting with major shareholders at other times during the year. See Notice of Meeting – AGM 2023.

Directors' authority to issue shares

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

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

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

Purchase of own shares

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

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

The proposed authority will be limited by the terms of the special resolution to the purchase of 11,893,559 ordinary shares representing 10% of the Company's issued ordinary share capital at 12 October 2023 and a nominal value of £118,936.

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

The authority will lapse on the date of the Annual General Meeting of the Company in 2024. However, in order to maintain the Board's flexibility of action it is envisaged that it will be renewed at future Annual General Meetings.

Corporate governance

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

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

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

Principle	Extent of current compliance	Commentary	Further disclosure
1 **Establish a strategy and business model which promote long-term value for shareholders**	Compliant	The Group's business strategy is detailed in our Annual Report & Accounts and focuses on delivering long-term growth and stability, achieved through four key strategic priorities: • Focus on high quality products and good leadership in technology • Continue to grow the customer base for Group companies • Focus on manufacturing excellence • Continue to develop high quality people	Find out more in the **Strategic Report** on pages 16 to 83 Read about our **Strategy** on pages 26 and 27 Read about our **Business model** on pages 24 and 25
2 **Seek to understand and meet shareholders' needs and expectations**	Compliant	Meetings are held with shareholders as required; this includes visits to our various company locations being organised and encouraged where possible. In addition, all announcements include contact details for shareholders to contact the Company if they so choose. The AGM is another forum for dialogue with our shareholders. The Notice of Meeting is sent to shareholders at least 21 days before the meeting. Any feedback during these meetings is encouraged and acted upon where appropriate.	Find out more in the **Directors' report** on pages 88 to 93

Principle	Extent of current compliance	Commentary	Further disclosure
3 **Take into account wider stakeholder and social responsibilities and their implications for long-term success**	Compliant	Feedback from employees, customers, suppliers and other stakeholders is actively encouraged. Our employees are an important stakeholder group and we actively encourage dialogue with the Company via various employee committees within our companies. Reports from these meetings are distributed to the Board.	Find out more in the **Strategic Report** on pages 16 to 83 and in our **Sustainability section** on pages 56 to 79
4 **Embed effective risk management, considering both opportunities and threats, throughout the organisation**	Compliant	The Board operates a continuous risk identification and evaluation process. The results are utilised by the Board to manage any significant risks. In addition, the executive directors regularly visit all operating sites and review financial and commercial issues with an executive director responsible for each individual company. The Board has overall responsibility for the system of internal control and for reviewing its effectiveness throughout the Group. Internal financial control is driven by Group finance who visit each company to assess compliance against key controls. This includes regular financial reporting that is compared against plan and previous year's performance.	Find out more about our **Principal risk and uncertainties** on pages 80 to 83 and in the **Directors' report** on page 88
5 **Maintain the Board as a well-functioning, balanced team led by the Chair**	Partially Compliant	Total of eight directors, four executive directors and four non-executive directors. The non-executives are not considered fully independent. The Board considers that the non-executive directors are appropriate as they bring significant experience and expertise in the sector. In addition, as the directors retire on a three-year rotation, shareholders have a regular opportunity to ensure that the composition of the Board is in line with their interests. There is a Remuneration Committee but no Audit Committee, with matters that would normally be tabled at an Audit Committee put to the full Board.	Find out more in **Our governance** on pages 86 to 105 Read about our **Board of Directors** on pages 86 and 87 Read our **Directors' report** on pages 88 to 93
6 **Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities**	Compliant	The current composition of the Board provides the necessary skills, experience and capabilities for the size and context of the Group. The composition and succession of the Board are subject to review, considering the future needs of the Group.	Find out more in **Our governance** on pages 86 to 105 Read about our **Board of directors** on pages 86 and 87 Read our **Directors' report** on pages 88 to 93

Directors' report. continued

Principle	Extent of current compliance	Commentary	Further disclosure
7 **Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement**	Partially Compliant	There is no formal evaluation process; however, the Chairman is responsible for Board performance and accordingly actively encourages feedback on the content and function of board meetings. The composition and succession of the Board are subject to constant review, considering the ever-changing needs of the Group. In addition, the directors retire by rotation every three years giving shareholders the opportunity to ensure that the Board is aligned with their interests.	
8 **Promote a corporate culture that is based on ethical values and behaviours**	Compliant	Our core aim is for long-term growth and stability. The Group management team is passionate about developing the business for the benefit of the shareholders, employees and customers. With our focus on excellence, we ensure our Group's culture is consistent with the aim of long term growth and stability. In order to achieve and maintain such a culture, we invest in training our employees, as mentioned in the Annual Report and Accounts.	Find out more in the **Strategic Report** on pages 16 to 83 Read about our **Strategy** on pages 26 and 27
9 **Maintain governance structures and processes that are fit for purpose and support good decision making by the Board**	Compliant	The Board as a whole is responsible for robust governance practices. The roles and responsibilities of each director are clear and responsibilities understood. The Board meets at least eight times each year, with additional meetings as required.	Find out more in the **Directors' report** on pages 86 to 93 Read about our **Board of directors** on pages 86 and 87
10 **Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders**	Compliant	The Company communicates through the Annual Report and Accounts, full-year and interim announcements, the AGM and one-to-one meetings with existing or potential shareholders. A range of corporate information is also available on the Company's website. Meetings with shareholders, employee groups, management and other representative groups provide a platform for raising any concerns relating to corporate governance.	Find out more online at: **www.fwthorpe.co.uk**

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

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

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

Statement on the provision of information to independent auditors

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

Independent auditors

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

Going concern

The directors confirm they are satisfied that the Group and Company have adequate resources, with £35.0m cash to continue in business for the foreseeable future, including the affect of increased costs caused by the on-going Ukraine and Russia conflict, where the Group has no sales, and other global events. They have also produced an analysis that demonstrates that the Group could cover its cash commitments even if there was a significant reduction in sales over the following year from approving these accounts. For this reason, they continue to adopt the going concern basis in preparing the accounts.

Approval of strategic and directors' reports

The directors confirm that the information contained within the Strategic Report on pages 16 to 83 and the Directors' Report on pages 88 to 93 is an accurate representation of the Group's strategy and performance.

By order of the Board

Craig Muncaster
Joint Chief Executive,
Group Financial Director and
Company Secretary
12 October 2023

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

Company Registration Number: 317886

Statement of directors' responsibilities.

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and the company financial statements in accordance with UK-adopted international accounting standards.

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that period. In preparing the financial statements, the directors are required to:

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

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

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

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

Directors' confirmations

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

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

By order of the Board

Craig Muncaster
Joint Chief Executive, Group Financial Director and Company Secretary
12 October 2023

Directors' remuneration report.

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

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

Remuneration Committee

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

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

Remuneration policy

Executive Directors

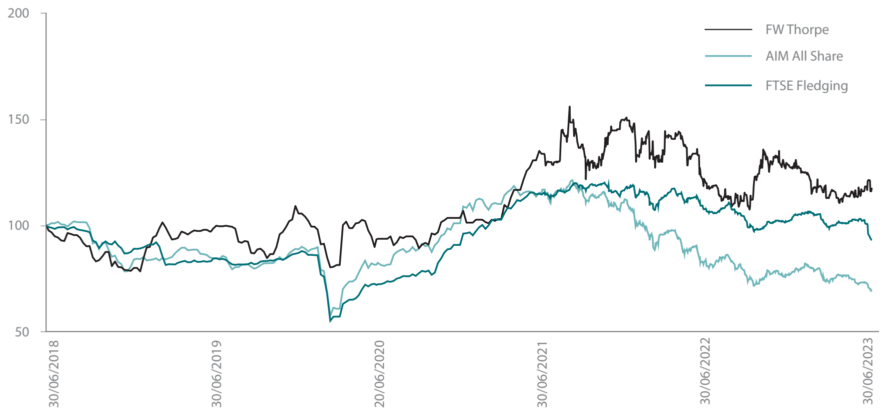
The aim of the Committee is to ensure that the executive directors are fairly rewarded for their responsibilities and contribution to the performance of the Group. The Committee seeks to achieve this with a combination of performance and non-performance related remuneration designed to attract, retain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

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

Performance graph

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

Total shareholder return



The remuneration package consists of the following elements:

1. Basic salary, benefits in kind and other benefits. The salary is determined in July each year, unless there has been a change in responsibilities, where an adjustment will be made at the same time. The benefits in kind mainly consist of the provision of a car and health insurance. A director may choose to take a cash allowance instead of a car. Other benefits consist of pension arrangements and life assurance.
2. Annual bonus. The bonus is made up of two elements. The first element relates to the operating profit of the business unit for which the director has specific performance responsibilities. The second element relates to the operating profit of the Group as a whole. The bonuses are paid in September and relate to the period ending on 30 June in the same year.
3. Long term incentive scheme. This scheme consists of the "Executive Share Ownership Plan" (ESOP) details of which are shown on page 98.

Non-Executive Directors

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

Directors' service contracts

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

Directors' remuneration report. continued

Directors' emoluments (audited)

Executive directors	2023 Salary/fees £'000	2023 Bonus £'000	2023 Benefits £'000	2023 Total £'000	2022 Total £'000	2023 Share options gains £'000	2022 Share options gains £'000	2023 Total £'000	2022 Total £'000
M Allcock	274	322	3	599	488	45	59	644	547
D Taylor	117	143	14	274	207	–	–	274	207
C Muncaster	305	322	2	629	542	45	44	674	586
J E Thorpe	187	292	3	482	403	–	–	482	403
Non-executive directors									
A B Thorpe	36	–	15	51	49	205	–	256	49
I A Thorpe	36	–	15	51	49	–	–	51	49
P D Mason	36	–	6	42	39	–	–	42	39
A M Cooper	48	–	2	50	40	–	–	50	40
F Haafkens	63	–	–	63	–	–	–	63	40
	1,102	1,079	60	2,241	1,817	295	103	2,536	1,920

The directors' emoluments exclude contributions to the pension scheme. D Taylor and A M Cooper resigned from the board on 3 July 2023.

Directors' pension arrangements (audited)

M Allcock and D Taylor are pensioner members of the defined contribution scheme of the FW Thorpe Retirement Benefits Scheme and they have a final salary guarantee as they were previously members of the defined benefit section. A M Cooper and J E Thorpe are deferred members of the defined contribution section of the FW Thorpe Retirement Benefits Scheme.

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

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

The defined benefit section aims to provide a maximum pension of two-thirds of pensionable salary at normal retirement date. M Allcock's and D Taylor's pensionable salary includes an average of the previous three years' profit bonus. Defined contribution members contribute up to 5% of basic salary and the Company contributes up to 17%.

M Allcock, D Taylor and J E Thorpe have ceased being active members of the FW Thorpe Retirement Benefits Scheme and C Muncaster has ceased being an active member of his personal pension scheme due to HMRC limits on lifetime allowances and annual contributions. Subsequently the Company has entered into pension compensation arrangements with these four directors to compensate them for the loss of these employer pension contributions. During the financial year the Company paid pension compensation to M Allcock of £180,953 (2022: £170,358), C Muncaster £51,770 (2022: £44,439), D Taylor £17,266 (2022: £19,546) and to J E Thorpe £23,150 (2022: £12,016).

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

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

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

	2023 £'000	2022 £'000
J E Thorpe	9	15

CEO pay ratio

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

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2022–23	Option A	27:1	19:1	9:1
2021–22	Option A	26:1	18:1	9:1

Option A was chosen as it represents the most accurate means of identifying the percentiles. The comparison is based on data for the year ended 30 June 2023. The table below sets out the salary and total pay and benefits for the three quartiles.

	25th percentile pay	Median pay	75th percentile pay
Base salary	£23,361	£32,936	£52,000
Total remuneration	£31,469	£46,227	£93,223

Directors' shareholdings

The directors listed below were in office during the year. Directors' interests in the share capital of the Company at 30 June 2023 and 30 June 2022 were as follows:

	Ordinary shares of 1p Beneficial	
Executive directors	**2023**	**2022**
M Allcock	221,350	207,500
D Taylor	140,137	146,896
C Muncaster	100,000	80,000
J E Thorpe	2,164,682	2,164,682
Non-executive directors		
A B Thorpe	25,892,700	25,812,700
I A Thorpe	25,047,120	25,047,120
P D Mason	626,370	626,370
A M Cooper	152,597	166,107
F Haafkens	–	–

The market price of the Company's shares at the beginning and end of the financial year was 380p and 374p respectively, and the range of market prices during the year was from 335p to 437p.

Directors’ remuneration report. continued

Executive share ownership plan (ESOP) (audited)

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

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

	A B Thorpe	M Allcock	D Taylor	A M Cooper	C Muncaster
Number at 1 July 2022	80,000	40,000	–	–	80,000
Awarded	–	–	–	–	–
Vested	–	–	–	–	–
Exercised	(80,000)	(20,000)	–	–	(20,000)
Forfeit	–	–	–	–	–
Lapsed	–	–	–	–	–
Number at 30 June 2023	–	20,000	–	–	60,000

There have been no changes in the interests of the directors in the share capital of any Company in the Group during the period 1 July 2023 to 12 October 2023.

Approved by the Board and signed on its behalf by:

Craig Muncaster
Joint Chief Executive, Group Financial Director and Company Secretary
12 October 2023

Independent auditors' report.

to the members of FW Thorpe Plc

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the group's and of the company's affairs as at 30 June 2023 and of the group's profit and the group's and company's cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise: the Consolidated and company statements of financial position as at 30 June 2023; the Consolidated income statement, Consolidated statement of comprehensive income, Consolidated statement of changes in equity, Company statement of changes in equity and Consolidated and company statements of cash flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

We have provided no non-audit services to the company or its controlled undertakings in the period under audit.

Our audit approach

Overview

Audit scope

- An audit was conducted of the complete financial information of the three reporting units: Thorlux Lighting (the Company, located in the UK), Lightronics Participaties B.V. (located in the Netherlands), and TRT Lighting Limited (located in the UK).
- The audit work performed at these three reporting units (2022: four reporting units), together with specified procedures performed on Electrozemper S.A. (located in Spain), Famostar BV (located in Netherlands) and SchahlLED Lighting GmbH (located in Germany) and additional procedures performed on centralised functions at the Group level, including audit procedures over the consolidation, gave us the audit evidence we needed for our opinion on the Group financial statements as a whole.
- This provided coverage of 70% (2022: 91%) of profit before tax from the full scope audits.

Key audit matters

- Defined Benefit Pension Obligation valuation - Liability assumptions (group and parent)
- Valuation of intangible assets acquired in the acquisition of Lumen Intelligence Holding GmbH (group)
- Valuation of the future consideration payable for Electrozemper S.A. and Lumen Intelligence Holding GmbH (group and parent)

Materiality

- Overall group materiality: £1,375,000 (2022: £1,200,000) based on 5% of profit before tax.
- Overall company materiality: £977,000 (2022: £788,000) based on 5% of profit before tax.
- Performance materiality: £1,031,000 (2022: £900,000) (group) and £733,000 (2022: £591,000) (company).

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to the members of FW Thorpe Plc continued

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

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

This is not a complete list of all risks identified by our audit.

Defined Benefit Pension Obligation valuation - Liability assumptions, Valuation of the future consideration payable for Electrozemper S.A. and Lumen Intelligence Holding GmbH and the valuation of intangible assets acquired in the acquisition of Lumen Intelligence Holding GmbH. are new key audit matters this year. Valuation of warranty provisions, Capitalisation of internal development costs, Impairment considerations over intercompany receivables and the accounting related to acquisitions of a subsidiary and a joint venture, which were key audit matters last year, are no longer included because of no issues being identified in prior years and the risk of material misstatement in these balances are low. As such, they are not considered to be of most significance in the current year. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Defined Benefit Pension Obligation valuation - Liability assumptions (group and parent) Refer to critical accounting estimates and judgements in note 1 to the financial statements and note 22 relating to the pension scheme. The Group and company operates a hybrid defined benefit and defined contribution pension scheme and recognises its obligations to employee retirement benefits. The quantification of these obligations is subject to significant estimates and assumptions regarding life expectancy, discount and inflation rates and the rate of increase in pension payments, resulting in liabilities of £28.0m. In making these assumptions the Group and company takes advice from an independent qualified actuary about which assumptions best reflect the nature of the obligations to employee retirement benefits.	In undertaking our audit procedures: we obtained and reviewed the actuary's report on assumptions and methodology used to value the scheme liability; compared the assumptions with PwC's expected range taking into account the attributes of the scheme and challenged the actuaries on any unexpected differences; tested the accuracy of the data used by the actuary to underlying payroll records and assessed the appropriateness of the related disclosures. We consider that the valuation of the defined benefit pension obligation to be appropriate.
Valuation of intangible assets acquired in the acquisition of Lumen Intelligence Holding GmbH (group) Refer to critical accounting estimates and judgements in note 1 to the financial statements, note 9 Intangible assets and note 34 Business combination. In September 2022, the Group acquired 80% of the share capital of Lumen Intelligence Holding GmbH (Lumen). The acquisition has resulted in the creation of £7.1m of intangible assets, related to the brand name and customer relationships, based upon total purchase consideration of £19.5m. We consider the risk to be in relation to the valuation of intangible assets due to the significance of the acquisition, the value attributed to intangible assets, and the accounting estimates and judgements involved in the valuation these assets.	In undertaking our audit procedures: we obtained and reviewed relevant contracts related to the acquisition and management's fair value exercise in accordance with the requirements of IFRS 3; assessed the competence, capabilities and objectivity of management's external valuers; obtained the valuation reports and discussed with the external valuers on the methodologies and key assumptions used; involved our internal valuation experts to evaluate the methodologies used to determine the fair values of the intangible assets recognised, and benchmarked the discount rates applied; compared the assumptions with PwC's expected range and challenge management on any unexpected differences; tested the accuracy of the data used by management to underlying records; and we reviewed the appropriateness of the accounting treatment and the related financial statement disclosures. We consider that the accounting treatment in relation to the valuation of the intangible assets to be appropriate.
Valuation of the future consideration payable for Electrozemper S.A. and Lumen Intelligence Holding GmbH (group and parent) Refer to critical accounting estimates and judgements in note 1 to the financial statements, note 9 Intangible assets, note 19 Trade and other payables and note 34 Business combination. In the prior year (October 2021), the Group acquired 63% of the share capital of Electrozemper S.A. (Zemper), with a commitment to purchase the remaining 37% of the share capital, calculated by a pre-determined earnings multiple used to value the investment. Further, in the current year (September 2022), the Group acquired 80% of the share capital of Lumen Intelligence Holding GmbH (Lumen) as detailed above. There is also a commitment to acquire the remaining shares in Lumen, which is also subject to future performance conditions. The future consideration payable in both instance is predominantly driven by future financial performance, and hence requires estimation.	In undertaking our audit procedures: we obtained the sale and purchase agreements and understood the terms of the future consideration; obtained management calculations of the future consideration and understood the key variables and estimates applied in the calculation; confirmed the viability of the forecasts by compared forecasted data used for calculations against the actual achieved results; reviewed the actual performance achieved to forecast performance from prior years; obtained and understood variances from forecast and validated explanations; obtained support for actual stage payments made during the year and how these compare to accrued amounts; obtained support in relation to future projections and estimates; we assessed the appropriateness of the related disclosures. We consider that the accounting treatment in relation to the future consideration payable to be appropriate.

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How we tailored the audit scope

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

The group financial statements are a consolidation of multiple reporting units across the UK, the Netherlands, Spain and Germany, comprising the group's operating businesses and centralised functions. These reporting units maintain their own accounting records and controls and report to the head office finance team for consolidation purposes.

In establishing the overall approach to the Group audit, we identified two reporting units, which, in our view, required an audit of their complete financial information both due to their size and risk characteristics. These are Thorlux Lighting (the Company, located in the UK), and Lightronics (located in the Netherlands). We have also performed a full scope audit on TRT Lighting Limited (located in the UK) due to performing statutory accounts for this entity. This provided coverage of 70% (2022: 91%) of profit before tax for all three full scope entities. The Group engagement team audited Thorlux Lighting and TRT Lighting Limited whilst Lightronics was audited by PwC Netherlands. Where balances in out of scope components are in excess of group performance materiality and contribute a notable proportion of a certain financial statement line item, these balances have been subject to audit procedures by both PwC and the non-PwC component audit teams. The audit work performed at these three reporting units (2022: four), together with specified procedures performed on Electrozemper, Famostar and SchahlLED and additional procedures performed on centralised functions at the Group level, including audit procedures over the consolidation, gave us the audit evidence we needed for our opinion on the Group financial statements as a whole.

The work performed by the component auditors was subject to review by the Group engagement team and the work performed over areas considered to be of significant importance to the audit has fed into our key audit matters.

The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the process adopted to assess the extent of the potential impact of climate risk on the Group and company's financial statements and support the disclosures made within the sustainability section of the Strategic report. Given the principal activities of the Group, it is likely that climate risk will have an impact on the Group's business but this is not expected until the medium or long term. As part of our audit, we evaluated management's climate change risk assessment including the identified physical and transitional risks and the assessment of the impact of those risks on the Group financial statements. Our procedures did not identify any material impact as a result of climate risk on the group's and company's financial statements.

Materiality

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

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

	Financial statements – group	Financial statements – company
Overall materiality	£1,375,000 (2022: £1,200,000).	£977,000 (2022: £788,000).
How we determined it	5% of profit before tax	5% of profit before tax
Rationale for benchmark applied	Based on the benchmarks used in the annual report, profit before tax is the primary measure used by the shareholders in assessing the performance of the Group.	Based on the benchmarks used in the annual report, profit before tax is the primary measure used by the shareholders in assessing the performance of the Company.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was £301,000 to £977,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2022: 75%) of overall materiality, amounting to £1,031,000 (2022: £900,000) for the group financial statements and £733,000 (2022: £591,000) for the company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above £69,000 (group audit) (2022: £60,000) and £49,000 (company audit) (2022: £39,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the group's and the company's ability to continue to adopt the going concern basis of accounting included:

- Testing the reasonableness of the going concern model and assessing the assumptions used in management's assessment which covers the period to 31 December 2024;
- Management's base case forecasts are based on its normal budget and forecasting process and have produced a downside model. We understood and assessed this process, including the assumptions used, for 2023 and 2024 and assessed whether there was adequate support for these assumptions; and
- We assessed the adequacy of disclosures in the Going Concern statement within the Directors' report and in note 1 of the Annual Report and Accounts and found these appropriately reflect downside risks.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information, which includes reporting based on the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

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

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

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 30 June 2023 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Directors' Remuneration

In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to employment laws and health and safety regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as Companies Act 2006, AIM Rules for Companies and taxation legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial results and management bias in accounting estimates. The group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the group engagement team and/or component auditors included:

- enquiry of management and those charged with governance around actual and potential litigation and claims;
- enquiry of entity staff in finance and compliance functions to identify any instances of non-compliance with laws and regulations;
- reviewing minutes of meetings of those charged with governance;

- reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- auditing the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness, testing accounting estimates (because of the risk of management bias), and evaluating the business rationale of significant transactions outside the normal course of business;
- reviewing component teams' key working papers for all in-scope components with a particular focus on the areas involving judgement and estimates; and
- incorporating elements of unpredictability into our audit procedures.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Mark Foster (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors
Milton Keynes
12 October 2023