

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 2021.

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 80 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 82. 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 page 24 (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 42 to 44 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 page 40.

DIRECTORS

The directors of the Company during the year and at the date of this report are set out on pages 58 and 59.

The directors retiring by rotation are D Taylor, C Muncaster, P D Mason who, being eligible, offer themselves for re-election. D Taylor and C Muncaster have service contracts terminable on 12 months' notice.

DIRECTORS' SHARE INTERESTS

The details of the directors' share interests are set out in the directors' remuneration report on page 69.

DIRECTORS' INDEMNITIES

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

financial year directors' and officers' liability insurance in respect of itself and its directors.

BOARD CONSTITUTION

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

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

P D Mason

Non-executive director and Chairman of the committee.

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 67 to 70.

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 5 October 2021, 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

7,023,616 (5.9%)

Estate of C M Brangwin

7,271,550 (6.1%)

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 2021.

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 9 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 5 October 2021 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 2022. However, in order to maintain the Board's flexibility of action it is envisaged that it will be renewed at future Annual General Meetings.

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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
<p>1</p> <p>Establish a strategy and business model which promote long-term value for shareholders</p>	Compliant	<p>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:</p> <ul style="list-style-type: none"> • 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 	<p>➤ Find out more in the Strategic Report on pages 10 to 55</p> <p>Read about our Strategy on pages 20 and 21</p> <p>Read about our Business Model on pages 18 and 19</p>
<p>2</p> <p>Seek to understand and meet shareholders' needs and expectations</p>	Compliant	<p>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.</p> <p>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.</p> <p>Any feedback during these meetings is encouraged and acted upon where appropriate.</p>	<p>➤ Find out more in the Directors' Report on page 60</p>
<p>3</p> <p>Take into account wider stakeholder and social responsibilities and their implications for long-term success</p>	Compliant	<p>Feedback from employees, customers, suppliers and other stakeholders is actively encouraged.</p> <p>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.</p>	<p>➤ Find out more in the Strategic Report on pages 10 to 55 and in our Sustainability section on pages 48 and 55</p>

Principle	Extent of current compliance	Commentary	Further disclosure
<p>4</p> <p>Embed effective risk management, considering both opportunities and threats, throughout the organisation</p>	Compliant	<p>The Board operates a continuous risk identification and evaluation process. The results are utilised by the Board to manage any significant risks.</p> <p>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.</p> <p>The Board has overall responsibility for the system of internal control and for reviewing its effectiveness throughout the Group.</p> <p>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.</p>	<p>➤ Find out more about our Principal Risk and Uncertainties on pages 42 to 44 and in the Directors' Report on page 60</p>
<p>5</p> <p>Maintain the Board as a well-functioning, balanced team led by the Chair</p>	Partially Compliant	<p>Total of eight directors, four executive directors and four non-executive directors.</p> <p>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.</p> <p>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.</p>	<p>➤ Find out more in Our Governance on pages 58 to 77</p> <p>Read about our Board of Directors on pages 58 and 59</p> <p>Read our Directors' Report on pages 60 to 65</p>
<p>6</p> <p>Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities</p>	Compliant	<p>The current composition of the Board provides the necessary skills, experience and capabilities for the size and context of the Group.</p> <p>The composition and succession of the Board are subject to review, considering the future needs of the Group.</p>	<p>➤ Find out more in Our Governance on pages 58 to 77</p> <p>Read about our Board of Directors on pages 58 and 59</p> <p>Read our Directors' Report on pages 60 to 65</p>

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Principle	Extent of current compliance	Commentary	Further disclosure
<p>7</p> <p>Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement</p>	Partially Compliant	<p>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.</p> <p>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.</p>	
<p>8</p> <p>Promote a corporate culture that is based on ethical values and behaviours</p>	Compliant	<p>Our core aim is for long-term growth and stability.</p> <p>The Group management team is passionate about developing the business for the benefit of the shareholders, employees and customers.</p> <p>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.</p>	<p>➤ Find out more in the Strategic Report on pages 10 to 55</p> <p>Read about our Strategy on pages 20 and 21</p>
<p>9</p> <p>Maintain governance structures and processes that are fit for purpose and support good decision making by the Board</p>	Compliant	<p>The Board as a whole is responsible for robust governance practices. The roles and responsibilities of each director are clear and responsibilities understood.</p> <p>The Board meets at least eight times each year, with additional meetings as required.</p>	<p>➤ Find out more in the Directors' Report on pages 60 to 65</p> <p>Read about our Board of Directors on pages 58 and 59</p>
<p>10</p> <p>Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders</p>	Compliant	<p>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.</p> <p>A range of corporate information is also available on the Company's website.</p> <p>Meetings with shareholders, employee groups, management and other representative groups provide a platform for raising any concerns relating to corporate governance.</p>	<p>➤ Find out more online at: www.fwthorpe.co.uk</p>

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 £52.3m cash and £23.6m short term deposits, to continue in business for the foreseeable future factoring in the expected impact of COVID-19.

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 10 to 55 and the Directors' Report on pages 60 to 65 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

5 October 2021

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

Company Registration Number:
317886

Statement of Directors' Responsibilities

in respect of the Financial Statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group financial statements in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and Company financial statements in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable International Accounting Standards in conformity with the requirements of the Companies Act 2006 have been followed for the Group financial statements and International Accounting Standards in conformity with the requirements of the Companies Act 2006 have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;

- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The directors are 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 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

5 October 2021