

Philip Payne Limited

Annual report and financial statements

for the year ended 30 June 2006

Registered number 1361523

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Philip Payne Limited

Annual report and financial statements for the year ended 30 June 2006

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Philip Payne Limited

Directors' report for the year ended 30 June 2006

The directors present their report and the audited financial statements of the company for the year ended 30 June 2006

Principal activities

The company's principal activity during the year was the manufacture and distribution of specialist lighting equipment and illuminated signs

Review of business and future developments

Both the level of business and the year end financial position were good and the directors expect this to continue into the coming year

The most significant uncertainties for the business arise from fluctuations in the macro-economic cycle

The key performance indicators for the business are turnover and operating profit. These have increased by 27% and 68% respectively

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

Management reviews prices at least annually to take into account fluctuations in costs in order to minimise the risk of reduction in gross margin, or loss of market share from lack of competitiveness

The company occupies leased premises and has taken advantage of a break clause in the lease. New premises have been acquired by the parent company and will be fitted out to suit the company's requirements. The company will move in to the new premises in October 2006

Results and dividends

The profit for the year before taxation amounted to £388,313 (2005 £239,084), and after payment of a dividend of £149,254 an amount of £225,027 was transferred to reserves. The directors recommend payment of a dividend of £172,006 (2005 £149,254)

Adoption of FRS 21

The company's financial statements for 2005 have been restated to reflect the adoption of FRS 21 (events after the balance sheet date). This requires that proposed dividends are no longer shown as a liability at the balance sheet date. This has resulted in an increase in net assets of £149,254, being the value of the proposed dividend

Directors

The directors in office during the year and subsequently are given below

P D Mason
A B Thorpe
D Taylor

Directors' interests

No director had any interest in the share capital of the company at 30 June 2006 or 30 June 2005

Philip Payne Limited

Directors' report for the year ended 30 June 2006 (continued)

Mr P D Mason and Mr A B Thorpe are directors of the parent company and their interests in the shares of that company are disclosed in that company's annual report and accounts for the year ended 30 June 2006

Details of share options granted to Mr D Taylor in respect of shares of the parent company are as follows

Date Granted	Option price	No of options at 1 July 05	Exercised during the year	No of options at 30 June 06	Exercise period
6 May 1999	117p	1,124	-	1,124	7 May 2002 to 6 May 2009

During the year no director had any beneficial interest in any material contracts with the Company other than service contracts

Research and development activities

The company is committed to research and development activities in order to maintain its market share in the lighting components market. These activities encompass constant development of products to ensure that a leading position in the lighting components market is maintained.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 30 June 2006 and that applicable accounting standards have been followed.

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

The directors confirm that, as far as they are aware, there is no relevant audit information of which the company's auditors are unaware, and all steps have been taken by the directors to make themselves aware of the relevant audit information and to establish that the auditor's are aware.

Auditors

A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the annual general meeting.

By order of the board

P D Mason
Company Secretary



[Date]

27 February 2007

Independent auditors' report to the members of Philip Payne Limited

We have audited the financial statements of Philip Payne Limited for the year ended 30 June 2006, which comprise the Profit and Loss account the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). 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 in to 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 are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion 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 Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

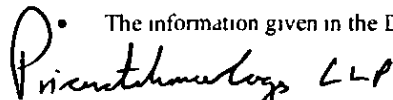
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the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

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

Opinion

In our opinion

- The financial statements give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 June 2006 and of its profit for the year then ended.
- The financial statements have been properly prepared in accordance with the Companies Act 1985, and
- The information given in the Directors' Report is consistent with the financial statements.



PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

Birmingham

2 April 2007

Philip Payne Limited

Profit and loss account for the year ended 30 June 2006

	Notes	2006	2005
		£'000	£'000
			(restated)
Turnover	2	1,362	1,073
Cost of sales		(625)	(536)
Gross profit		737	537
Distribution costs		(46)	(41)
Administrative expenses		(335)	(284)
Operating profit	2	356	212
Interest receivable	4	32	27
Profit on ordinary activities before taxation	2	388	239
Taxation on profit for the year	5	(14)	66
Profit on ordinary activities after taxation		374	305
Dividends paid	6	(149)	(87)
Retained profit for year	13	225	218

All operations in the year were continuing operations

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

Statement of Total Recognised Gains and Losses for the year ended 30 June 2006

Prior year adjustments	2006	2005
For the adoption of FRS 21	£'000	£'000
Dividends proposed	149	
Total gains and losses recognised since the last annual report	149	

Philip Payne Limited

Balance sheet as at 30 June 2006

	Notes	2006 £'000	2005 £'000
			(restated)
Fixed assets			
Tangible assets	7	59	67
Current assets			
Stock	8	144	132
Debtors	9	1,227	898
		1,371	1,030
Creditors amounts falling due within one year	10	(293)	(185)
Net current assets		1,078	845
Net assets		1,137	912
Capital and reserves			
Called up share capital	12	-	-
Profit and loss accounts	13	1,137	912
Equity shareholders' funds	14	1,137	912

The financial statements on pages 5 to 17 were approved by the Board of Directors on [date] and were signed on its behalf by



P D Mason
Director

27th February 2007.

Philip Payne Limited

Notes to the financial statements for year ended 30 June 2006

1 Principal accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention. The key accounting policies and estimation techniques are set out below and are in accordance with applicable UK accounting standards.

Changes in accounting policies

The financial statements for 2005 have been restated to reflect the adoption of FRS 21 (Events after the balance sheet date). The adoption of FRS 21 has required that dividends proposed are no longer shown as a liability in the accounts. This has resulted in an increase in net assets by £149,000 at 30 June 2005, being the value of the proposed dividend.

Shareholders' funds

	2005
	£'000
At 1 July 2005 (as previously reported)	763
Dividends proposed	149
At 1 July 2005 (as restated)	912

Revenue recognition

Sales are recognised upon delivery and acceptance by customers of products. Sales are shown net of value added tax and discounts.

Research and development

Research and development expenditure is recognised as an expense when incurred.

Philip Payne Limited

Notes to the financial statements for year ended 30 June 2006 (continued)

Tangible fixed assets and depreciation

Leasehold land and buildings, plant, equipment, furniture and fittings are stated at historical cost less depreciation

Depreciation is calculated on a straight line basis to write off the cost of assets over their useful lives at the rates shown below

Leasehold land and buildings	over the period of the lease
Plant & machinery	10 years
Office furniture & Equipment	10 years
Motor vehicles	4 years
Computer equipment	3 years

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is determined by the first-in first-out (FIFO) method. The cost of work in progress and finished goods comprises the cost of raw materials, direct labour and other direct and related production overheads, relating to the normal level of activity.

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 of the year end. Bad debts are written off when identified.

Deferred taxation

Deferred taxation has been recognised as a liability or asset if transactions have occurred at the balance sheet date that give rise to an obligation to pay more taxation in future, or a right to pay less taxation in future. An asset is not recognised to the extent that the transfer of economic benefits in the future is uncertain. Deferred tax assets and liabilities recognised are not discounted.

Pension obligations

The cost of providing defined benefit pensions is charged to the income statement so as to spread the regular cost over the service lives of employees in accordance with the advice of actuaries.

The company's contributions to the group's defined contribution pension plan are charged to the income statement in the period to which the contributions related.

Leases

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 income statement on a straight line basis over the period of the lease.

Philip Payne Limited

Notes to the financial statements for year ended 30 June 2006 (continued)

Rectification costs

The company recognises, as an expense accrual, the estimated cost to repair or replace products still under warranty at the balance sheet date. The accrual is calculated based on past history of the level of repairs and replacements.

Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated at the rate of ruling at the balance sheet date. Exchange differences arising on translation and/or settlement are charged to the profit and loss account where incurred.

Cash flow statement

The Company is a wholly owned subsidiary of F W Thorpe PLC, and the cash flows of the Company are included in the consolidated cash flow statement of F W Thorpe PLC. Consequently the Company is exempt under the terms of Financial Reporting Standard No. 1 from publishing a cash flow statement.

2 Turnover and profit on ordinary activities before taxation

Turnover is attributable to the sale of specialist lighting equipment and illuminated signs in the UK.

The profit on ordinary activities is stated after charging

	2006	2005
	£'000	£'000
Auditors' remuneration for audit services	5	4
Depreciation – tangible fixed assets	35	28
Research and development	35	18
Operating lease charges – land and buildings	25	25

Philip Payne Limited

Notes to the financial statements for year ended 30 June 2006 (continued)

3 Directors and employees

	2006	2005
	£'000	£'000
Staff costs		
Wages and salaries	320	271
Social security	30	28
Other pension costs	13	13
	363	312

The average number of employees employed by the Company during the year is set out below

	2006 Number	2005 Number
Production	11	12
Administration	5	3
	16	15

Remuneration in respect of the directors was payable as follows

	2006	2005
	£'000	£'000
Aggregate emoluments	81	72

Retirement benefits are accruing to one director under a defined benefit scheme

4 Interest receivable

	2006	2005
	£'000	£'000
Group interest receivable	32	27

Philip Payne Limited

Notes to the financial statements for year ended 30 June 2006 (continued)

5 Taxation on profit for the year

The tax charge is based on the profit for the year	2006	2005
	£'000	£'000

Current tax

UK Corporation tax on profits at 30% (2005 30%)	16	11
(Over)/under provision in respect to prior years	-	(78)

Total current tax	16	(67)
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Deferred tax

Charge/(release) for the year (note 11)	(2)	1
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Tax on profit on ordinary activities	14	(66)
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The tax assessed for the period is lower (2005 lower) than the standard rate of corporation tax in the UK (30%) The differences are explained below

	2006	2005
	£'000	£'000

Profit on ordinary activities before tax	388	239
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Profit on ordinary activities multiplied by standard rate in the UK 30% (2005 30%)	116	72
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Accelerated capital allowances and other timing differences	-	2
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Permanent differences	6	(6)
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Adjustments to tax charge in respect to previous period	-	(78)
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Group relief	(99)	(50)
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Profits taxed at small companies rate	(7)	(7)
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	16	(67)
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Notes to the financial statements for year ended 30 June 2006 (continued)

6 Dividends

Dividends paid	2006	2005
	£'000	£'000
Dividends paid for the year of £1492.54 per share (2005: £868.67 per share)	149	87

Dividends proposed	2006	2005
	£'000	£'000
Proposed dividend for the year of £1720.06 per share (2005: £1,492.54 per share)	172	149

Philip Payne Limited

Notes to the financial statements for year ended 30 June 2006 (continued)

7 Tangible fixed assets

	Short leasehold land and buildings	Plant & machinery	Office furniture & equipment	Motor vehicles	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 July 2005	43	32	76	44	195
Additions	-	-	14	13	27
Disposals	-	-	-	(15)	(15)
At 30 June 2006	43	32	90	42	207
Accumulated depreciation					
At 1 July 2005	26	25	56	21	128
Charge for the period	14	1	9	11	35
Disposals	-	-	-	(15)	(15)
At 30 June 2006	40	26	65	17	148
Net book value					
At 30 June 2006	3	6	25	25	59
At 30 June 2005	17	7	20	23	67

8 Stocks

	2006	2005
	£'000	£'000
Raw materials	98	93
Work in progress	41	37
Finished goods	5	2
	144	132

Philip Payne Limited

Notes to the financial statements for the year ended 30 June 2006 (continued)

9 Debtors

	2006	2005
	£'000	£'000
Amounts falling due within one year		
Trade debtors	245	168
Amounts owed by parent and fellow subsidiary undertakings	903	641
Corporation tax	-	67
Deferred tax asset (note 11)	6	3
Prepayments	73	19
	1,227	898

10 Creditors: amounts falling due within one year

	2006	2005
	£'000	£'000
		(restated)
Bank overdraft	49	28
Trade creditors	105	74
Amounts owed to parent and fellow subsidiary undertakings	31	21
Corporation tax	16	-
Other taxation and social security	14	15
Other creditors & accruals	78	47
	293	185

Philip Payne Limited

Notes to the financial statements for year ended 30 June 2006 (continued)

11 Deferred tax

The deferred tax asset relating to accelerated capital allowances is

	2006	2005
	£'000	£'000
At 1 July 2005	(3)	(4)
Charged/(Credited) to Profit and loss account	(3)	1
At 30 June 2006 (note 9)	(6)	(3)

12 Share capital

	2006	2005
	£	£
Authorised		
5,000 ordinary shares of £1 each	5,000	5,000
Allotted, called up and fully paid		
100 ordinary shares of £1 each	100	100

13 Profit and loss account

	2006	2005
	£'000	£'000
		(restated)
At 1 July	912	694
Retained profit for the year	225	218
At 30 June	1,137	912

Philip Payne Limited

Notes to the financial statements for year ended 30 June 2006 (continued)

14 Reconciliation of movements in shareholders' funds

	2006	2005
	£'000	£'000
		(restated)
Profit for the financial year	225	218
Opening shareholders' funds	912	694
Closing shareholders' funds	1,137	912

15 Operating leases

	2006	2005
	£'000	£'000
Annual commitments on operating leases, which all relate to land and buildings, expire		
In less than one year	8	25

16 Pension scheme

The company participates in a combined defined benefits/defined contribution scheme in the UK operated by the parent company FW Thorpe PLC with identification of individual company shares not being possible. This is a funded scheme with the assets held in a separate trustee administered fund.

The most recent actuarial valuation of the FW Thorpe PLC Group Retirement Benefits Scheme was 1 July 2006, and is in progress. The valuation of the scheme used the projected unit method and was carried out by SBJ Benefit Consultants, professionally qualified actuaries.

Details of the F W Thorpe PLC Pension and Life Assurance Scheme and the most recent valuation are disclosed in that company's annual report and accounts for the year ended 30 June 2006.

The contributions made by the company for members of this scheme during the year were £13,627 (2005 £11,011).

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Notes to the financial statements for year ended 30 June 2006 (continued)

17 Capital Commitments

Commitments for future capital expenditure at 30 June 2006 were as follows

	2006	2005
	£'000	£'000
Authorised and contracted for	60	-

18 Related party transactions and balances

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

19 Ultimate parent company and controlling party

The directors consider F W Thorpe PLC, a company registered in England & Wales to be the ultimate parent company and controlling party by virtue of its interest in the share capital of the company

Copies of the parent's consolidated financial statements may be obtained from The Secretary, F W Thorpe PLC, Merse Road, North Moons Moat, Redditch, Worcestershire, B98 9HH