Philip Payne Limited

Annual report and financial statements

for the year ended 30 June 2012

Registered number 1361523

Philip Payne Limited

Annual report and financial statements for the year ended 30 June 2012

Philip Payne Limited

Directors' report
for the year ended 30 June 2012

The directors present their annual report and the audited financial statements of the company for the year ended 30 June 2012

Principal activities

The company's principal activity during the year was the manufacture, distribution and sale 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 satisfactory given the current economic difficulties 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 and the competitive market In particular, the company's revenue and profit could be affected by spending reductions and inflationary pressures Wherever possible the company seeks to minimise these risks by diversification and risk management strategies Competition within the market is strong with evolving technologies, products and pricing The company seeks to minimise these risks by offering innovative solutions and working closely with customers to satisfy their requirements

The key performance indicators for the business are turnover and operating profit The turnover has decreased by 11% (2011 16% increase) and operating profit decreased by 39% (2011 increase of 16%) The directors monitor non-financial areas of the business relating to energy saving and environmental responsibility, market and product development, customer service and support on a regular basis Objectives are set including financial and non-financial targets and these are monitored by the board

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

Financial risk management

The company's operations expose it to a variety of financial risks which include credit risk and liquidity risk The company seeks to minimise and manage these by setting policies and incorporating controls into key functions which are implemented by management as part of the normal business operation

Credit risk

The company has implemented policies that require appropriate credit checks on potential customers before sales are made The amount of exposure to any individual counterparty is subject to a limit, which is reassessed at least annually by the management of the company Management reviews the debt profile regularly to minimise the impact of bad debt exposure and the risk of slow-payment by customers

The company's cash resources are managed centrally by the parent company in accordance with their treasury policy apart from a small amount of physical cash which is held securely and is subject to agreed internal control procedures The parent company manages the risks associated with cash and deposits

Liquidity risk

The company primarily uses its own resources from operating cash flows to ensure that the company has sufficient funds available for its operations The company has access to intergroup borrowings, if necessary, to fund any one-off liquidity requirements

Philip Payne Limited

Directors' report for the year ended 30 June 2012 (continued)

Results and dividends

The profit for the financial year amounted to £219,000 (2011 £285,000), and was transferred directly to reserves During the year a dividend payment of £142,000 (2011 £111,000) was transferred from reserves The directors recommend payment of a dividend of £500,000 (2011 £143,000) for the year

Directors

The directors who held office during the year and up to the date of signing the financial statements were

A B Thorpe
D Taylor
C Muncaster

Development activities

The company is committed to 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

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 parent Company, FW Thorpe Plc also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its directors

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) 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 company and of the profit or loss of the company for that period In preparing these financial statements, the directors are required to

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006 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

Philip Payne Limited

Directors' report for the year ended 30 June 2012 (continued)

Statement of disclosure of information to auditors

The directors confirm that

a) so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and

b) the directors has taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

Independent auditors

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

On behalf of the Board

C Muncaster
Director
22 NOVEMBER 2012
[Date]

Philip Payne Limited

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 2012 which comprise the Profit and loss account, the Balance sheet and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 2 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the annual report and financial statements to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 June 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Philip Payne Limited

Independent auditors' report to the members of Philip Payne Limited (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

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

AHammond

Andrew Hammond (Senior Statutory Auditor)

For and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Birmingham

22 NOVEMBER 2012

Philip Payne Limited

Profit and loss account for the year ended 30 June 2012

	Note	2012 £'000	2011 £'000
Turnover	2	**1,709**	1,930
Cost of sales		**(908)**	(1,012)
Gross profit		**801**	918
Distribution costs		**(192)**	(221)
Administrative expenses		**(394)**	(343)
Operating profit		**215**	354
Interest receivable and similar income	4	**4**	4
Profit on ordinary activities before taxation	2	**219**	358
Tax on profit on ordinary activities	5	**(8)**	(73)
Profit for the financial year	14	**211**	285

All operations in the both the current and prior years relate to continuing operations

There is no difference between the profit as disclosed in the profit and loss account and the profit on a historical cost basis Accordingly a note of historical cost profits and losses is not given

The profit on ordinary activities after taxation is the only recognised gain and loss for both the current and prior year A separate statement of total recognised gains and losses has therefore not been presented

Philip Payne Limited

Balance sheet as at 30 June 2012

	Note	2012 £'000	2011 £'000
Fixed assets			
Tangible assets	7	**152**	141
Current assets			
Stocks	8	**192**	221
Debtors	9	**1,789**	1,792
Cash at bank and in hand		**5**	47
		1,986	2,060
Creditors amounts falling due within one year	10	**(193)**	(322)
Net current assets		**1,793**	1,738
Total assets less current liabilities		**1,945**	1,879
Provision for liabilities	11	**-**	(2)
Net assets		**1,945**	1,877
Capital and reserves			
Called up share capital	12	**-**	-
Profit and loss account	13	**1,945**	1,877
Total shareholders' funds	14	**1,945**	1,877

The financial statements on pages 6 to 18 were approved by the board of directors on the date below and were signed on its behalf by

C Muncaster
Director

Registered number 1361523

[Date] 22 November 2012

Philip Payne Limited

Notes to the financial statements for year ended 30 June 2012

1 Principal accounting policies

Basis of accounting

These financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom The principal accounting policies, which have been applied consistently, are set out below

Turnover recognition

Turnover is recognised upon delivery and acceptance by customers of products in the year Turnover is shown net of value added tax and discounts

Development costs

Development expenditure is recognised as an expense when incurred

Dividend distribution

Dividend distributions to the company's shareholder are recognised as a liability in the company's financial statements in the period in which the dividends are approved by the company's shareholder

Tangible fixed assets and depreciation

Tangible fixed assets are stated at historical purchase cost less accumulated depreciation Cost includes the original purchase price together with the costs attributable to bringing the asset to its working condition for its intended use

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

Plant and machinery	10 years
Office furniture and equipment	3 to 10 years
Motor vehicles	4 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 Provision is made against the cost of slow moving, obsolete stock lines based on the estimated recoverable amounts

Debtors

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

Philip Payne Limited

Notes to the financial statements for year ended 30 June 2012 (continued)

1 Principal accounting policies (continued)

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date

A net deferred tax asset is recognised as recoverable only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date Deferred tax is measured on an undiscounted basis

Pension obligations

The company participates in the group's multi employer defined benefit/contribution hybrid scheme of which the scheme assets and liabilities cannot be accurately separated for each participating company The pension cost represents contributions during the period to the group scheme, the level of which is based on the recommendation of the actuary, adjusted for any prepaid or accrued pension costs Details of the scheme can be found in the financial statements of F W Thorpe Plc

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 profit and loss account on a straight line basis over the period of the lease

Rectification costs

The company recognises, as an 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

Monetary assets and liabilities denominated in foreign currencies are translated at the rate 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 (revised 1996) from publishing a cash flow statement

Philip Payne Limited

Notes to the financial statements for year ended 30 June 2012 (continued)

2 Turnover and profit on ordinary activities before taxation

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

The profit on ordinary activities before taxation is stated after charging

	2012 £'000	2011 £'000
Auditors' remuneration for audit services (inclusive of out of pocket expenses)	**7**	7
Depreciation – owned tangible fixed assets	**53**	46
Development costs	**137**	125
Operating lease charges – land and buildings	**35**	35

3 Directors and employees

	2012 £'000	2011 £'000
Staff costs		
Wages and salaries	**521**	519
Social security costs	**60**	57
Other pension costs (note 16)	**27**	20
	608	596

Philip Payne Limited

Notes to the financial statements for year ended 30 June 2012 (continued)

3 Directors and employees (continued)

The monthly average number of directors and employees employed by the company during the year is set out below

By activity	2012 Number	2011 Number
Production	**9**	9
Selling and distribution	**3**	3
Administration	**8**	8
	20	20

Directors' emoluments

Remuneration in respect of the directors was payable as follows

	2012 £'000	2011 £'000
Aggregate emoluments	**122**	118

Retirement benefits are accruing to one (2011 one) director under a defined benefit scheme

The other directors of the company are also directors of FW Thorpe Plc and received emoluments from that company and did not receive any emoluments in respect of their services to the company (2011 nil) Disclosure of the total emoluments of the directors of FW Thorpe Plc are made in the financial statements of FW Thorpe Plc It is not possible to allocate the emoluments attributable to the company of those directors

4 Interest receivable and similar income

	2012 £'000	2011 £'000
Group interest receivable	**4**	4

Philip Payne Limited

Notes to the financial statements for year ended 30 June 2012 (continued)

5 Tax on profit on ordinary activities

The tax charge is based on the profit for the financial year	2012	2011
	£'000	£'000
Current tax		
UK Corporation tax on profits for the year	**15**	93
Adjustments in respect of previous year	**(3)**	(10)
Total current tax	**12**	83
Deferred tax		
Origination and reversal of timing differences (note 11)	**(4)**	(10)
Total deferred tax	**(4)**	(10)
Tax on profit on ordinary activities	**8**	73

The tax assessed for the year is lower (2011 lower) than the standard rate of corporation tax in the UK 25 5% (2011 27 5%) The differences are explained below

	2012	2011
	£'000	£'000
Profit on ordinary activities before taxation	**219**	358
Profit on ordinary activities multiplied by standard rate in the UK 25 5% (2011 27 5 %)	**56**	98
Depreciation in excess of accelerated capital allowances	**4**	1
Permanent differences	**(32)**	(6)
Adjustment in respect of previous year	**(3)**	(10)
Group relief	**(11)**	-
Profits taxed at small company rate	**(2)**	-
Current tax charge for the year	**12**	83

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Notes to the financial statements for year ended 30 June 2012 (continued)

5 Tax on profit on ordinary activities (continued)

The standard rate of corporation tax in the UK changed from 26% to 24% with effect from 1 April 2012 Accordingly, the company's profits for this accounting period are taxed at an effective rate of 25 5%

On 3 July 2012 a new Finance Act was enacted which reduced the main rate of Corporation Tax from 24% to 23% with effect from 1 April 2013 Further reductions to the main rate are proposed to reduce the rate by 1% per annum by 1 April 2014 These further changes have not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements The reduction of the rate to 24% will have an impact on the deferred tax assets and liabilities, although it is neither material nor significant

6 Dividends

Dividends paid	**2012**	2011
	£'000	£'000
Dividends paid for the year of £142 637 per share (2011 £1,110 12 per share)	**143**	111

Dividends proposed	**2012**	2011
	£'000	£'000
Proposed dividend for the year of £5,000 00 per share (2011 £1,426 36 per share)	**500**	143

Proposed dividends are not paid or formally approved at the year end and hence have not been recognised within the 2012 balance sheet or reserves

7 Tangible fixed assets

	Plant and machinery	Office furniture and equipment	Motor vehicles	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 July 2011	174	129	84	387
Additions	21	3	40	64
Disposals	-	-	(32)	(32)
At 30 June 2012	**195**	**132**	**92**	**419**
Accumulated depreciation				
At 1 July 2011	90	108	48	246
Charge for the year	22	9	22	53
Disposals	-	-	(32)	(32)
At 30 June 2012	**112**	**117**	**38**	**267**
Net book value				
At 30 June 2012	**83**	**15**	**54**	**152**
At 30 June 2011	84	21	36	141

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Notes to the financial statements for year ended 30 June 2012 (continued)

8 Stocks

	2012	2011
	£'000	£'000
Raw materials and consumables	156	173
Work in progress	22	29
Finished goods and goods for resale	14	19
	192	221

9 Debtors

	2012	2011
	£'000	£'000
Trade debtors	243	190
Amounts owed by group undertakings	1,513	1,568
Prepayments and accrued income	31	34
Deferred tax asset	2	-
	1,789	1,792

Amounts owed by group undertakings are unsecured, interest free and repayable on demand Amounts owed by the parent company in relation to working capital balances generate interest in-line with the group's deposit facilities

Notes to the financial statements for year ended 30 June 2012 (continued)

10 Creditors: amounts falling due within one year

	2012	2011
	£'000	£'000
Trade creditors	**62**	80
Amounts owed to group undertakings	**1**	27
Corporation tax	**12**	46
Other taxation and social security	**46**	82
Other creditors and accruals	**72**	87
	193	322

Amounts owed to group undertakings are unsecured, interest free and repayable on demand

11 Provision for liabilities

Deferred tax

The deferred tax (asset)/liability relating to accelerated capital allowances is

	2012	2011
	£'000	£'000
At 1 July	**2**	12
Credited to profit and loss account (note 5)	**(4)**	(10)
At 30 June 2012 (note 9)	**(2)**	2

Philip Payne Limited

Notes to the financial statements for year ended 30 June 2012 (continued)

12 Called up share capital

	2012	2011
	£	£
Allotted and fully paid		
100 ordinary shares (2011 100) of £1 each	**100**	100

13 Profit and loss account

	2012
	£'000
At 1 July	1,877
Retained profit for the financial year (note 14)	211
Dividends	(143)
At 30 June 2012	**1,945**

14 Reconciliation of movements in shareholders' funds

	2012	2011
	£'000	£'000
Profit for the financial year	**211**	285
Dividends	**(143)**	(111)
Retained profit for the financial year	**68**	174
Opening shareholders' funds	**1,877**	1,703
Closing shareholders' funds	**1,945**	1,877

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Notes to the financial statements for year ended 30 June 2012 (continued)

15 Operating leases

	2012	2011
	£'000	£'000
Annual commitments on non cancellable operating leases, which all relate to land and buildings, expire		
In two to five years	**35**	35

16 Pension scheme

The company participates in the group multi employer defined benefits/defined contribution hybrid scheme in the UK operated by the parent company FW Thorpe Plc with identification of individual company shares of assets and liabilities 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 2012 and is in progress The previous valuation was 1 July 2009 and the value of the fund was £17,169,000 which was sufficient to cover 83% of the benefits accruing to members The valuation of the scheme uses the projected unit method and was carried out by Bluefin Group, professionally qualified actuaries

Details of the FW Thorpe Plc Pension and Life Assurance Scheme and the most recent valuation are disclosed in that company's annual report and financial statements for the year ended 30 June 2012

The contributions made by the company for members of this scheme during the year were £27,000 (2011 £20,000), there are no prepaid or accrued amounts

17 *Capital Commitments*

There were no commitments for future capital expenditure at 30 June 2012 (2011 nil)

18 Related party transactions and balances

The company is included in the consolidated financial statements of F W Thorpe Plc and the financial statements of the group are publicly available

The company has taken advantage of the exemption allowed by paragraph 3(c) of Financial Reporting Standard No 8, 'Related Party Disclosures' not to disclose transactions and balances with fellow wholly owned group undertakings of FW Thorpe Plc in these financial statements

There are no other related parties

19 Ultimate parent undertaking

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

Copies of the parent's consolidated financial statements being the smallest and largest financial statements to contain the company's numbers may be obtained from The Secretary, FW Thorpe Plc, Merse Road, North Moons Moat, Redditch, Worcestershire, B98 9HH