FW Thorpe Plc

Half Year Report 2011

Chairman's interim statement

FW Thorpe Plc revenue improved 11.5% in the half year to December 2010 from £28.3m for the first half of 2009 to £31.5m this time. Your group's operating profit also increased 7.7% during the same period from £4.6m for the half year to December 2009 to £4.9m for the half year to December 2010. Investment income remains depressed due to the continuing low levels of interest on offer.

This performance will allow your company to pay an increased dividend of 4.3p per share payable to shareholders on the register on 15 April 2011. The increase is 4.9% above the 2010 interim dividend figure.

The profit figure for this half year has been adversely affected by the well documented serious increase in commodity prices and in response, your company has been introducing a number of countermeasures designed to reduce these effects.

In general, whilst we worried about a lagged effect from the financial crisis of a year or two ago and then similarly in regard to the financial re-alignments being put in place by the coalition Government, our market continues to remain firm in most areas of the group. Certain companies within the group rely on their niche market expertise to maintain their marketing strength but in some more commercial areas of the group, energy saving remains a major driver.

Globally, although our figures may not show it, your group continues to make progress. In example, during this period, Thorlux Lighting serviced fewer one off "large" jobs abroad but has improved performance in its own offices in Germany and Australia, with the Republic of Ireland holding up well despite that country's economic problems.

Notwithstanding our continuing investment in new products, your company has resumed some major capital investments around the group including a new £80,000 glue dotting machine at Mackwell Electronics, a new £250,000 turret press at Compact Lighting and new £350,000 Applications Centre at Thorlux.

Your Chairman still remains cautiously optimistic!

Andrew Thorpe

Chairman
17 March 2011

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Consolidated income statement

For the six months to 31 December 2010

	Half year to 31.12.10 (unaudited) £'000	Half year to 31.12.09 (unaudited) £'000	Full year to 30.6.10 (audited) £'000
Revenue	**31,488**	28,253	55,642
Operating profit	**4,915**	4,564	11,188
Finance income	**113**	111	116
Share of loss of joint venture	**(20)**	–	(27)
Profit before income taxation	**5,008**	4,675	11,277
Income taxation	**(1,386)**	(1,332)	(3,061)
Profit for the period	**3,622**	3,343	8,216
Dividend rate per share:			
Interim	**4.3p**	4.1p	4.1p
Final	**–**	–	12.6p

Earnings per share for profit attributable to the equity holders of the company during the period

Earnings per share – basic	**30.9p**	28.5p	70.1p
– diluted	**30.9p**	28.5p	70.1p

Group statement of comprehensive income

For the six months to 31 December 2010

	Half year to 31.12.10 (unaudited) £'000	Half year to 31.12.09 (unaudited) £'000	Full year to 30.6.10 (audited) £'000
Profit for the period	**3,622**	3,343	8,216
Actuarial loss on pension scheme	**–**	–	(46)
Movement on associated deferred tax asset relating to the pension scheme	**–**	–	13
Revaluation of available-for-sale assets	**16**	–	5
Movement on associated deferred tax	**(3)**	–	(1)
Exchange rate movement on investment in joint venture	**(11)**	–	–
Other comprehensive income for the period net of tax	**2**	–	(29)
Total comprehensive income for the period	**3,624**	3,343	8,187

Consolidated balance sheet

As at 31 December 2010

Assets	As at 31.12.10 (unaudited) £'000	As at 31.12.09 (unaudited) £'000	As at 30.6.10 (audited) £'000
Non-current assets			
Intangible assets	**2,716**	2,548	2,683
Investment property	**1,011**	1,028	1,006
Property, plant and equipment	**11,280**	10,508	10,634
Investment in joint venture	**125**	–	156
Available-for-sale financial assets	**94**	73	78
Deferred tax assets	**620**	801	622
	15,846	14,958	15,179
Current assets			
Inventories	**12,606**	9,011	11,363
Trade and other receivables	**10,588**	9,163	11,040
Other financial assets at fair value through profit or loss	**386**	385	386
Short-term financial assets – deposits	**16,146**	15,022	16,058
Cash and cash equivalents	**8,001**	7,370	8,754
	47,727	40,951	47,601
Total assets	**63,573**	55,909	62,780
Liabilities			
Current liabilities			
Trade and other payables	**(7,384)**	(5,478)	(8,309)
Current tax liabilities	**(1,641)**	(1,482)	(1,668)
	(9,025)	(6,960)	(9,977)
Net current assets	**38,702**	33,991	37,624
Non-current liabilities			
Retirement benefit deficit	**(960)**	(1,919)	(1,379)
Provisions for liabilities and charges	**(102)**	(102)	(102)
Deferred tax liabilities	**(701)**	(653)	(684)
Total liabilities	**(10,788)**	(9,634)	(12,142)
Net assets	**52,785**	46,275	50,638
Equity attributable to owners of the company			
Issued share capital	**1,189**	1,189	1,189
Share premium account	**656**	656	656
Capital redemption reserve	**137**	137	137
Retained earnings	**50,803**	44,293	48,656
Total equity	**52,785**	46,275	50,638

Group statement of changes in equity

For the six months to 31 December 2010

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 July 2009	1,189	656	137	43,775	45,757
Comprehensive income					
Profit for six months to 31 December 2009	–	–	–	3,343	3,343
Total comprehensive income	–	–	–	3,343	3,343
Transactions with owners					
Dividends paid to shareholders	–	–	–	(2,825)	(2,825)
Total transactions with owners	–	–	–	(2,825)	(2,825)
Balance at 31 December 2009	1,189	656	137	44,293	46,275
Comprehensive income					
Profit for six months to 30 June 2010	–	–	–	4,873	4,873
Other comprehensive income					
Actuarial loss on pension scheme	–	–	–	(46)	(46)
Movement on associated deferred tax asset relating to the pension scheme	–	–	–	13	13
Revaluation of available-for-sale assets	–	–	–	5	5
Movement on associated deferred tax	–	–	–	(1)	(1)
Other comprehensive income	–	–	–	(29)	(29)
Total comprehensive income	–	–	–	4,844	4,844
Transactions with owners					
Dividends paid to shareholders	–	–	–	(481)	(481)
Total transactions with owners	–	–	–	(481)	(481)
Balance at 30 June 2010	1,189	656	137	48,656	50,638
Comprehensive income					
Profit for six months to 31 December 2010	–	–	–	3,622	3,622
Other comprehensive income					
Revaluation of available-for-sale assets	–	–	–	16	16
Movement on associated deferred tax	–	–	–	(3)	(3)
Exchange rate movement on joint venture	–	–	–	(11)	(11)
Other comprehensive income	–	–	–	2	2
Total comprehensive income	–	–	–	3,624	3,624
Transactions with owners					
Dividends paid to shareholders	–	–	–	(1,477)	(1,477)
Total transactions with owners	–	–	–	(1,477)	(1,477)
Balance at 31 December 2010	**1,189**	**656**	**137**	**50,803**	**52,785**

Group statement of cash flows

For the six months to 31 December 2010

	Half year to 31.12.10 (unaudited) £'000	Half year to 31.12.09 (unaudited) £'000	Full year to 30.6.10 (audited) £'000
Cash generated from operations			
Profit before income tax	**5,008**	4,675	11,277
Adjustments for			
– Depreciation charge	**517**	509	1,049
– Amortisation of intangibles	**464**	442	906
– Profit on disposal of property, plant and equipment	**(36)**	(12)	(31)
– Finance income – net	**(113)**	(111)	(116)
– Retirement benefit contributions in excess of current and past service charge	**(328)**	(114)	(826)
– Share of loss from joint venture	**20**	–	27
Changes in working capital			
– Inventories	**(1,243)**	1,447	(905)
– Trade and other receivables	**457**	(48)	(1,903)
– Trade and other payables	**(1,051)**	(749)	1,996
Cash generated from operations	**3,695**	6,039	11,474
Tax paid	**(1,396)**	(1,695)	(3,017)
Cash flow from investing activities			
Purchase of property, plant and equipment	**(1,179)**	(456)	(1,045)
Proceeds of sale of property, plant and equipment	**49**	38	62
Purchase of intangibles – development costs and software	**(498)**	(415)	(1,014)
Purchase of available-for-sale financial assets	**–**	(30)	(30)
Purchase of investment property	**(5)**	–	(9)
Proceeds of sale of investment property	**–**	–	31
Purchase of shares in joint venture and costs	**–**	–	(183)
Property rental and similar income	**37**	17	69
Net purchase of deposits	**(88)**	(533)	(1,569)
Interest received	**109**	98	159
Net cash outflow from investing activities	**(1,575)**	(1,281)	(3,529)
Cash flow from financing activities			
Dividends paid to company shareholders	**(1,477)**	(2,825)	(3,306)
Net cash outflow from financing activities	**(1,477)**	(2,825)	(3,306)
Net (decrease)/increase in cash and cash equivalents	**(753)**	238	1,622
Cash and cash equivalents at the beginning of the period	**8,754**	7,132	7,132
(Decrease)/increase in cash and cash equivalents	**(753)**	238	1,622
Cash and cash equivalents at the end of the period	**8,001**	7,370	8,754

Notes to the interim financial statements

1. Basis of preparation

The consolidated interim financial statements for the six months to 31 December 2010 have been prepared in accordance with the recognition and measurement principles of applicable International Financial Reporting Standards (IFRS) in issue as adopted by the European Union (EU) and International Financial Reporting Standards as issued by the International Accounting Standards Board and the Alternative Investment Market (AIM) Rules for Companies.

The figures for the period to 31 December 2010 and the comparative period to 31 December 2009 have not been audited or reviewed and are therefore disclosed as unaudited. The figures for 30 June 2010 have been extracted from the financial statements for the year to 30 June 2010, which have been delivered to the Registrar of Companies. The interim financial statements do not constitute statutory accounts within the meaning of the Companies Act 2006.

The financial statements are presented in Pounds Sterling, rounded to the nearest thousand.

The interim financial statements are prepared under the historical cost convention, modified by the revaluation of certain current and non-current investments at fair value through profit or loss.

The accounting policies set out in the financial statements for the year ended 30 June 2010 have been applied consistently throughout the group during the period.

2. Segmental analysis

With effect from 1 July 2009, the group adopted IFRS 8 "Operating segments". This accounting standard requires a "through the eyes of management" approach under which segment information is presented on the same basis as that used for internal reporting purposes. For internal reporting FW Thorpe is organised into six operating segments based on the products and customer base in the lighting market – the largest businesses are Thorlux which manufactures professional lighting systems for industrial, commercial and controls markets, and Mackwell which manufactures emergency lighting components. The four remaining operating segments have been aggregated into the "other companies" reportable segment based upon their size, which represents the entities Compact Lighting, Philip Payne, Sugg Lighting and Solite Europe.

FW Thorpe's chief operating decision-maker is the group board. The group board reviews the group's internal reporting in order to monitor and assess performance of the operating segments for the purpose of making decisions about resources to be allocated. Performance is evaluated based on a combination of revenue and operating profit. In accordance with updates to IFRS 8, assets and liabilities have not been segmented which is consistent with the group's internal reporting.

2. Segmental analysis continued

	Thorlux £'000	Mackwell £'000	Other companies £'000	Inter-segment adjustments £'000	Total £'000
Six months to 31 December 2010					
Revenue to external customers	**22,045**	**4,793**	**4,650**	**–**	**31,488**
Revenue to other group companies	**97**	**1,770**	**271**	**(2,138)**	**–**
Total revenue	**22,142**	**6,563**	**4,921**	**(2,138)**	**31,488**
Operating profit	**4,244**	**332**	**212**	**127**	**4,915**
Net finance income					**113**
Share of loss in joint venture					**(20)**
Profit before tax expense					**5,008**
Six months to 31 December 2009					
Revenue to external customers	20,562	4,064	3,627	–	28,253
Revenue to other group companies	41	1,149	193	(1,383)	–
Total revenue	20,603	5,213	3,820	(1,383)	28,253
Operating profit	4,173	72	172	147	4,564
Net finance income					111
Profit before tax expense					4,675
Year to 30 June 2010					
Revenue to external customers	39,386	8,692	7,564	–	55,642
Revenue to other group companies	84	2,581	395	(3,060)	–
Total revenue	39,470	11,273	7,959	(3,060)	55,642
Operating profit	9,792	572	539	285	11,188
Net finance income					116
Share of loss in joint venture					(27)
Profit before tax expense					11,277

Inter-segment adjustments to operating profit consist of property rentals on premises owned by FW Thorpe Plc, adjustments to profit related to stocks held within the group that were supplied by another segment and adjustments to investment provisions relating to group companies.

3. Earnings per share

The earnings per share is calculated on profit after taxation and the weighted average number of ordinary shares in issue of 11,723,559 (2009: 11,723,559) during the period. For diluted earnings per share, the weighted average of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The adjusted weighted average number of ordinary shares is calculated at 11,723,559 (2009: 11,723,559) as there are no dilutive potential ordinary shares.

4. Dividend

The interim dividend is at the rate of 4.3p per share (2009: 4.1p), and based on 11,723,559 shares in issue at the announcement date the dividend will amount to £504,000 (2009: £481,000). The interim dividend will be paid on Tuesday 10 May 2011 to shareholders on the register at the close of business on 15 April 2011 and the shares become ex-dividend on 13 April 2011.

A final dividend for the year ended 30 June 2010 of 12.6p (2009: final of 12.1p and special of 12.0p) per share, amounting to £1,477,000 (£2,825,000) was paid on 18 November 2010.

5. Availability of interim statement

Copies of this report are being sent to shareholders and will also be available from the company's registered office or on the company's website from 25 March 2011.

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