



# FW THORPE PLC

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INTERIM REPORT 2016

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# CHAIRMAN'S INTERIM STATEMENT



**Andrew Thorpe**, Chairman

Pleasingly results for the half year to 31 December 2015 proved rewarding with Group revenues up 27% and operating profit up 18% from continuing operations. On a like-for-like basis, excluding Lightronics (which we acquired in April 2015), revenues and operating profits increased by 5.2% and 5.1% respectively. Including the effects of investment income and taxation, earnings per share rose by 14%.

Generally whilst underlying growth throughout most of the Group subsidiaries can be described as solid rather than astounding, good progress has been made in most quarters.

Global economies still show shakiness and whilst we are not present in many, the general malaise does not endow any of our markets with booming economies and high demand.

In our overseas markets business is, therefore, currently hard fought, your company having to persuade new customers, often with different cultures, of the benefits of using our product offering of high quality, highly sophisticated lighting systems and excellent before and after sales service.

The Thorlux offices in Dusseldorf, Germany and Dublin, Ireland are continuing to make forward strides, however, the Thorlux office in Brisbane,

Australia and the Group office in the UAE are still not performing as required.

The approach of opening new Group offices abroad takes time and whilst more maturity is sought on those fronts we have widened our approach, as reported in my last statement, with the purchase of Lightronics BV the successful Netherlands based lighting company.

In the same vein I can now report that your company has just approved a €1.2m investment in a 40% shareholding in Luxintec S.L., a €3.5m revenue Spanish manufacturer of precision LED lighting lenses and a limited range of luminaires, the latter being a market in which they wish to expand.

Both the investments in Lightronics and Luxintec allow a wide scope for the interchange of products in both directions but most probably allowing a wider platform for most Group companies to participate in the Netherlands and Spanish speaking markets of which there are many.

The first half of the 2015/16 year has been driven by exceptional performance of Lightronics BV and marked further progress at TRT Lighting our road tunnel and street lighting systems manufacturer. Your Group continues to strive for growth and the Board is cautiously optimistic about the rest of the financial year.

Group results outlined above allow your company to pay a dividend for the half year to 31 December 2015 of 1.20p per share (Interim 2015: 1.10p), an increase of 9%. Further, at this time and in consideration of adequate Group reserves, a special dividend of 2.00p per share (Interim 2015: nil) will be paid at the same time as the interim dividend.

**A B Thorpe**  
Chairman

21 March 2016  
FW Thorpe Plc

# CONSOLIDATED INCOME STATEMENT

for the six months to 31 December 2015

	<b>31.12.15</b> <b>Six months to</b> <b>(unaudited)</b> <b>£'000</b>	31.12.14 Six months to (unaudited) £'000	30.06.15 Twelve months to (audited) £'000
<b>Continuing operations</b>			
<b>Revenue</b>	<b>41,370</b>	32,629	73,554
<b>Operating Profit</b>	<b>6,494</b>	5,510	13,718
Finance income	<b>383</b>	315	727
Finance expense*	<b>(257)</b>	–	–
Share of loss of joint venture	<b>(–)</b>	(4)	(50)
<b>Profit before tax expense</b>	<b>6,620</b>	5,821	14,395
Tax expense	<b>(1,446)</b>	(1,283)	(2,691)
<b>Profit for the period from continuing operations</b>	<b>5,174</b>	4,538	11,704
Loss for the period from discontinued operations	<b>–</b>	(104)	(253)
Loss on disposal of subsidiary	<b>–</b>	(120)	–
Profit for the period	<b>5,174</b>	4,314	11,451
<b>Dividend rate per share:</b>			
Interim	<b>1.20p</b>	1.10p	1.10p
Final	<b>–</b>	–	2.55p
Special	<b>2.00p</b>	–	–
<b>Earnings per share – basic</b>	<b>4.47p</b>	3.92p	10.12p
<b>(continuing operations) – diluted</b>	<b>4.47p</b>	3.90p	10.11p
<b>Earnings per share – basic</b>	<b>4.47p</b>	3.73p	9.90p
<b>– diluted</b>	<b>4.47p</b>	3.71p	9.89p

\*Finance expense represents payments made in relation to the acquisition of Lightronics Participaties BV.

# GROUP STATEMENT OF COMPREHENSIVE INCOME

for the six months to 31 December 2015

	<b>31.12.15</b> <b>Six months to</b> <b>(unaudited)</b> <b>£'000</b>	31.12.14 Six months to (unaudited) £'000	30.06.15 Twelve months to (audited) £'000
<b>Profit for the year</b>	<b>5,174</b>	4,314	11,451
<b>Other comprehensive income</b>			
<b>Items that may be reclassified to profit or loss</b>			
- Arising in period*	<b>(207)</b>	(46)	(152)
- Reclassified in period	-	-	-
Exchange rate movement on investment in joint venture			
- Arising in period	<b>58</b>	(3)	(21)
- Reclassified in period	-	-	-
Taxation	<b>103</b>	9	30
	<b>(46)</b>	(40)	(143)
<b>Items that will not be reclassified to profit or loss</b>			
Actuarial gain on pension scheme	-	-	(247)
Movement on unrecognised pension surplus	-	-	18
	-	-	(229)
Other comprehensive income for the year, net of tax	<b>(46)</b>	(40)	(372)
<b>Total comprehensive income for the year</b>	<b>5,128</b>	4,274	11,079

All comprehensive income is attributable to the owners of the company.

\*The loss on items that may be reclassified to profit or loss of £207,000 is due to the decrease in market value of available for sale financial assets.

# CONSOLIDATED BALANCE SHEET

as at 31 December 2015

	As at 31.12.15 (unaudited) £'000	As at 31.12.14 (unaudited) £'000	As at 30.06.15 (audited) £'000
<b>Assets</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	14,192	13,190	13,834
Intangible assets	14,160	6,678	14,349
Investment property	2,140	2,135	2,171
Loans and receivables	4,968	1,340	4,760
Investment in joint venture	–	50	–
Available for sale financial assets	3,218	3,124	3,018
Deferred tax assets	26	26	17
	<b>38,704</b>	26,543	38,149
<b>Current assets</b>			
Inventories	16,813	13,794	17,762
Trade and other receivables	13,908	13,513	19,698
Other financial assets at fair value through profit or loss	389	388	389
Short term financial assets – deposits	12,560	14,605	9,358
Cash and cash equivalents	21,606	19,341	19,176
Total current assets (excluding non-current assets and disposal groups held for sale)	65,276	61,641	66,383
Non-current assets and disposal groups held for sale	–	1,772	–
	<b>65,276</b>	63,413	66,383
<b>Total Assets</b>	<b>103,980</b>	89,956	104,532
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	(11,545)	(9,258)	(14,656)
Current tax liabilities	(2,197)	(1,717)	(2,051)
<b>Total current liabilities (excluding liabilities associated with non-current assets and disposal groups held for sale)</b>	<b>(13,742)</b>	(10,975)	(16,707)
Liabilities associated with non-current assets and disposal groups held for sale	–	(553)	–
	<b>(13,742)</b>	(11,528)	(16,707)
<b>Net current assets</b>	<b>51,534</b>	51,885	49,676
<b>Non-current liabilities</b>			
Retirement benefit deficit	–	–	–
Other payables	(4,044)	–	(3,838)
Provisions for liabilities and charges	(259)	(222)	(102)
Deferred tax liabilities	(857)	(911)	(1,021)
<b>Total liabilities</b>	<b>(18,902)</b>	(12,661)	(21,668)
<b>Net assets</b>	<b>85,078</b>	77,295	82,864
<b>Equity attributable to owners of the company</b>			
Issued share capital	1,189	1,189	1,189
Share premium account	656	656	656
Capital redemption reserve	137	137	137
Retained earnings	83,096	75,313	80,882
<b>Total equity</b>	<b>85,078</b>	77,295	82,864

# GROUP STATEMENT OF CHANGES IN EQUITY

for the six months to 31 December 2015

	Share Capital £'000	Share Premium £'000	Capital Redemption Reserve £'000	Retained Earnings £'000	Total Equity £'000
<b>Balance at 30 June 2014</b>	1,189	656	137	75,305	<b>77,287</b>
<b>Comprehensive income</b>					
Profit for six months to 31 December 2014	–	–	–	4,314	<b>4,314</b>
Other comprehensive income	–	–	–	(40)	<b>(40)</b>
<b>Total comprehensive income</b>	–	–	–	4,274	<b>4,274</b>
<b>Transactions with owners</b>					
Dividends paid to shareholders	–	–	–	(4,280)	<b>(4,280)</b>
Share-based payment charge	–	–	–	14	<b>14</b>
<b>Total transactions with owners</b>	–	–	–	(4,266)	<b>(4,266)</b>
<b>Balance at 31 December 2014</b>	1,189	656	137	75,313	<b>77,295</b>
<b>Comprehensive income</b>					
Profit for six months to 30 June 2015	–	–	–	7,137	<b>7,137</b>
Actuarial loss on pension scheme	–	–	–	(247)	<b>(247)</b>
Movement on unrecognised pension surplus	–	–	–	18	<b>18</b>
Revaluation of available-for-sale financial assets	–	–	–	(106)	<b>(106)</b>
Movement on associated deferred tax	–	–	–	21	<b>21</b>
Exchange rate movement on joint venture	–	–	–	(18)	<b>(18)</b>
<b>Total comprehensive income</b>	–	–	–	6,805	<b>6,805</b>
<b>Transactions with owners</b>					
Dividends paid to shareholders	–	–	–	(1,272)	<b>(1,272)</b>
Share-based payment charge	–	–	–	36	<b>36</b>
<b>Total transactions with owners</b>	–	–	–	(1,236)	<b>(1,236)</b>
<b>Balance at 30 June 2015</b>	<b>1,189</b>	<b>656</b>	<b>137</b>	<b>80,882</b>	<b>82,864</b>
<b>Comprehensive income</b>					
Profit for six months to 31 December 2015	–	–	–	5,174	<b>5,174</b>
Other comprehensive income	–	–	–	(46)	<b>(46)</b>
<b>Total comprehensive income</b>	–	–	–	5,128	<b>5,128</b>
<b>Transactions with owners</b>					
Dividends paid to shareholders	–	–	–	(2,950)	<b>(2,950)</b>
Share-based payment charge	–	–	–	36	<b>36</b>
<b>Total transactions with owners</b>	–	–	–	(2,914)	<b>(2,914)</b>
<b>Balance at 31 December 2015</b>	<b>1,189</b>	<b>656</b>	<b>137</b>	<b>83,096</b>	<b>85,078</b>

# GROUP STATEMENT OF CASH FLOWS

For the six months to 31 December 2015

	<b>31.12.15</b> <b>Six months to</b> <b>(unaudited)</b> <b>£'000</b>	31.12.14 Six months to (unaudited) £'000	30.06.15 Twelve months to (audited) £'000
<b>Cash generated from operations</b>			
Profit before income tax	<b>6,620</b>	5,821	14,395
Adjustments for			
- Depreciation charge	<b>705</b>	709	1,288
- Amortisation of intangibles & investment property	<b>1,085</b>	651	1,484
- Profit on disposal of property, plant and equipment	<b>(48)</b>	(16)	(104)
- Finance income	<b>(383)</b>	(315)	(727)
- Retirement benefit contributions in excess of current and past service charge	<b>(85)</b>	(77)	(229)
- Share of loss from joint venture	<b>-</b>	4	50
- Share-based payment expense	<b>88</b>	14	76
- Effects of exchange rate movements	<b>110</b>	-	(28)
Changes in working capital			
- Inventories	<b>949</b>	406	(1,707)
- Trade and other receivables	<b>5,799</b>	1,107	(3,659)
- Trade and other payables	<b>(2,838)</b>	(1,422)	2,215
Discontinued operations	<b>-</b>	7	261
<b>Cash generated from operations</b>	<b>12,002</b>	6,889	13,315
Tax paid	<b>(1,374)</b>	(184)	(1,280)
<b>Cash flow from investing activities</b>			
Purchase of property, plant and equipment	<b>(1,113)</b>	(1,976)	(3,271)
Proceeds from sale of property, plant and equipment	<b>71</b>	63	167
Purchase of intangibles	<b>(836)</b>	(623)	(1,621)
Purchase of subsidiary net of cash acquired	<b>-</b>	-	(6,392)
Disposal of subsidiary	<b>-</b>	-	(561)
Purchase of investment property	<b>(19)</b>	-	(36)
Net sale/(purchase) of available for sale financial assets	<b>(407)</b>	271	271
Property rental and similar income	<b>40</b>	78	154
Dividend income	<b>93</b>	69	149
Net sale/(purchase) of deposits	<b>(3,202)</b>	1,033	6,280
Interest received	<b>114</b>	90	301
Receipt of loans notes	<b>11</b>	-	1,261
<b>Net cash (used in)/generated from investing activities</b>	<b>(5,248)</b>	(995)	(3,298)
<b>Cash flow from financing activities</b>			
Repayment of borrowings	<b>-</b>	-	(1,920)
Dividends paid to company shareholders	<b>(2,950)</b>	(4,280)	(5,552)
<b>Net cash used in financing activities</b>	<b>(2,950)</b>	(4,280)	(7,472)
<b>Net increase in cash and cash equivalents</b>	<b>2,430</b>	1,430	1,265
<b>Cash and cash equivalents at the beginning of the period</b>	<b>19,176</b>	17,911	17,911
<b>Cash and cash equivalents at the end of the period</b>	<b>21,606</b>	19,341	19,176



# NOTES TO THE INTERIM FINANCIAL STATEMENTS

## 1. BASIS OF PREPARATION

The consolidated interim financial statements for the six months to 31 December 2015 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 AIM Rules for Companies.

The figures for the period to 31 December 2015 and the comparative period to 31 December 2014 have not been audited or reviewed and are therefore disclosed as unaudited. The figures for 30 June 2015 have been extracted from the financial statements for the year to 30 June 2015, 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 2015 have been applied consistently throughout the Group during the period.

## 2. SEGMENTAL ANALYSIS

The segmental analysis is presented on the same basis as that used for internal reporting purposes. For internal reporting F W Thorpe is organised into eight operating segments, based on the products and customer base in the lighting market. The largest business is Thorlux which manufactures professional lighting systems for the industrial, commercial and controls market. The recently acquired Lightronics business is the next largest business. The six remaining continuing operating segments have been aggregated into the 'other companies' segment based on their size and comprise Compact Lighting Limited, Philip Payne Limited, Solite Europe Limited, Portland Lighting Limited, TRT Lighting Limited and Thorlux LLC.

F W Thorpe's chief operating decision-maker (CODM) is the Group board. The Group board reviews the Group's internal reporting in order to monitor and assess the 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. Assets and liabilities have not been segmented which is consistent with the Group's internal reporting.

# NOTES TO THE INTERIM FINANCIAL STATEMENTS

Continued

## 2. SEGMENTAL ANALYSIS (continued)

	Thorlux £'000	Lightronics £'000	Other Companies £'000	Inter- Segment Adjustments £'000	Total Continuing Operations £'000
<b>6 months to 31 December 2015</b>					
Revenue to external customers	26,846	7,027	7,497	–	41,370
Revenue to other Group companies	594	3	1,083	(1,680)	–
Total revenue	27,440	7,030	8,580	(1,680)	41,370
Operating Profit	5,166	703	428	197	6,494
Finance income					383
Finance expense					(257)
Share of loss in joint venture					–
Profit before tax expense					6,620

### 6 months to 31 December 2014

Revenue to external customers	26,601	–	6,028	–	32,629
Revenue to other Group companies	572	–	831	(1,403)	–
Total revenue	27,173	–	6,859	(1,403)	32,629
Operating Profit	5,105		283	122	5,510
Net finance income					315
Share of loss in joint venture					(4)
Profit before tax expense					5,821

### Year to 30 June 2015

Revenue to external customers	54,192	3,275	16,077	–	73,544
Revenue to other group companies	2,329	–	1,781	(4,110)	–
Total revenue	56,521	3,275	17,858	(4,110)	73,544
Operating Profit	11,267	481	1,944	26	13,718
Net finance income					727
Share of profit in joint venture					(50)
Profit before tax expense					14,395

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. POST BALANCE SHEET EVENT – INVESTMENT IN ASSOCIATE

On 9 March 2016, subsequent to the period end, the Group invested €1,200,000 for a 40% shareholding in a luminaire and specialist lens manufacturer based in Spain, Luxintec S.L. This investment provides a platform to sell the Group's products in Spain and secures a part of the supply chain for the Group in the future. In 2015 Luxintec's annual revenues were €3.5m with operating profit of €0.3m.

The Group intends to apply the equity method of accounting to recognise this interest.

### 4. INCOME TAX EXPENSE

For the period ending 30 June 2015, the effective tax rate for the Group was 18.7% however the effective tax rate applied for the period ended 31 December 2015 has increased to 21.8%. The main reasons for this increase are:

- The Group is no longer being classified as a Small or Medium sized Enterprise resulting in a lower rate of tax relief for research and development expenses;
- An increasing share of the Group's profits are being generated in the Netherlands where the main corporate tax rate is 25%; and
- No adjustment in 31 December 2015 for prior year tax credit.

### 5. EARNINGS PER SHARE

The basic earnings per share is calculated on profit after taxation and the weighted average number of ordinary shares in issue of 115,675,590 (Interim 2015: 115,675,590) during the period.

The diluted earnings per share is calculated on profit after taxation and the weighted average number of potentially dilutive ordinary shares in issue of 115,791,614 (Interim 2015: 116,313,090) during the period.

### 6. DIVIDEND

The interim dividend is at the rate of 1.20p per share (Interim 2015: 1.10p), and based on 115,675,590 shares in issue at the announcement date the dividend will amount to £1,388,000 (Interim 2015: £1,272,000). A special dividend of 2.00p per share (Interim 2015: nil) will also be declared and based on 115,675,590 shares in issue at the announcement date the dividend will amount to £2,314,000 (Interim 2015: £nil). The interim and special dividends will be paid on 5 April 2016 to shareholders on the register at the close of business on 29 March 2016, and the shares become ex-dividend on 24 March 2016.

The company has obtained dispensation from the Stock Exchange to pay the dividends within a reduced timetable due to the Easter bank holidays and operational commitments preventing the earlier announcement of these results. This enables the dividend to be paid in a similar timeframe to the previous year.

A final dividend for the year ended 30 June 2015 of 2.55p (2014: final of 2.20p) per share, amounting to £2,950,000 (2014: £2,545,000) was paid on 19 November 2015.

### 7. 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 ([www.fwthorpe.co.uk](http://www.fwthorpe.co.uk)) from 7 April 2016.

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