



## PRELIMINARY RESULTS FOR THE YEAR ENDED 30 JUNE 2019 (UNAUDITED)

**FW Thorpe Plc** – a group of companies that design, manufacture and supply professional lighting systems – is pleased to announce its preliminary results for the year ended 30 June 2019.

**Key points:**

| Continuing operations                                    | 2019           | 2018    |                  |
|--|----------------|---------|------------------|
| Revenue  | <b>£110.6m</b> | £109.6m | 0.9%<br>increase |
| Operating profit (before profit on disposal of property) | <b>£17.6m</b>  | £19.5m  | 9.3%<br>decrease |
| Operating profit   | <b>£19.6m</b>  | £19.5m  | 0.5%<br>increase |
| Profit before tax  | <b>£19.6m</b>  | £19.6m  | -                |
| Basic earnings per share                                 | <b>13.91p</b>  | 13.91p  | -                |

- Total interim and final dividend of 5.53p (2018: 5.40p) – an increase of 2.4%
- Overall, Group results were in line with management expectations
- Strong recovery in the second half of the year following a slow start by Thorlux, as previously reported
- Improved results at Lightronics, Famostar and TRT
- Profit before tax includes profit on disposal of £1.9m following the sale of the Thorlux Portsmouth property
- Strong net cash generated from operating activities – £21.6m (2018: £20.7m), an increase of 4.1%

*This announcement contains inside information for the purposes of Article 7 of Regulation (EU) No 596/2014 (MAR).*

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FW Thorpe Plc

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# CHAIRMAN'S STATEMENT

Despite a tremendous effort by Group employees, and as forecast in the interim results announcement, operating profit before disposals for the 2018/19 financial year took a step backwards when compared with last year's record. As reported, UK operations suffered from a significant general downturn in market conditions in the first half of the year, and despite an excellent recovery of orders in the second half and good contributions by Lightronics and Famostar in the Netherlands, revenue increased only marginally over the year. It is, however, pleasing to report that despite ongoing uncertain economic conditions in the UK, orders closed ahead of the previous year and the Group entered the new financial year with a healthy order book.

## GROUP RESULTS (unaudited)

In 2018/19, Group revenue reached £110.6m, an increase of 0.9%, but underlying operating profit was down by 9.3% to £17.6m. A reduction in operating profit was experienced across a number of our UK operations, but most notably at the Group's largest company, Thorlux Lighting, as a result of costs associated with closing down the Portsmouth factory, reduced efficiency due to managing the slowdown followed by a sudden ramp-up of production, and a slight squeeze on margins. Overall, Management are pleased with the recovery and satisfied that, to the best of our judgement, the Group has gained market share in tough trading conditions.

Both revenue and operating profit are supplemented by the first full-year inclusion of Famostar; the prior year only represented six months' results for the Netherlands business. Operating profit and profit before tax were supported by the sale of the Thorlux Portsmouth and Sugg Lighting factories for £4.8m, realising a £1.9m gain on disposal. Revenue generated outside the UK was £42m, or 38% of the total, the majority from European countries served by Group acquisitions in the last few years. Organic growth for exporting products from the Group's UK companies remains a firm target, but this year took a step backwards despite the weak pound. In particular, Australia and the UAE suffered from a lack of significant projects, each region with its own unique set of trading and economic difficulties. The pressure remains on, and I remain committed to offsetting risk within the Group by ensuring the companies are as multinational as practical in their trading.

A detailed summary of each company's performance is included in the Annual Report and Accounts when published, but I would like to recognise the improvement in profitability at the Group's UK-based street lighting producer, TRT Lighting (£0.8m, up 103%), further improvements at Lightronics, and, after only a short time as part of the Group, how Famostar has made an excellent contribution, increasing its own profits considerably and making a real impact on the overall figures.

During the year, numerous acquisition opportunities have presented themselves. Each of these has been investigated, several in some detail. Within the Board, we continue to try and find the right companies that fit the Board's criteria, including for them to be non-competing, complementary, and to have potential synergies with other Group companies.

The Board has continued and committed to invest to underpin Group companies and to support growth. To that end: the construction of new facilities for Portland Lighting continues at pace (£1.6m); the Group acquired the present factory and offices for Famostar (£2.3m), after the year end, from the leaseholder, together with a significant amount of adjoining land, in anticipation of future expansion (£0.3m); the extension and renovation of the Lightronics building was completed (£1.0m); and the Group invested in the sheet metal factory at Thorlux Lighting, with new state of the art metal-piercing machines (£1.6m). I am proud to report that the roof of Thorlux Lighting's sheet metal factory now supports 909 solar panels, contributing 225,000 kWh of annual electricity, providing continuation of the Group's green manufacturing and distribution policy, and even charging the hybrid electric cars of myself and my colleagues with near zero-carbon electricity during our working days.

Performance as a whole for the year to 30 June 2019 allows the Board to recommend a final dividend of 4.10p per share (2018: 4.00p), which gives a total for the year of 5.53p (2018: 5.40p).

In recent years, I have reported on the difficulties in finding organic revenue growth during tough trading conditions. I believe the current challenges are caused by several factors. Among these, of course, is the Brexit situation, which is hitting general business confidence, as can be seen in our sales to certain sectors in the UK. While the Brexit debate continues, the Government is not focussed on general everyday tasks, which is also arguably affecting an amount of potential revenue from customers reliant upon government investment. Finally, customer interest in LED luminaire technology has peaked because of the smaller improvements in LED chip performance; in particular, short-payback retrofit projects are fewer.

It is pleasing that in such changing times, the Group can still produce a set of creditable figures.

The Group companies do, however, need to keep improving, and in particular be more agile. All Group companies operate on annually reviewed objectives and key performance indicators, set by each board at the start of each financial year. In addition, the Group Board has a longer term strategy and planning review.

The product life cycle of lighting products used to be long; however, LED luminaires and control systems now need updating regularly. The lighting industry should be proud of what it has achieved in recent years, with LED luminaires and control systems often using 70% less power than their conventional counterparts, and as such making a real contribution to government energy-reduction objectives. However, with such large reductions in power usage, and associated environmental impacts, control system effectiveness is less pronounced and monetary paybacks are extended. Therefore, systems now need to provide greater benefits in addition to energy saving alone.

Nowadays, within the Group we are changing our emphasis, and our sales engineers talk far more about other factors as well as energy saving. These changes are exciting whilst also a threat. If we change and adapt, like we did for the “LED revolution” years ago and the “wireless revolution” not so long ago, then our luminaires can provide data and status information for numerous reasons, including, for example, users’ presence-detection profiling to determine operational efficiency improvements, and automatic emergency lighting testing to provide health and safety compliance. We can also fine-tune lighting automatically, for example its colour temperature, to follow a natural daylight rhythm. People in the workplace are expensive; if we can help people be more efficient and provide an environment in which they can be more productive, through good quality lighting, then that can deliver a return on investment more quickly than energy savings ever did.

The SmartScan emergency lighting system has found synergies across most Group companies. Using a common software “backbone” allows Thorlux to tailor the system to suit individual company needs such as branding or local testing nuances. Philip Payne and Solite already use SmartScan technology, and by the end of this calendar year SmartScan will be launched at Famostar, TRT and Lightronics. In the near future, there are plans to extend the SmartScan platform further, to bring other non-lighting devices into its web portal, for example to provide warehouse dock door monitoring and solar panel energy logging.

Thorlux introduced its new Flex System last year, but full production only started recently. This new range builds on the theme of providing lighting for workplace well-being. Please see the article in this year’s Annual Report for details, or the Thorlux website. The system has several patented elements and is a rather radical approach to lighting a space. It certainly looks the part in the newly refurbished Lightronics building, and I hope customers will feel the same.

## **PERSONNEL**

I would like to thank my whole team for their continued support and diligence. We all have objectives to meet, and whilst these are challenging, they are necessary to continue on the path of steady, sustainable and profitable growth.

Andrew Thorpe retired from executive duties on 28 June 2019. Further to my announcement at the time, I would like to repeat, on behalf of the Board and all employees, our thanks to Andrew for his diligence in his many years working for our company. Andrew will be a welcome visitor every month for board meetings and at any time in between.

I am also pleased to share with you that we have added two relative “youngsters” to the Thorlux Board; one started with us as an apprentice and the other as a trainee.

## **OUTLOOK**

It has never been possible for the Board to predict order income beyond the next few months; in the current climate, predictions seem even more challenging. All we can do is to remain focussed and capable to flex with the times.

I strongly believe that if we, within the Group, continue to develop products that our customers desire, then that is a good starting point. Beyond that, we then have to continually assess our methods and routes to market and be prepared to change to suit the times. We also need to ensure we are showing our wares to as many customers as possible, through better marketing and targeted sales.

The Group Board has targets and plans in place for all of the Group’s companies; Board members remain committed to resume a path of steady growth. We are, at this moment, however, subject to unpredictable economic conditions, particularly in the UK, with the threat of a disorderly exit from the EU and the Government in disarray. Whilst we have some plans in place to mitigate these impacts, current uncertainty only serves to weigh on our customers’ confidence to invest in capital projects. We can only hope that, whatever the outcome over the next few months, any downturn in some sectors will be offset by some reinvigoration in government-led investment.

M Allcock – Chairman

19 September 2019

# CONSOLIDATED RESULTS (UNAUDITED)

## CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2019

|   | Notes | 2019<br>£'000   | 2018<br>£'000 |
|---|-------|-----------------|---------------|
| <b>Continuing operations</b>                        |       |                 |               |
| Revenue   | 2     | <b>110,643</b>  | 109,614       |
| Cost of sales                                       |       | <b>(60,264)</b> | (58,305)      |
| <b>Gross profit</b>                                 |       | <b>50,379</b>   | 51,309        |
| Distribution costs                                  |       | <b>(13,182)</b> | (11,823)      |
| Administrative expenses                             |       | <b>(19,840)</b> | (20,261)      |
| Other operating income                              |       | <b>292</b>      | 241           |
| <b>Operating profit</b> (before profit on disposal) | 2     | <b>17,649</b>   | 19,466        |
| Profit on disposal of property                      |       | <b>1,917</b>    | -             |
| <b>Operating profit</b>                             |       | <b>19,566</b>   | 19,466        |
| Finance income                                      |       | <b>1,049</b>    | 819           |
| Finance costs                                       |       | <b>(1,046)</b>  | (718)         |
| <b>Profit before income tax</b>                     |       | <b>19,569</b>   | 19,567        |
| Income tax expense                                  | 3     | <b>(3,429)</b>  | (3,457)       |
| <b>Profit for the year</b>                          |       | <b>16,140</b>   | 16,110        |

Earnings per share from continuing operations attributable to the equity holders of the company during the year (expressed in pence per share).

| <b>Basic and diluted earnings per share</b> | Notes | 2019<br>Pence | 2018<br>pence |
|---|-------|---------------|---------------|
| – Basic                                     | 8     | <b>13.91</b>  | 13.91         |
| – Diluted                                   | 8     | <b>13.83</b>  | 13.81         |

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2019

|  | 2019<br>£'000 | 2018<br>£'000 |
|--|---------------|---------------|
| <b>Profit for the year:</b>  | <b>16,140</b> | 16,110        |
| <b>Other comprehensive income/(expenses)</b>                                       |               |               |
| <b>Items that may be reclassified to profit or loss</b>                            |               |               |
| Revaluation of available-for-sale financial assets                                 | -             | 189           |
| Exchange differences on translation of foreign operations                          | 153           | 119           |
| Taxation   | -             | (32)          |
|  | <b>153</b>    | 276           |
| <b>Items that will not be reclassified to profit or loss</b>                       |               |               |
| Revaluation of financial assets at fair value through other comprehensive income   | (142)         | -             |
| Actuarial (loss)/gain on pension scheme  | (374)         | 1,459         |
| Movement on unrecognised pension scheme surplus                                    | 191           | (1,615)       |
| Taxation   | 24            | -             |
|  | <b>(301)</b>  | (156)         |
| <b>Other comprehensive income for the year, net of tax</b>                         | <b>(148)</b>  | 120           |
| <b>Total comprehensive income for the year attributable to equity shareholders</b> | <b>15,992</b> | 16,230        |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

|   |       | Group           |                 |
|---|-------|-----------------|-----------------|
|   | Notes | 2019<br>£'000   | 2018<br>£'000   |
| <b>Assets</b>   |       |                 |                 |
| <b>Non-current assets</b>   |       |                 |                 |
| Property, plant and equipment                                     | 5     | 25,353          | 22,679          |
| Intangible assets   | 6     | 21,687          | 21,596          |
| Investment property   |       | 2,006           | 2,076           |
| Loans and receivables   |       | 3,567           | 6,139           |
| Equity accounted investments                                      |       | 936             | 936             |
| Financial assets at fair value through other comprehensive income |       | 3,683           | -               |
| Available-for-sale financial assets                               |       | -               | 3,820           |
| Deferred tax assets   |       | -               | 8               |
|   |       | 57,232          | 57,254          |
| <b>Current assets</b>   |       |                 |                 |
| Inventories   |       | 25,506          | 21,489          |
| Trade and other receivables                                       |       | 21,502          | 23,416          |
| Other financial assets at fair value through profit or loss       |       | 387             | 389             |
| Short-term financial assets                                       | 7     | 26,483          | 15,290          |
| Cash and cash equivalents   |       | 30,807          | 28,668          |
| Total current assets  |       | 104,685         | 89,252          |
| <b>Total assets</b>   |       | <b>161,917</b>  | <b>146,506</b>  |
| <b>Liabilities</b>  |       |                 |                 |
| <b>Current liabilities</b>  |       |                 |                 |
| Trade and other payables  |       | (21,912)        | (19,253)        |
| Current income tax liabilities                                    |       | (1,935)         | (1,853)         |
| <b>Total current liabilities</b>                                  |       | <b>(23,847)</b> | <b>(21,106)</b> |
| <b>Net current assets</b>   |       | <b>80,838</b>   | <b>68,146</b>   |
| <b>Non-current liabilities</b>                                    |       |                 |                 |
| Other payables  |       | (12,804)        | (10,329)        |
| Provisions for liabilities and charges                            |       | (2,404)         | (2,164)         |
| Deferred income tax liabilities                                   |       | (699)           | (655)           |
| <b>Total non-current liabilities</b>                              |       | <b>(15,907)</b> | <b>(13,148)</b> |
| <b>Total liabilities</b>  |       | <b>(39,754)</b> | <b>(34,254)</b> |
| <b>Net assets</b>   |       | <b>122,163</b>  | <b>112,252</b>  |
| <b>Equity attributable to the owners of the company</b>           |       |                 |                 |
| Share capital   |       | 1,189           | 1,189           |
| Share premium account   |       | 1,266           | 1,017           |
| Capital redemption reserve  |       | 137             | 137             |
| Foreign currency translation reserve                              |       | 2,535           | 2,382           |
| Retained earnings   |       |                 |                 |
| At 1 July   |       | 107,527         | 97,047          |
| Profit for the year attributable to owners                        |       | 16,140          | 16,110          |
| Other changes in retained earnings                                |       | (6,631)         | (5,630)         |
|   |       | 117,036         | 107,527         |
| <b>Total equity</b>   |       | <b>122,163</b>  | <b>112,252</b>  |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2019

| Notes  | Share capital<br>£'000 | Share premium<br>account<br>£'000 | Capital redemption<br>reserve<br>£'000 | Foreign<br>currency<br>translation<br>reserve<br>£'000 | Retained<br>earnings<br>£'000 | Total<br>equity<br>£'000 |
|--|------------------------|-----------------------------------|--|--|-------------------------------|--------------------------|
| <b>Balance at 1 July 2017</b>  | 1,189                  | 656                               | 137                                    | 2,263  | 97,047                        | 101,292                  |
| <b>Comprehensive income</b>  |                        |                                   |  |  |                               |                          |
| Profit for the year to 30 June 2018  | -                      | -                                 | -                                      | -  | 16,110                        | 16,110                   |
| Actuarial gain on pension scheme   | -                      | -                                 | -                                      | -  | 1,459                         | 1,459                    |
| Movement on unrecognised pension scheme surplus                                  | -                      | -                                 | -                                      | -  | (1,615)                       | (1,615)                  |
| Revaluation of available-for-sale financial assets                               | -                      | -                                 | -                                      | -  | 189                           | 189                      |
| Movement on associated deferred tax  | -                      | -                                 | -                                      | -  | (32)                          | (32)                     |
| Exchange differences on translation of foreign operations                        | -                      | -                                 | -                                      | 119  | -                             | 119                      |
| <b>Total comprehensive income</b>  | -                      | -                                 | -                                      | 119  | 16,111                        | 16,230                   |
| <b>Transactions with owners</b>  |                        |                                   |  |  |                               |                          |
| Shares issued from exercised options   | -                      | 361                               | -                                      | -  | -                             | 361                      |
| Dividends paid to shareholders   | 4                      | -                                 | -                                      | -  | (5,737)                       | (5,737)                  |
| Share based payment charge   | -                      | -                                 | -                                      | -  | 106                           | 106                      |
| <b>Total transactions with owners</b>  | -                      | 361                               | -                                      | -  | (5,631)                       | (5,270)                  |
| <b>Balance at 30 June 2018</b>   | <b>1,189</b>           | <b>1,017</b>                      | <b>137</b>                             | <b>2,382</b>   | <b>107,527</b>                | <b>112,252</b>           |
| <b>Comprehensive income</b>  |                        |                                   |  |  |                               |                          |
| Profit for the year to 30 June 2019  | -                      | -                                 | -                                      | -  | 16,140                        | 16,140                   |
| Actuarial loss on pension scheme   | -                      | -                                 | -                                      | -  | (374)                         | (374)                    |
| Movement on unrecognised pension scheme surplus                                  | -                      | -                                 | -                                      | -  | 191                           | 191                      |
| Revaluation of financial assets at fair value through other comprehensive income | -                      | -                                 | -                                      | -  | (142)                         | (142)                    |
| Movement on associated deferred tax  | -                      | -                                 | -                                      | -  | 24                            | 24                       |
| Exchange differences on translation of foreign operations                        | -                      | -                                 | -                                      | 153  | -                             | 153                      |
| <b>Total comprehensive income</b>  | -                      | -                                 | -                                      | 153  | 15,839                        | 15,992                   |
| <b>Transactions with owners</b>  |                        |                                   |  |  |                               |                          |
| Shares issued from exercised options   | -                      | 249                               | -                                      | -  | -                             | 249                      |
| Purchase of own shares   | -                      | -                                 | -                                      | -  | (117)                         | (117)                    |
| Dividends paid to shareholders   | 4                      | -                                 | -                                      | -  | (6,299)                       | (6,299)                  |
| Share based payment charge   | -                      | -                                 | -                                      | -  | 86                            | 86                       |
| <b>Total transactions with owners</b>  | -                      | 249                               | -                                      | -  | (6,330)                       | (6,081)                  |
| <b>Balance at 30 June 2019</b>   | <b>1,189</b>           | <b>1,266</b>                      | <b>137</b>                             | <b>2,535</b>   | <b>117,036</b>                | <b>122,163</b>           |

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2019

|   |       | Group           |               |
|---|-------|-----------------|---------------|
|   | Notes | 2019<br>£'000   | 2018<br>£'000 |
| <b>Cash flows from operating activities</b>             |       |                 |               |
| Cash generated from operations                          | 9     | 25,038          | 23,998        |
| Tax paid  |       | (3,476)         | (3,291)       |
| <b>Net cash generated from operating activities</b>     |       | <b>21,562</b>   | 20,707        |
| <b>Cash flows from investing activities</b>             |       |                 |               |
| Purchases of property, plant and equipment              |       | (6,852)         | (6,049)       |
| Proceeds from sale of property, plant and equipment     |       | 3,796           | 197           |
| Purchase of intangibles                                 |       | (2,417)         | (1,967)       |
| Purchase of subsidiary (net of cash acquired)           |       | -               | (6,313)       |
| Sale of investment property                             |       | 12              | 67            |
| Net sale of financial assets                            |       | 70              | -             |
| Property rental and similar income                      |       | 205             | 190           |
| Dividend income   |       | 225             | 190           |
| Net (deposit)/withdrawal of short-term financial assets |       | (11,193)        | 1,691         |
| Interest received                                       |       | 403             | 388           |
| Net receipt/(issue) of loan notes                       |       | 2,575           | (2,022)       |
| <b>Net cash used in investing activities</b>            |       | <b>(13,176)</b> | (13,628)      |
| <b>Cash flows from financing activities</b>             |       |                 |               |
| Net proceeds from the issuance of ordinary shares       |       | 249             | 361           |
| Purchase of own shares                                  |       | (117)           | -             |
| Proceeds from loans                                     |       | -               | 2,337         |
| Repayments of borrowings                                |       | (197)           | -             |
| Dividends paid to company's shareholders                | 4     | (6,299)         | (5,737)       |
| <b>Net cash used in financing activities</b>            |       | <b>(6,364)</b>  | (3,039)       |
| <b>Effects of exchange rate changes on cash</b>         |       | <b>117</b>      | (50)          |
| <b>Net increase in cash in the year</b>                 |       | <b>2,139</b>    | 3,990         |
| Cash and cash equivalents at beginning of year          |       | 28,668          | 24,678        |
| <b>Cash and cash equivalents at end of year</b>         |       | <b>30,807</b>   | 28,668        |



# NOTES (UNAUDITED)

## 1 BASIS OF PREPARATION

The financial information set out above has been prepared in accordance with International Financial Reporting Standards adopted by the European Union and the IFRS interpretations committee (IFRS IC) though does not constitute the Group's statutory accounts for the year ended 30 June 2019. The financial information has been prepared on a going concern basis, under the historical cost convention, as modified by available-for-sale financial assets, financial assets and financial liabilities (including derivative instruments) at fair value through the profit and loss.

The Company and Group has adopted all IAS and IFRS adopted in the EU except for IAS 34, as AIM-listed companies are not required to adopt IAS 34. The Company and Group has not early adopted any other standards or interpretations not yet endorsed by the EU.

New or amended standards adopted for the year ending 30 June 2019 are:

IFRS 9 "Financial Instruments" (effective 1 January 2018)

IFRS 15 "Revenue from contracts with customers" (effective 1 January 2018)

Amendments to IFRS 2, "Share based payments" - Classification and measurement (effective 1 January 2018)

Amendments to IFRS 4, Amendments regarding implementation of IFRS 9 (effective 1 January 2018)

Amendment to IFRS 9, "Financial instruments", on general hedge accounting (effective date 1 January 2018)

IFRS 9 replaces IAS 39 "Financial Instruments: Recognition & Measurement" and the changes introduced by the new standard can be grouped into the following three categories – Classification & Measurement, Impairment, and Hedging. The impact of the new standard in the Group was the following:

- Classification and measurement: IFRS 9 contains three principal classification categories for financial assets which are amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL"). The standard eliminates the existing IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale financial assets. The Group included the new classification categories for financial assets in the Statement of Financial Position. Equity financial instruments previously classified as available-for-sale assets have been classified as Financial assets at fair value through other comprehensive income.
- Impairment: IFRS 9 introduces an expected credit loss model which requires expected credit losses and changes to expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. Financial assets measured at amortised cost or FVOCI are subject to the impairment provisions of IFRS 9. The adoption of this standard has not resulted in any material changes in the level of provision for financial assets.
- Hedging: IFRS 9 introduces new hedge accounting requirements. IFRS 9 aligns hedge accounting relationships with the Group's risk management objectives and strategy. The Group does not apply hedge accounting, therefore there were no changes arising from the new standard.

IFRS15 requires entities to apportion revenue earned from contracts to individual performance obligations based on a five-step model. The adoption of this standard has not resulted in any material impact on reported profits.

The Group is currently evaluating the effect of the new leasing standard IFRS16 that will be adopted for the financial year commencing 1 July 2019. The Group does not have many leasing agreements, with the majority being for vehicles in the Netherlands, subsequently the adoption of this standard is not expected to have a material impact on reported profits.

The results and financial information for the year ended 30 June 2019 is unaudited but the statutory accounts for the year then ended will be delivered to the Registrar of Companies in due course, and expect the auditors' report to be unqualified and will not contain a statement under section 498(2) and (3) of the Companies Act 2006.

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

## 2 SEGMENTAL ANALYSIS

### (a) Business segments

The segmental analysis is presented on the same basis as that used for internal reporting purposes. For internal reporting FW Thorpe is organised into ten 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 markets. The Lightronics business is a material subsidiary and therefore disclosed separately.

The eight remaining continuing operating segments have been aggregated into the 'other companies' segment based on their size, comprising the entities Philip Payne Limited, Solite Europe Limited, Portland Lighting Limited, TRT Lighting Limited, Thorlux Lighting LLC, Thorlux Australasia PTY Limited, Thorlux Lighting GmbH and Famostar B.V.

FW 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.

|   | Thorlux<br>£'000 | Lightronics<br>£'000 | Other<br>companies<br>£'000 | Inter-<br>segment<br>adjustments<br>£'000 | Total<br>continuing<br>operations<br>£'000 |
|---|------------------|----------------------|-----------------------------|---|--|
| <b>Year to 30 June 2019</b>                         |                  |                      |                             |   |  |
| Revenue to external customers                       | 62,304           | 23,154               | 25,185                      | -   | 110,643                                    |
| Revenue to other group companies                    | 3,551            | 366                  | 3,573                       | (7,490)                                   | -  |
| <b>Total revenue</b>                                | <b>65,855</b>    | <b>23,520</b>        | <b>28,758</b>               | <b>(7,490)</b>                            | <b>110,643</b>                             |
| <b>Operating profit</b> (before profit on disposal) | <b>11,578</b>    | <b>2,357</b>         | <b>3,661</b>                | <b>53</b>                                 | <b>17,649</b>                              |
| Profit on disposal of property                      |                  |                      |                             |   | 1,917                                      |
| <b>Operating profit</b>                             |                  |                      |                             |   | <b>19,566</b>                              |
| Net finance income                                  |                  |                      |                             |   | 3  |
| Profit before income tax                            |                  |                      |                             |   | 19,569                                     |
| <b>Year to 30 June 2018</b>                         |                  |                      |                             |   |  |
| Revenue to external customers                       | 64,645           | 20,860               | 24,109                      | -   | 109,614                                    |
| Revenue to other group companies                    | 3,930            | 196                  | 2,956                       | (7,082)                                   | -  |
| <b>Total revenue</b>                                | <b>68,575</b>    | <b>21,056</b>        | <b>27,065</b>               | <b>(7,082)</b>                            | <b>109,614</b>                             |
| <b>Operating profit</b>                             | <b>13,611</b>    | <b>2,050</b>         | <b>3,407</b>                | <b>398</b>                                | <b>19,466</b>                              |
| Net finance income                                  |                  |                      |                             |   | 101  |
| Profit before income tax                            |                  |                      |                             |   | 19,567                                     |

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 elimination of profit on transfer of assets between Group companies.

### (b) Geographical analysis

The Group's business segments operate in four main areas, the UK, the Netherlands, the rest of Europe and the rest of the World. The home country of the company, which is also the main operating company, is the UK.

|                   | 2019<br>£'000  | 2018<br>£'000  |
|-------------------|----------------|----------------|
| UK                | 68,706         | 70,652         |
| Netherlands       | 28,227         | 22,713         |
| Rest of Europe    | 11,185         | 10,726         |
| Rest of the World | 2,525          | 5,523          |
|                   | <b>110,643</b> | <b>109,614</b> |

### 3 INCOME TAX EXPENSE

Analysis of income tax expense in the year:

|   | 2019<br>£'000 | 2018<br>£'000 |
|---|---------------|---------------|
| <b>Current tax</b>                                |               |               |
| Current tax on profits for the year               | 3,963         | 3,930         |
| Adjustments in respect of prior years             | (609)         | (170)         |
| <b>Total current tax</b>                          | <b>3,354</b>  | <b>3,760</b>  |
| <b>Deferred tax</b>                               |               |               |
| Origination and reversal of temporary differences | 75            | (303)         |
| <b>Total deferred tax</b>                         | <b>75</b>     | <b>(303)</b>  |
| <b>Income tax expense</b>                         | <b>3,429</b>  | <b>3,457</b>  |

The tax assessed for the year is lower (2018: lower) than the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%). The differences are explained below:

|  | 2019<br>£'000 | 2018<br>£'000 |
|--|---------------|---------------|
| Profit before income tax   | 19,569        | 19,567        |
| Profit on ordinary activities multiplied by the standard rate in the UK of 19.00% (2018: 19.00%) | 3,718         | 3,718         |
| Effects of:  |               |               |
| Expenses not deductible for tax purposes   | 881           | 648           |
| Accelerated tax allowances and other timing differences  | 55            | (383)         |
| Adjustments in respect of prior years  | (609)         | (170)         |
| Chargeable gains   | (352)         | -             |
| Patent box relief  | (597)         | (641)         |
| Foreign profit taxed at higher rate  | 333           | 285           |
| <b>Tax charge</b>  | <b>3,429</b>  | <b>3,457</b>  |

The effective tax rate was 17.52% (2018: 17.67%). Adjustments in respect of prior years relates to refunds received for additional investment allowances and patent box relief.

The change to the UK corporation tax rate from 19% to 17% from 1 April 2020 was substantively enacted on 6 September 2016 with the appropriate rate reflected within these financial statements.

## 4 DIVIDENDS

Dividends paid during the year are outlined in the tables below:

| <b>Dividends paid (pence per share)</b> | <b>2019</b> | 2018 |
|---|-------------|------|
| Final dividend                          | <b>4.00</b> | 3.55 |
| Interim dividend                        | <b>1.43</b> | 1.40 |
| Total                                   | <b>5.43</b> | 4.95 |

A final dividend in respect of the year ended 30 June 2019 of 4.10p per share, amounting to £4,763,000 is to be proposed at the Annual General Meeting on 21 November 2019 and, if approved, will be paid on 29 November 2019 to shareholders on the register on 1 November 2019. The ex-dividend date is 31 October 2019. These financial statements do not reflect this dividend payable.

| <b>Dividends proposed (pence per share)</b> | <b>2019</b> | 2018 |
|---|-------------|------|
| Final dividend                              | <b>4.10</b> | 4.00 |

| <b>Dividends paid</b> | <b>2019<br/>£'000</b> | 2018<br>£'000 |
|-----------------------|-----------------------|---------------|
| Final dividend        | <b>4,638</b>          | 4,114         |
| Interim dividend      | <b>1,661</b>          | 1,623         |
| Total                 | <b>6,299</b>          | 5,737         |

| <b>Dividends proposed</b> | <b>2019<br/>£'000</b> | 2018<br>£'000 |
|---------------------------|-----------------------|---------------|
| Final dividend            | <b>4,763</b>          | 4,639         |

## 5 PROPERTY, PLANT AND EQUIPMENT

|                                 | Group                                   |                                 |                |
|---------------------------------|---|---------------------------------|----------------|
|                                 | Freehold land<br>and buildings<br>£'000 | Plant and<br>equipment<br>£'000 | Total<br>£'000 |
| <b>Cost</b>                     |   |                                 |                |
| At 1 July 2018                  | 18,676                                  | 21,328                          | 40,004         |
| Additions                       | 3,176                                   | 3,616                           | 6,792          |
| Disposals                       | (2,199)                                 | (1,116)                         | (3,315)        |
| Currency translation            | 67                                      | 23                              | 90             |
| <b>At 30 June 2019</b>          | <b>19,720</b>                           | <b>23,851</b>                   | <b>43,571</b>  |
| <b>Accumulated depreciation</b> |   |                                 |                |
| At 1 July 2018                  | 3,829                                   | 13,496                          | 17,325         |
| Charge for the year             | 546                                     | 1,962                           | 2,508          |
| Disposals                       | (673)                                   | (962)                           | (1,635)        |
| Currency translation            | 10                                      | 10                              | 20             |
| <b>At 30 June 2019</b>          | <b>3,712</b>                            | <b>14,506</b>                   | <b>18,218</b>  |
| <b>Net book amount</b>          |   |                                 |                |
| <b>At 30 June 2019</b>          | <b>16,008</b>                           | <b>9,345</b>                    | <b>25,353</b>  |

|                                 | Group                                   |                                 |                |
|---------------------------------|---|---------------------------------|----------------|
|                                 | Freehold land<br>and buildings<br>£'000 | Plant and<br>equipment<br>£'000 | Total<br>£'000 |
| <b>Cost</b>                     |   |                                 |                |
| At 1 July 2017                  | 14,556                                  | 18,990                          | 33,546         |
| Acquisition of a subsidiary     | 528                                     | 1,323                           | 1,851          |
| Additions                       | 3,301                                   | 2,558                           | 5,859          |
| Disposals                       | -                                       | (1,247)                         | (1,247)        |
| Transfers                       | 294                                     | (294)                           | -              |
| Currency translation            | (3)                                     | (2)                             | (5)            |
| <b>At 30 June 2018</b>          | <b>18,676</b>                           | <b>21,328</b>                   | <b>40,004</b>  |
| <b>Accumulated depreciation</b> |   |                                 |                |
| At 1 July 2017                  | 2,789                                   | 11,920                          | 14,709         |
| Acquisition of a subsidiary     | 435                                     | 1,188                           | 1,623          |
| Charge for the year             | 464                                     | 1,672                           | 2,136          |
| Disposals                       | -                                       | (1,139)                         | (1,139)        |
| Transfers                       | 141                                     | (141)                           | -              |
| Currency translation            | -                                       | (4)                             | (4)            |
| <b>At 30 June 2018</b>          | <b>3,829</b>                            | <b>13,496</b>                   | <b>17,325</b>  |
| <b>Net book amount</b>          |   |                                 |                |
| <b>At 30 June 2018</b>          | <b>14,847</b>                           | <b>7,832</b>                    | <b>22,679</b>  |

## 6 INTANGIBLE ASSETS

| Group 2019                          | Goodwill<br>£'000 | Development<br>costs<br>£'000 | Technology<br>£'000 | Brand<br>name<br>£'000 | Software<br>£'000 | Patents<br>£'000 | Fishing<br>rights<br>£'000 | Total<br>£'000 |
|-------------------------------------|-------------------|-------------------------------|---------------------|------------------------|-------------------|------------------|----------------------------|----------------|
| <b>Cost</b>                         |                   |                               |                     |                        |                   |                  |                            |                |
| At 1 July 2018                      | 14,786            | 6,779                         | 2,924               | 1,291                  | 1,789             | 150              | 182                        | 27,901         |
| Additions                           | -                 | 1,791                         | -                   | -                      | 592               | -                | -                          | 2,383          |
| Write-offs and transfers            | -                 | (1,293)                       | -                   | -                      | (178)             | -                | -                          | (1,471)        |
| Currency translation                | 135               | 15                            | 32                  | 13                     | (1)               | -                | -                          | 194            |
| <b>At 30 June 2019</b>              | <b>14,921</b>     | <b>7,292</b>                  | <b>2,956</b>        | <b>1,304</b>           | <b>2,202</b>      | <b>150</b>       | <b>182</b>                 | <b>29,007</b>  |
| <b>Accumulated<br/>amortisation</b> |                   |                               |                     |                        |                   |                  |                            |                |
| At 1 July 2018                      | 249               | 3,062                         | 1,117               | 599                    | 1,128             | 150              | -                          | 6,305          |
| Charge for the year                 | -                 | 1,662                         | 372                 | 193                    | 229               | -                | -                          | 2,456          |
| Write-offs and transfers            | -                 | (1,293)                       | -                   | -                      | (178)             | -                | -                          | (1,471)        |
| Currency translation                | (3)               | 10                            | 15                  | 9                      | (1)               | -                | -                          | 30             |
| <b>At 30 June 2019</b>              | <b>246</b>        | <b>3,441</b>                  | <b>1,504</b>        | <b>801</b>             | <b>1,178</b>      | <b>150</b>       | <b>-</b>                   | <b>7,320</b>   |
| <b>Net book amount</b>              |                   |                               |                     |                        |                   |                  |                            |                |
| <b>At 30 June 2019</b>              | <b>14,675</b>     | <b>3,851</b>                  | <b>1,452</b>        | <b>503</b>             | <b>1,024</b>      | <b>-</b>         | <b>182</b>                 | <b>21,687</b>  |

Write-offs relate to development assets where no further economic benefits are expected obtained.

| Group 2018                          | Goodwill<br>£'000 | Development<br>costs<br>£'000 | Technology<br>£'000 | Brand name<br>£'000 | Software<br>£'000 | Patents<br>£'000 | Fishing rights<br>£'000 | Total<br>£'000 |
|-------------------------------------|-------------------|-------------------------------|---------------------|---------------------|-------------------|------------------|-------------------------|----------------|
| <b>Cost</b>                         |                   |                               |                     |                     |                   |                  |                         |                |
| At 1 July 2017                      | 10,282            | 6,448                         | 1,875               | 768                 | 1,528             | 150              | 182                     | 21,233         |
| Acquisition of a subsidiary         | 4,490             | -                             | 1,040               | 520                 | -                 | -                | -                       | 6,050          |
| Additions                           | -                 | 1,605                         | -                   | -                   | 376               | -                | -                       | 1,981          |
| Write-offs and transfers            | -                 | (1,281)                       | -                   | -                   | (116)             | -                | -                       | (1,397)        |
| Currency translation                | 14                | 7                             | 9                   | 3                   | 1                 | -                | -                       | 34             |
| <b>At 30 June 2018</b>              | <b>14,786</b>     | <b>6,779</b>                  | <b>2,924</b>        | <b>1,291</b>        | <b>1,789</b>      | <b>150</b>       | <b>182</b>              | <b>27,901</b>  |
| <b>Accumulated<br/>amortisation</b> |                   |                               |                     |                     |                   |                  |                         |                |
| At 1 July 2017                      | 262               | 2,588                         | 814                 | 442                 | 1,050             | 150              | -                       | 5,306          |
| Charge for the year                 | -                 | 1,753                         | 299                 | 157                 | 191               | -                | -                       | 2,400          |
| Write-offs and transfers            | -                 | (1,281)                       | -                   | -                   | (113)             | -                | -                       | (1,394)        |
| Currency translation                | (13)              | 2                             | 4                   | -                   | -                 | -                | -                       | (7)            |
| <b>At 30 June 2018</b>              | <b>249</b>        | <b>3,062</b>                  | <b>1,117</b>        | <b>599</b>          | <b>1,128</b>      | <b>150</b>       | <b>-</b>                | <b>6,305</b>   |
| <b>Net book amount</b>              |                   |                               |                     |                     |                   |                  |                         |                |
| <b>At 30 June 2018</b>              | <b>14,537</b>     | <b>3,717</b>                  | <b>1,807</b>        | <b>692</b>          | <b>661</b>        | <b>-</b>         | <b>182</b>              | <b>21,596</b>  |

## 7 SHORT-TERM FINANCIAL ASSETS

|                            | 2019<br>£'000 | 2018<br>£'000 |
|----------------------------|---------------|---------------|
| Beginning of year          | 15,290        | 16,981        |
| Net deposits/(withdrawals) | 11,193        | (1,691)       |
| End of year                | 26,483        | 15,290        |

The short-term financial assets consist of term cash deposits in sterling with an original term in excess of three months.

## 8 EARNINGS PER SHARE

### Basic and diluted earnings per share for profit attributable to equity holders of the company

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the company and held as treasury shares.

| Basic  | 2019        | 2018        |
|--|-------------|-------------|
| Weighted average number of ordinary shares in issue          | 116,060,378 | 115,834,897 |
| Profit attributable to equity holders of the company (£'000) | 16,140      | 16,110      |
| Basic earnings per share (pence per share) total             | 13.91       | 13.91       |

| Diluted   | 2019        | 2018        |
|---|-------------|-------------|
| Weighted average number of ordinary shares in issue (diluted) | 116,689,595 | 116,692,591 |
| Profit attributable to equity holders of the company (£'000)  | 16,140      | 16,110      |
| Diluted earnings per share (pence per share) total            | 13.83       | 13.81       |

## 9 CASH GENERATED FROM OPERATIONS

|   | Group         |               |
|---|---------------|---------------|
|   | 2019<br>£'000 | 2018<br>£'000 |
| <b>Cash generated from continuing operations</b>                              |               |               |
| Profit before income tax  | 19,569        | 19,567        |
| Depreciation charge   | 2,508         | 2,136         |
| Amortisation of investment property   | 58            | 59            |
| Amortisation/impairment of intangibles  | 2,456         | 2,400         |
| Profit on disposal of property, plant and equipment                           | (2,116)       | (125)         |
| Net finance expense/(income)  | (3)           | (101)         |
| Retirement benefit contributions in excess of current and past service charge | (183)         | (156)         |
| Share based payment charge  | 855           | 533           |
| Research and development expenditure credit                                   | (292)         | (237)         |
| Effects of exchange rate movements  | (48)          | 163           |
| Changes in working capital  |               |               |
| – Inventories   | (4,025)       | 1,954         |
| – Trade and other receivables   | 2,428         | (3,610)       |
| – Payables and provisions   | 3,831         | 1,415         |
| <b>Cash generated from continuing operations</b>                              | <b>25,038</b> | <b>23,998</b> |



## **10 CAUTIONARY STATEMENT**

Sections of this report contain forward looking statements that are subject to risk factors including the economic and business circumstances occurring from time to time in countries and markets in which the Group operates. By their nature, forward looking statements involve a number of risks, uncertainties and future assumptions because they relate to events and/or depend on circumstances that may or may not occur in the future and could cause actual results and outcomes to differ materially from those expressed in or implied by the forward looking statements. No assurance can be given that the forward looking statements in this preliminary announcement will be realised. Statements about the Chairman's expectations, beliefs, hopes, plans, intentions and strategies are inherently subject to change and they are based on expectations and assumptions as to future events, circumstances and other factors which are in some cases outside the Company's control. Actual results could differ materially from the Company's current expectations. It is believed that the expectations set out in these forward looking statements are reasonable but they may be affected by a wide range of variables which could cause actual results or trends to differ materially, including but not limited to, changes in risks associated with the Company's growth strategy, fluctuations in product pricing and changes in exchange and interest rates.

## **11 ANNUAL REPORT AND ACCOUNTS**

The annual report and accounts will be sent to shareholders on 24 October 2019 and will be available, along with this announcement, on the Group's website ([www.fwthorpe.co.uk](http://www.fwthorpe.co.uk)) from that time. The Group will hold its AGM on 21 November 2019.