



Interim Report

2022

for the six months to
31 December 2021

FW THORPE PLC

Welcome to the 2022 Interim Report

WHO WE ARE

We specialise in designing and manufacturing professional lighting systems.

We currently employ over 800 people and although each company works autonomously, our skills and markets are complementary.

OUR PURPOSE

Provide technically advanced lighting solutions that deliver long-term lowest cost of ownership.

OUR VISION

Maintain a consistently respected and profitable organisation with an environmental conscience.

OUR VALUES



Integrity



Honesty



Longevity

Visit us online at: www.fwthorpe.co.uk



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FINANCIAL HIGHLIGHTS:

	Interim 2022 (unaudited)	Interim 2021 (unaudited)	Change	Exc. Zemper
Revenue	£63.5m	£56.4m	+13%	+4%
Operating profit	£8.8m	£7.7m	+15%	+10%
Profit before tax	£8.5m	£7.4m	+15%	+14%
Basic earnings per share	5.91p	5.05p	+17%	+17%

- Interim dividend 1.54p (Interim 2021: 1.49p) - 3.4% increase
- Special dividend 2.27p (Interim 2021: nil)
- Thorlux performance - strong orders, however, revenue and operating results suppressed by supply chain challenges and material cost inflation
- Netherlands performance - positive performance, with improved profitability as a result of first year without earn-out provisions
- Other companies - UK companies struggled, however, order backlog supports a second half improvement
- Net cash generated from operating activities - £8.9m (Interim 2021: £8.0m)
- Initial acquisition of Electrozemper (Zemper) in Spain completed in October as well as the investment in Ratio Electric in the Netherlands in December

Chairman's Interim Statement

I am pleased to report for the period 1 July to 31 December 2021 an improved interim Group operating profit – including three months of contribution from our new addition, Zemper – of £8.8m, up 15%. Also, there was a continuing healthy increase in the order books for most companies within the Group – especially at Thorlux Lighting, where orders were up 25% at the half-year point. Unfortunately, as predicted in my full-year statement for last year, sales revenues were suppressed across the Group at +4% (excluding the addition of Zemper), because of each company's difficulty sourcing sufficient components, in particular electronic components and microchips. I would like to thank all those Group employees involved in sourcing components and re-engineering designs at short notice with alternative parts, as well as those managing our customers' expectations.

Most Group companies are looking forward to an improved second-half performance with supply chain issues easing, to some extent, especially for commodity items like steel and cardboard. Within the Group we are, however, mindful of significant cost inflation for purchased items as well as increases for labour and utilities. We have increased our prices in the market to compensate, but are only now starting to see the positive effects.

Zemper has already settled well into the Group, and whilst it will remain an autonomous operation we have started to collaborate in certain territorial markets, and with the technical engineering of our emergency lighting products.

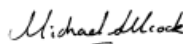
As previously announced, in December the Group concluded its investment in a 50% interest in Ratio Electric, a Dutch manufacturer and supplier of electrical connection and distribution systems. Its results for 2021 are in line with expectations, and the Group is making progress on introducing Ratio Electric's vehicle charging products into the UK.

Also in the Netherlands, the Lightronics building reconstruction, following the fire, is well advanced and on target, with completion planned for this summer. The Board has also approved expenditure to double the size of the building for Famostar, to support its continued rapid sales growth.

As a result of this ongoing good performance and a strong balance sheet, the Board has approved an increased dividend of 1.54p (Interim 2021: 1.49p) for the six months to 31 December 2021. In addition, the Group will pay a special dividend of 2.27p (Interim 2021: nil).

Just before Christmas, external third-party auditors completed an assessment of the Group's carbon emissions and I am pleased to report that the Group is considered carbon neutral for its manufacturing operations. Within the Group we continue with vigour, nonetheless, to improve further our environmental credentials, with targets set for all Group companies. Planning permission has now been granted to complete the roll-out of a solar PV installation to the main Thorlux roof later this year, adding a further 3,000 panels to the 909 already installed; this is particularly opportune, considering that the electricity kWh price at Thorlux has recently nearly doubled. The Group continues with its Net Zero assessment and target setting assisted and validated again by a third party.

Supported by the Group's healthy order book, I foresee a good second-half revenue performance, provided the component shortages continue to improve. Operating results remain the focus and will improve once the recent headwinds experienced for most businesses subside.



Mike Allcock

Chairman

10 March 2022

Consolidated Income Statement

For the six months to 31 December 2021

	31.12.21 Six months to (unaudited) £'000	31.12.20 Six months to (unaudited) £'000	30.06.21 Twelve months to (audited) £'000
Revenue	63,507	56,374	117,875
Operating Profit	8,836	7,653	20,793
Finance income	208	364	615
Finance expense	(548)	(650)	(1,267)
Profit before income tax	8,496	7,367	20,141
Income tax expense	(1,596)	(1,489)	(4,329)
Profit for the period	6,900	5,878	15,812
Dividend rate per share			
Interim	1.54p	1.49p	1.49p
Final	–	–	4.31p
Special	2.27p	–	2.20p
Earnings per share			
– basic	5.91p	5.05p	13.57
– diluted	5.88p	5.03p	13.52

Consolidated Statement of Comprehensive Income

For the six months to 31 December 2021

	31.12.21 Six months to (unaudited) £'000	31.12.20 Six months to (unaudited) £'000	30.06.21 Twelve months to (audited) £'000
Profit for the period	6,900	5,878	15,812
Other comprehensive (expenses)/income			
Items that may be reclassified to profit or loss			
Exchange rate differences on translation of foreign operations	(299)	(30)	(688)
	(299)	(30)	(688)
Items that will not be reclassified to profit or loss			
Revaluation of financial assets at fair value through other comprehensive income*	115	403	135
Actuarial loss on pension scheme	–	–	1,758
Movement on unrecognised pension surplus	–	–	(1,940)
Taxation	(29)	(6)	(236)
	86	397	(283)
Other comprehensive (expense)/income for the period, net of tax	(213)	367	(971)
Total comprehensive income for the period	6,687	6,245	14,841

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

* The gain on the revaluation of financial assets at fair value through other comprehensive income of £115,000 is due to the increase in market value of these investments.

Consolidated Statement of Financial Position

As at 31 December 2021

	As at 31.12.21 (unaudited) £'000	As at 31.12.20 (unaudited) £'000	As at 30.06.21 (audited) £'000
Assets			
Non-current assets			
Property, plant and equipment	29,129	26,924	28,251
Intangible assets	49,125	20,368	19,705
Investment property	1,958	1,982	1,967
Equity accounted investments and joint arrangements	5,678	–	–
Financial assets at amortised cost	537	–	746
Financial assets at fair value through other comprehensive income	3,909	4,175	3,764
Total non-current assets	90,336	53,449	54,433
Current assets			
Inventories	27,033	20,664	20,389
Trade and other receivables	29,693	26,457	29,310
Financial assets at amortised cost	1,800	1,800	1,800
Short-term financial assets	15,613	25,596	23,603
Cash and cash equivalents	23,636	39,471	52,268
Total current assets	97,775	113,988	127,370
Total assets	188,111	167,437	181,803
Liabilities			
Current liabilities			
Trade and other payables	(32,934)	(33,205)	(39,198)
Current financial liabilities	(990)	–	–
Lease liabilities	(303)	(238)	(226)
Current income tax liabilities	(308)	(150)	(1,040)
Total current liabilities	(34,535)	(33,593)	(40,464)
Net current assets	63,240	80,395	86,906
Non-current liabilities			
Non-current financial liabilities	(894)	–	–
Other payables	(11,089)	(73)	(78)
Lease liabilities	(651)	(464)	(435)
Provisions for liabilities and charges	(2,459)	(2,732)	(2,242)
Deferred income tax liabilities	(1,666)	(626)	(1,591)
Total non-current liabilities	(16,759)	(3,895)	(4,346)
Total liabilities	(51,294)	(37,488)	(44,810)
Net assets	136,817	129,949	136,993
Equity attributable to owners of the company			
Share capital	1,189	1,189	1,189
Share premium account	2,711	1,799	1,960
Capital redemption reserve	137	137	137
Foreign currency translation reserve	1,777	2,734	2,076
Retained earnings			
At 1 July	131,631	122,686	122,686
Profit for the period attributable to owners	6,900	5,878	15,812
Other changes in retained earnings	(7,528)	(4,474)	(6,867)
	131,003	124,090	131,631
Total equity	136,817	129,949	136,993

Consolidated Statement of Changes in Equity

For the six months to 31 December 2021

	Share Capital £'000	Share Premium £'000	Capital Redemption Reserve £'000	Foreign Currency Translation Reserve £'000	Retained Earnings £'000	Total Equity £'000
Balance at 30 June 2020	1,189	1,526	137	2,764	122,686	128,302
Comprehensive income						
Profit for six months to 31 December 2020	–	–	–	–	5,878	5,878
Other comprehensive income	–	–	–	(30)	397	367
Total comprehensive income	–	–	–	(30)	6,275	6,245
Transactions with owners						
Shares issued from exercised options	–	273	–	–	–	273
Dividends paid to shareholders	–	–	–	–	(4,895)	(4,895)
Share-based payment charge	–	–	–	–	24	24
Total transactions with owners	–	273	–	–	(4,871)	(4,598)
Balance at 31 December 2020	1,189	1,799	137	2,734	124,090	129,949
Comprehensive income						
Profit for six months to 30 June 2021	–	–	–	–	9,934	9,934
Actuarial loss on pension scheme	–	–	–	–	1,758	1,758
Movement on unrecognised pension surplus	–	–	–	–	(1,940)	(1,940)
Revaluation of financial assets at fair value through other comprehensive income	–	–	–	–	(268)	(268)
Movement on associated deferred tax	–	–	–	–	(63)	(63)
Impact of deferred tax rate change	–	–	–	–	(167)	(167)
Exchange rate differences on translation of foreign operations	–	–	–	(658)	–	(658)
Total comprehensive income	–	–	–	(658)	9,254	8,596
Transactions with owners						
Shares issued from exercised options	–	161	–	–	–	161
Dividends paid to shareholders	–	–	–	–	(1,736)	(1,736)
Share based payment charge	–	–	–	–	23	23
Total transactions with owners	–	161	–	–	(1,713)	(1,552)
Balance at 30 June 2021	1,189	1,960	137	2,076	131,631	136,993
Comprehensive income						
Profit for six months to 31 December 2021	–	–	–	–	6,900	6,900
Other comprehensive income	–	–	–	(299)	86	(213)
Total comprehensive income	–	–	–	(299)	6,986	6,687
Transactions with owners						
Shares issued from exercised options	–	751	–	–	–	751
Dividends paid to shareholders	–	–	–	–	(7,617)	(7,617)
Share-based payment charge	–	–	–	–	3	3
Total transactions with owners	–	751	–	–	(7,614)	(6,863)
Balance at 31 December 2021	1,189	2,711	137	1,777	131,003	136,817

Consolidated Statement of Cash Flows

For the six months to 31 December 2021

	31.12.21 Six months to (unaudited) £'000	31.12.20 Six months to (unaudited) £'000	30.06.21 Twelve months to (audited) £'000
Cash generated from operations			
Profit before income tax	8,496	7,367	20,141
Adjustments for			
– Depreciation charge	1,789	1,746	3,316
– Depreciation of investment property	9	10	20
– Amortisation of intangibles	1,207	1,260	2,328
– Profit on disposal of property, plant and equipment	(111)	(46)	(115)
– Impairment of property, plant and equipment due to fire	–	3,214	–
– Exceptional item in respect of Lightronics fire	–	–	(1,566)
– Insurance proceeds re inventory lost in fire	–	–	5
– Insurance proceeds re other costs	–	–	318
– Net finance expense	340	286	652
– Retirement benefit contributions in excess of current and past service charge	(73)	(129)	(182)
– Share-based payment charge	2	703	1,429
– Research and development expenditure credit	(144)	(130)	(289)
– Effects of exchange rate movements	350	281	1,114
Changes in working capital			
– Inventories	(3,324)	4,634	4,878
– Trade and other receivables	2,730	(5,546)	(7,287)
– Payables and provisions	348	(3,898)	964
Total cash generated from operations	11,619	9,752	25,726
Tax paid	(2,670)	(1,738)	(3,853)
Cash flow from investing activities			
Purchase of property, plant and equipment	(1,743)	(1,464)	(2,932)
Proceeds from sale of property, plant and equipment	219	86	290
Purchase of intangibles	(917)	(768)	(1,756)
Purchase of subsidiaries (net of cash acquired)	(14,624)	–	–
Purchase of depositary receipts of shares in subsidiaries	(15,286)	–	–
Investment in joint venture or associate	(4,838)	–	–
Net (purchase)/sale of other financial assets at fair value through other comprehensive income	–	(5)	205
Insurance proceeds re: property, plant and equipment lost in fire	–	–	3,057
Property rental and similar income	32	26	41
Dividend income	124	87	186
Net withdrawal/(deposit) of short-term financial assets	7,990	(7,016)	(5,023)
Interest received	67	101	105
Net receipt of loan notes	–	805	59
Net cash used in investing activities	(28,976)	(8,148)	(5,768)
Cash flow from financing activities			
Net proceeds from the issuance of ordinary shares	751	273	434
Proceeds from loans	49	198	365
Repayment of borrowings	(1,039)	–	(958)
Payment of lease liabilities	(148)	(129)	(310)
Payment of lease interest	(23)	(18)	(39)
Dividends paid to company shareholders	(7,617)	(4,895)	(6,631)
Net cash used in financing activities	(8,027)	(4,571)	(7,139)
Effects of exchange rate changes on cash	(578)	(246)	(1,120)
Net (decrease)/increase in cash and cash equivalents	(28,632)	(4,951)	7,846
Cash and cash equivalents at the beginning of the period	52,268	44,422	44,422
Cash and cash equivalents at the end of the period	23,636	39,471	52,268

Notes to the Interim Financial Statements

1. BASIS OF PREPARATION

The consolidated interim financial statements for the six months to 31 December 2021 have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and IFRIC interpretations and the AIM Rules for Companies.

The figures for the period to 31 December 2021 and the comparative period to 31 December 2020 have not been audited or reviewed and are therefore disclosed as unaudited. The figures for 30 June 2021 have been extracted from the financial statements for the year to 30 June 2021, 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 2021 have been applied consistently throughout the Group during the period.

Notes to the Interim Financial Statements

continued

2. SEGMENTAL ANALYSIS

The segmental analysis is presented on the same basis as that used for internal reporting purposes. For internal reporting FW Thorpe is organised into eleven 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 businesses in the Netherlands, Lightronics and Famostar, are material subsidiaries and therefore disclosed separately as Netherlands companies. The businesses in the Zemper Group are also material and disclosed separately as Zemper Group.

The seven 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 LLC, Thorlux Australasia PTY Limited and Thorlux Lighting GmbH.

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. The CODM reviews the performance of the business by considering the key profit measure of operating profit, including the impact of associated contingent consideration arrangements, and considers that none of the other operating segments are of sufficient size and distinction to be reviewed separately when making Group-wide strategic decisions. Assets and liabilities have not been segmented, which is consistent with the Group's internal reporting.

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

2. SEGMENTAL ANALYSIS CONTINUED

	Thorlux £'000	Netherlands Companies £'000	Zemper Group £'000	Other Companies £'000	Inter- Segment Adjustments £'000	Total Continuing Operations £'000
Six months to 31 December 2021						
Revenue to external customers	35,621	15,810	4,629	7,447	–	63,507
Revenue to other Group companies	2,020	–	–	2,454	(4,474)	–
Total revenue	37,641	15,810	4,629	9,901	(4,474)	63,507
Operating profit	5,113	2,973	452	120	178	8,836
Finance income						208
Finance expense						(548)
Profit before income tax						8,496

**Six months to
31 December 2020**

Revenue to external customers	33,470	14,986	–	7,918	–	56,374
Revenue to other Group companies	1,157	148	–	2,887	(4,192)	–
Total revenue	34,627	15,134	–	10,805	(4,192)	56,374
Operating profit	4,918	1,691	–	684	360	7,653
Finance income						364
Finance expense						(650)
Profit before income tax						7,367

Year to 30 June 2021

Revenue to external customers	69,969	31,490	–	16,416	–	117,875
Revenue to other Group companies	3,304	290	–	5,238	(8,832)	–
Total revenue	73,273	31,780	–	21,654	(8,832)	117,875
Operating profit (before exceptional item)	11,694	5,402	–	1,722	409	19,227
Exceptional item in respect of Lightronics fire	–	1,566	–	–	–	1,566
Operating profit	11,694	6,968	–	1,722	409	20,793
Net finance expense						(652)
Profit before income tax						20,141

Notes to the Interim Financial Statements

continued

3. INVESTMENT IN SUBSIDIARY

In October 2021, the Group acquired 63% of the share capital of Electrozemper S.A., an emergency lighting specialist in Spain. The company was acquired for an initial consideration of £19.9m (€23.1m) with a deferred consideration of £1.1m (€1.3m) payable during 2022. There is a fixed commitment to acquire the remaining shares, based on current best estimates, a further £16.1m (€18.7m) could be payable which is subject to future performance conditions.

Amounts recognised in respect of this acquisition are:

	€ ,000	€ ,000
Total identifiable assets	9,716	8,368
Goodwill	33,455	28,811
Total purchase consideration	43,171	37,179

Total purchase consideration satisfied by:

Cash	23,125	19,915
Deferred consideration	1,323	1,139
Contingent consideration	18,723	16,125
Total purchase consideration	43,171	37,179

Net cash flow a rising on acquisition

Cash consideration	23,125	19,915
Less cash in subsidiary acquired	(6,143)	(5,291)
Cash outflow on acquisition	16,982	14,624

A fair value exercise has not yet been performed on the acquired assets and liabilities, this will be undertaken for the current financial year-end. The outcome of this exercise may result in changes to the fair value of the acquired assets and liabilities, as well as associated goodwill.

This acquisition is expected to make a contribution to Group profits for the current financial year.

4. PURCHASE OF DEPOSITARY RIGHTS FOR SHARES IN SUBSIDIARIES

On 21 September 2021 the Group completed its commitment to purchase the outstanding share appreciation rights in the subsidiaries Lightronics Participaties B.V. and Famostar Emergency Lighting B.V. The settlement was executed by a cash payment of £15.3m (€17.9m) for the outstanding liability.

5. INVESTMENT IN JOINT VENTURE

In December 2021, the Group acquired 50% in Ratio Electric B.V, a specialist in electrical power connection and distribution systems based in the Netherlands. Initial consideration paid was £4.8m (€5.8m) and a further £0.9m (€1.0m) for payment in twenty four months.

6. 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 116,816,601 (Interim 2021: 116,426,119) 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 117,368,458 (Interim 2021: 116,862,079) during the period.

7. DIVIDEND

The interim dividend is at the rate of 1.54p per share (Interim 2021: 1.49p), and based on 117,074,433 shares in issue at the announcement date the dividend will amount to £1,803,000 (Interim 2021: £1,736,000). A special dividend of 2.27p amounting to £2,658,000 (Interim 2021: £nil) will also be paid. The interim and special dividends will be paid on 1 April 2022 to shareholders on the register at the close of business on 18 March 2022, and the shares become ex-dividend on 17 March 2022.

For the year ended 30 June 2021, a final dividend of 4.31p (2020: final 4.20p) per share and a special dividend of 2.20p (2020: special nil), amounting to £7,617,000 (2020: £4,895,000) was paid on 25 November 2021.

8. 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) from 31 March 2022.



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