

FW THORPE PLC

Interim Report

2024

for the six months to
31 December 2023



WELCOME TO THE 2024 Interim Report.

Who We Are

We specialise in designing and manufacturing professional lighting systems.

We currently employ over 900 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



Financial Highlights:

	Interim 2024 (unaudited)	Interim 2023 (unaudited)	Change
Revenue	£82.6m	£81.9m	+1%
Operating profit	£11.2m	£11.0m	+2%
Profit before tax	£10.7m	£10.6m	+1%
Basic earnings per share	7.31p	7.15p	+2%

- Interim dividend 1.70p (Interim 2023: 1.62p) – 4.9% increase
- Steady performance during the period, supported by, margin improvement at Thorlux and Lightronics
- Zemper improved export revenues to France and Belgium
- Other UK companies showing marginal improvement overall
- Net cash generated from operating activities - £14.0m (Interim 2023: £9.9m)

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Chairman's Interim Statement.

Results for the half year are in line with the expectations given in the Group's November trading update, overall performance being broadly level with last year's. It seems that customers finished for Christmas very early: December was particularly slow across all parts of the Group, thus suppressing results at the half year point when compared with the prior year. I am pleased to say that trading bounced back with a vengeance in January, giving the Group a good start for its run-in to the full year.

Raw material costs, the Group's largest costs, are showing welcome reductions, whilst inflationary pressure on wages and salaries remains. The Group is experiencing some issues with rising shipping costs again and some minor supply delays due to the situation in the Red Sea region. The Group has, overall, managed these inflationary pressures well, with Group operating margins maintained; Thorlux and Lightronics, in particular, show margin improvements. Stock has continued to be reduced in a carefully controlled way whilst good stock levels are maintained for strategically important items.

In Spring 2024, some interesting patent-applied-for products are being launched. These new products have a unique approach to sustainability, being 3D machined from oak which is harvested from sustainable European forests. (Hopefully, one day, the Group will be able to use its own wood from its sustainable forests.) The Portland traffic range has started to gather traction following receipt of some sizeable first orders. Group product synergy initiatives have advanced, and the Group's first shared technology emergency range, designed and manufactured by Zemper, is due for launch this summer. In recent weeks, Ratio sales in the UK have started to gather some momentum, especially for the IO7 illuminated post; however, the UK and the Netherlands are loss making in these early days whilst investment is made in improved technology to satisfy market requirements.

The road to Net Zero continues, and the Group's short and long term objectives are currently being assessed by a third party, the Science Based Targets initiative (SBTi). The Group's internal programme of improvement continues, and an investment of around £300k has been made, at Solite, to trial a new concept of powder coating using electricity for heating the oven, with only intermittent boosting from the gas supply when required. Powder coating facilities across the Group are extensive, so the Board will watch this trial with interest; big reductions in CO₂ are forecast, due to reduced gas usage in favour of solar-produced or sustainable electricity. The £2m woodland investment in Longtown, Hereford, UK, has completed, and plans and planning applications are progressing to allow the next phase of the Group's carbon offsetting activity, which will ultimately facilitate the planting of a further 130,000-plus trees. As the Group hopes to continually reduce its carbon emissions, it expects this scheme's planting capacity to last for a decade, and hopefully much more.

As a result of ongoing performance and the strong balance sheet, the Board has approved a dividend of 1.70p (interim 2023: 1.62p) for the six months to 31 December 2023, being an increase of 4.9%.

At the time of writing, the general order book and revenue for the Group as a whole are good. Within the Group, therefore, we look forward to an improved situation at the year end, providing there are no sudden changes to the economic outlook.

Mike Allcock
Chairman

14 March 2024

Consolidated Income Statement.

For the six months to 31 December 2023

	31.12.23 Six months to (unaudited) £'000	31.12.22 Six months to (unaudited) £'000	30.06.23 Twelve months to (audited) £'000
Revenue	82,593	81,853	176,749
Operating Profit	11,203	10,979	27,832
Finance income	424	261	716
Finance expense	(312)	(620)	(1,094)
Share of loss of joint ventures	(597)	–	(520)
Profit before tax	10,718	10,620	26,934
Income tax expense	(2,148)	(2,240)	(5,000)
Profit for the period	8,570	8,380	21,934
Dividend rate per share			
Interim	1.70p	1.62p	1.62p
Final	–	–	4.84p
Earnings per share			
– basic	7.31p	7.15p	18.72
– diluted	7.31p	7.15p	18.70

Consolidated Statement of Comprehensive Income.

For the six months to 31 December 2023

	31.12.23 Six months to (unaudited) £'000	31.12.22 Six months to (unaudited) £'000	30.06.23 Twelve months to (audited) £'000
Profit for the period	8,570	8,380	21,934
Other comprehensive income/(expenses)			
Items that may be reclassified to profit or loss			
Exchange rate differences on translation of foreign operations	223	1,323	231
	223	1,323	231
Items that will not be reclassified to profit or loss			
Revaluation of financial assets at fair value through other comprehensive income*	290	82	(105)
Movement on associated deferred tax	(73)	(20)	26
Actuarial loss on pension scheme**	–	–	(123)
Movement on unrecognised pension surplus**	–	–	177
	217	62	(25)
Other comprehensive income for the period, net of tax	440	1,385	206
Total comprehensive income for the period	9,010	9,765	22,140

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 £290,000 is due to the increase in market value of these investments.

** No interim actuarial valuation undertaken.

Consolidated Statement of Financial Position.

As at 31 December 2023

	As at 31.12.23 (unaudited) £'000	As at 31.12.22 (unaudited) £'000	As at 30.06.23 (audited) £'000
Assets			
Non-current assets			
Property, plant and equipment	38,752	36,372	38,763
Intangible assets	70,308	71,601	70,891
Investment properties	4,757	1,974	1,986
Financial assets at amortised cost	242	1,622	1,587
Equity accounted investments and joint arrangements	5,042	6,267	5,592
Financial assets at fair value through other comprehensive income	3,654	3,553	3,364
Deferred income tax assets	391	259	382
Total non-current assets	123,146	121,648	122,565
Current assets			
Inventories	30,159	37,889	33,437
Trade and other receivables	35,333	31,881	35,733
Financial assets at amortised cost	3,202	1,800	1,266
Short-term financial assets	4	5	4
Cash and cash equivalents	31,295	21,104	35,013
Total current assets	99,993	92,679	105,453
Total assets	223,139	214,327	228,018
Liabilities			
Current liabilities			
Trade and other payables	(36,438)	(38,274)	(37,457)
Financial liabilities	(1,179)	(1,057)	(1,435)
Lease liabilities	(761)	(742)	(812)
Current income tax liabilities	(1,288)	(865)	(1,143)
Total current liabilities	(39,666)	(40,938)	(40,847)
Net current assets	60,327	51,741	64,606
Non-current liabilities			
Other payables	(5,476)	(10,810)	(11,987)
Financial liabilities	(1,220)	(1,622)	(1,461)
Lease liabilities	(3,543)	(3,534)	(3,822)
Provisions for liabilities and charges	(3,449)	(3,377)	(3,299)
Deferred income tax liabilities	(6,058)	(4,231)	(6,261)
Total non-current liabilities	(19,746)	(23,574)	(26,830)
Total liabilities	(59,412)	(64,512)	(67,677)
Net assets	163,727	149,815	160,341
Equity attributable to owners of the company			
Issued share capital	1,189	1,189	1,189
Share premium account	3,026	2,927	2,976
Capital redemption reserve	137	137	137
Foreign currency translation reserve	2,262	3,131	2,039
Retained earnings			
At 1 July	154,000	139,392	139,392
Profit for the period attributable to owners	8,570	8,380	21,934
Other changes in retained earnings	(5,457)	(5,341)	(7,326)
	157,113	142,431	154,000
Total equity	163,727	149,815	160,341

Consolidated Statement of Changes in Equity.

For the six months to 31 December 2023

	Issued share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Foreign currency translation reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 30 June 2022	1,189	2,827	137	1,808	139,392	145,353
Comprehensive income						
Profit for six months to						
31 December 2022	–	–	–	–	8,380	8,380
Other comprehensive income	–	–	–	1,323	62	1,385
Total comprehensive income	–	–	–	1,323	8,442	9,765
Transactions with owners						
Shares issued from exercised options	–	100	–	–	–	100
Dividends paid to shareholders	–	–	–	–	(5,403)	(5,403)
Total transactions with owners	–	100	–	–	(5,403)	(5,303)
Balance at 31 December 2022	1,189	2,927	137	3,131	142,431	149,815
Comprehensive income						
Profit for six months to 30 June 2023	–	–	–	–	13,554	13,554
Actuarial loss on pension scheme	–	–	–	–	(123)	(123)
Movement on unrecognised pension scheme surplus	–	–	–	–	177	177
Revaluation of financial assets at fair value through other comprehensive income	–	–	–	–	(187)	(187)
Movement on associated deferred tax	–	–	–	–	46	46
Exchange differences on translation of foreign operations	–	–	–	(1,092)	–	(1,092)
Total comprehensive income	–	–	–	(1,092)	13,467	12,375
Transactions with owners						
Shares issued from exercised options	–	49	–	–	–	49
Dividends paid to shareholders	–	–	–	–	(1,898)	(1,898)
Total transactions with owners	–	49	–	–	(1,898)	(1,849)
Balance at 30 June 2023	1,189	2,976	137	2,039	154,000	160,341
Comprehensive income						
Profit for six months to						
31 December 2023	–	–	–	–	8,570	8,570
Other comprehensive income	–	–	–	223	217	440
Total comprehensive income	–	–	–	223	8,787	9,010
Transactions with owners						
Shares issued from exercised options	–	50	–	–	–	50
Dividends paid to shareholders	–	–	–	–	(5,674)	(5,674)
Total transactions with owners	–	50	–	–	(5,674)	(5,624)
Balance at 31 December 2023	1,189	3,026	137	2,262	157,113	163,727

Consolidated Statement of Cash Flows.

For the six months to 31 December 2023

	31.12.23 Six months to (unaudited) £'000	31.12.22 Six months to (unaudited) £'000	30.06.23 Twelve months to (audited) £'000
Cash generated from operations			
Profit before tax	10,718	10,620	26,934
– Depreciation of property, plant and equipment	2,349	2,048	4,289
– Depreciation of investment properties	23	10	20
– Amortisation of intangible assets	2,445	1,770	4,454
– Profit on disposal of property, plant and equipment	(104)	(58)	(192)
– Net finance (income)/expense	(112)	359	378
– Retirement benefit contributions less current and past service charge	(107)	(73)	54
– Share of joint venture loss	597	–	520
– Research and development expenditure credit	(277)	(182)	(382)
– Effects of exchange rate movements	(641)	394	952
Changes in working capital:			
– Inventories	3,409	(2,136)	3,117
– Trade and other receivables	506	3,008	(98)
– Payables and provisions	(2,935)	(3,921)	(3,830)
Total cash generated from operations	15,871	11,839	36,216
Tax paid	(1,827)	(1,964)	(4,341)
Net cash generated from operating activities	14,044	9,875	31,875
Cash flow from investing activities			
Purchase of property, plant and equipment	(2,893)	(4,133)	(7,739)
Proceeds from sale of property, plant and equipment	216	155	535
Purchase of intangible assets	(1,295)	(1,157)	(2,255)
Purchase of subsidiaries (net of cash acquired)	–	(12,603)	(12,602)
Purchase of shares in subsidiaries	(4,290)	(5,293)	(6,445)
Purchase of investment properties	(2,143)	–	(22)
Net sale of financial assets at fair value through other comprehensive income	–	–	1
Property rental and similar income	25	23	93
Dividend income	85	102	209
Net withdrawal of short-term financial assets	–	5,074	5,075
Interest received	204	137	434
Receipts from loans receivable	–	–	1,813
Issue of loans receivable	(650)	(437)	(1,748)
Net cash used in investing activities	(10,741)	(18,132)	(22,651)
Cash flow from financing activities			
Net proceeds from the issuance of ordinary shares	50	100	149
Addition of lease liabilities	–	–	203
Proceeds from borrowings	–	1,006	1,039
Repayment of borrowings	(522)	(1,787)	(2,532)
Principal element of lease payments	(423)	(334)	(789)
Payment of interest	(153)	(94)	(339)
Payments to non-controlling interests	(447)	–	–
Dividends paid to company shareholders	(5,674)	(5,403)	(7,301)
Net cash used in financing activities	(7,169)	(6,512)	(9,570)
Effects of exchange rate changes on cash	148	368	(146)
Net decrease in cash and cash equivalents	(3,718)	(14,401)	(492)
Cash and cash equivalents at the beginning of the period	35,013	35,505	35,505
Cash and cash equivalents at the end of the period	31,295	21,104	35,013

Notes to the Interim Financial Statements.

1. Basis of preparation

The consolidated interim financial statements for the six months to 31 December 2023 have been prepared in accordance with the AIM Rules for Companies, UK adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards, with future changes being subject to endorsement by the UK Endorsement Board.

The figures for the period to 31 December 2023 and the comparative period to 31 December 2022 have not been audited or reviewed and are therefore disclosed as unaudited. The figures for 30 June 2023 have been extracted from the financial statements for the year to 30 June 2023, 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 and through other comprehensive income.

The accounting policies set out in the financial statements for the year ended 30 June 2023 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 FW Thorpe is organised into twelve 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 of SchahLED and Thorlux Lighting Limited are also included in this segment in accordance with the Group's internal reporting. 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 Lighting 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.

Notes to the Interim Financial Statements continued

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 2023						
Revenue to external customers	46,465	18,118	8,959	9,051	–	82,593
Revenue to other Group companies	1,717	99	9	1,850	(3,675)	–
Total revenue	48,182	18,217	8,968	10,901	(3,675)	82,593
EBITDA	9,151	4,101	1,774	925	69	16,020
Depreciation and amortisation	2,274	633	1,288	622	–	4,817
Operating profit before acquisition adjustments	7,414	3,576	935	303	69	12,297
Operating profit	6,877	3,468	486	303	69	11,203
Net finance income						112
Share of loss of joint ventures						(597)
Profit before tax						10,718

Included in the Thorlux segment are additional revenues from SchahlLED of £9.1m and operating profit of £0.5m. Acquisition adjustments include amortisation of intangible assets.

	Thorlux £'000	Netherlands companies £'000	Zemper Group £'000	Other companies £'000	Inter-segment adjustments £'000	Total continuing operations £'000
Six months to 31 December 2022						
Revenue to external customers	46,964	16,746	8,676	9,467	–	81,853
Revenue to other Group companies	2,026	317	–	2,342	(4,685)	–
Total revenue	48,990	17,063	8,676	11,809	(4,685)	81,853
EBITDA	8,747	3,193	1,761	938	168	14,807
Depreciation and amortisation	1,724	451	1,012	641	–	3,828
Operating profit before acquisition adjustments	8,046	2,850	1,199	297	168	12,560
Operating profit	7,023	2,742	749	297	168	10,979
Net finance expense						(359)
Profit before tax						10,620

Included in the Thorlux segment are additional revenues from SchahlLED of £6.7m and operating profit of £0.4m. Acquisition adjustments include amortisation of intangible assets.

2. Segmental analysis continued

	Thorlux £'000	Netherlands Companies £'000	Zemper Group £'000	Other Companies £'000	Inter-Segment Adjustments £'000	Total Continuing Operations £'000
Year to 30 June 2023						
Revenue to external customers	101,859	36,226	19,328	19,336	–	176,749
Revenue to other group companies	3,601	417	–	4,667	(8,685)	–
Total revenue	105,460	36,643	19,328	24,003	(8,685)	176,749
EBITDA	21,458	7,952	4,205	2,392	588	36,595
Depreciation and amortisation	4,212	983	2,307	1,261	–	8,763
Operating profit before acquisition adjustments	18,062	7,187	2,801	1,131	588	29,769
Operating profit	17,246	6,969	1,898	1,131	588	27,832
Net finance expense						(378)
Share of loss of joint ventures						(520)
Profit before tax						26,934

Included in the Thorlux segment are additional revenues from SchahLED of £16.9m and operating profit of £1.4m. Acquisition adjustments include amortisation of intangible assets.

3. Purchase of shares in subsidiaries

On 3 October 2023 the Group purchased a further 13.5% of the share capital of Electrozemper S.A. with a cash payment of £4.3m (€5.0m), as part of its commitment to acquire the remaining shares.

4. 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 117,237,021 (Interim 2023: 117,191,586) 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 117,306,123 (Interim 2023: 117,292,983) during the period.

5. Dividend

The interim dividend is at the rate of 1.70p per share (Interim 2023: 1.62p), and based on 117,271,586 shares in issue at the announcement date the dividend will amount to £1,994,000 (Interim 2023: £1,899,000). The interim dividend will be paid on 19 April 2024 to shareholders on the register at the close of business on 22 March 2024, and the shares become ex-dividend on 21 March 2024.

For the year ended 30 June 2023, a final dividend of 4.84p (2022: final 4.61p) per share, amounting to £5,674,000 (2022: £5,403,000) was paid on 24 November 2023.

6. 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 26 March 2024.

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The production of this report supports the work of the Woodland Trust, the UK's leading woodland conservation charity. Each tree planted will grow into a vital carbon store, helping to reduce environmental impact as well as creating natural havens for wildlife and people.