



Interim Report
2023
for the six months to
31 December 2022

FW THORPE PLC

WELCOME TO THE 2023 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 2023 (unaudited)	Interim 2022 (unaudited)	Change	Change Exc. SchahLED /Zemper acquisition
Revenue	£81.9m	£63.5m	+29%	+12%
Operating profit	£11.0m	£8.8m	+24%	+16%
Profit before tax	£10.6m	£8.5m	+25%	+21%
Basic earnings per share	7.15p	5.91p	+21%	+19%

- Interim dividend 1.62p (Interim 2022: 1.54p) – 5.2% increase
- Like for like growth, driven by Thorlux which saw supply chain challenges easing, solid revenue and operating profit increase
- Netherlands and Zemper performances suppressed by margin pressures
- Other UK companies showing overall improvement
- Net cash generated from operating activities - £9.9m (Interim 2022: £8.9m)
- Initial acquisition of SchahLED in Germany completed in September

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Chairman's Interim Statement

It is pleasing to report that Group manufacturing operations have returned to a more normal and orderly situation, supply shortages have eased, and good customer service levels are returning.

Revenue for the half year ended 31 December 2022 was £81.9m compared with £63.5m for the prior half year; this increase of 29% was as a result of improvement at almost all Group companies and the addition of SchahlLED, whose revenue is seasonally strong in the last quarter of the calendar year. On a like-for-like basis, excluding the recent acquisition of SchahlLED, revenue increased 12%. Despite varying achievements at subsidiaries, operating profit increased by 24% to £11.0m. There were notable achievements at Thorlux Lighting and continued improvements at the UK companies Philip Payne and Solite, whilst some other companies struggled to some extent to cope with and react to rising costs, in particular material and wage inflation.

The Group had an excellent operational performance, allowing it to catch up on outstanding deliveries: the order backlog reduced, whilst order input generally slowed during the period. Positivity about the short-term order outlook remains, especially at Thorlux (the Group's largest business), notwithstanding some general concern about the state of the economy as a whole.

Over the last two years, supply shortages have been a significant problem for many businesses, but especially for the Group, since it tends to focus on producing more technologically advanced lighting systems. These products require the use of microprocessors and certain electronic assemblies, which have been particularly scarce in recent times and subject to especially high inflationary pressure as a result. Stock was built up to manage these shortages, taking overall stocks higher than historic norms. Now that supply shortages have mostly been resolved, the Group is in a healthy stock position and all companies have active plans to reduce stocks to more normal levels in coming months.

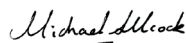
Thorlux's new SmartScan generation 2 is now in production and in use on several projects, with thousands of luminaires successfully exploiting the new software and improved platform. SmartScan is now also integrated into products manufactured by most Group companies.

FW Thorpe welcomed SchahlLED Lighting GmbH during the reporting period, and three months of the company's contributions are included in the operating results. Whilst revenue is consolidated from all Group companies, the headline operating profit number is suppressed by IFRS acquisition adjustments in relation to Zemper and SchahlLED.

Sustainability remains a significant activity taking some of the Group's attention. In recent months the Thorlux solar PV array has been expanded significantly, and now has a capacity of 1.5MW from 3000+ panels. The construction of the new Famostar warehouse has commenced and will benefit also from solar PV, with a target completion of this summer. Sustainability training has been given to all Group employees, and regular newsletters and cross-team meetings encourage the sharing and rewarding of best practices. Scope 3 emissions data – primarily the lifetime energy use of Group companies' luminaires at customers' premises, and upstream energy use in making components at the Group's myriad of suppliers – have now been collated Group-wide, and there is continued progress, with third party assistance, towards an improvement plan and a Net Zero strategy.

As a result of ongoing performance as well as a strong balance sheet, the Board has approved an increased dividend of 1.62p (interim 2022: 1.54p) for the six months to 31 December 2022.

High energy costs and the imminent ban on the sale of fluorescent lamps in the UK and EU are both stimulating activity in the Group's key market sectors. The outlook for the second half remains quite positive, although the revenue growth percentage is unlikely to be maintained at such a high level due to the good performance in the second half of last year.



Mike Allcock
Chairman

16 March 2023

Consolidated Income Statement

For the six months to 31 December 2022

	31.12.22 Six months to (unaudited) £'000	31.12.21 Six months to (unaudited) £'000	30.06.22 Twelve months to (audited) £'000
Revenue	81,853	63,507	143,715
Operating Profit	10,979	8,836	24,715
Finance income	261	208	527
Finance expense	(620)	(548)	(1,367)
Share of profit of joint ventures	–	–	228
Profit before income tax	10,620	8,496	24,103
Income tax expense	(2,240)	(1,596)	(4,030)
Profit for the period	8,380	6,900	20,073
Dividend rate per share			
Interim	1.62p	1.54p	1.54p
Final	–	–	4.61p
Special	–	2.27p	2.27p
Earnings per share			
– basic	7.15p	5.91p	17.16
– diluted	7.15p	5.88p	17.13

Consolidated Statement of Comprehensive Income

For the six months to 31 December 2022

	31.12.22 Six months to (unaudited) £'000	31.12.21 Six months to (unaudited) £'000	30.06.22 Twelve months to (audited) £'000
Profit for the period	8,380	6,900	20,073
Other comprehensive income/(expenses)			
Items that may be reclassified to profit or loss			
Exchange rate differences on translation of foreign operations	1,323	(299)	(268)
	1,323	(299)	(268)
Items that will not be reclassified to profit or loss			
Revaluation of financial assets at fair value through other comprehensive income*	82	115	(57)
Actuarial gain on pension scheme**	–	–	953
Movement on unrecognised pension surplus**	–	–	(1,143)
Taxation	(20)	(29)	14
	62	86	(233)
Other comprehensive income/(expenses) for the period, net of tax	1,385	(213)	(501)
Total comprehensive income for the period	9,765	6,687	19,572

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 £82,000 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 2022

	As at 31.12.22 (unaudited) £'000	As at 31.12.21 (unaudited) £'000	As at 30.06.22 (audited) £'000
Assets			
Non-current assets			
Property, plant and equipment	36,372	29,129	33,818
Intangible assets	71,601	49,125	51,865
Investment property	1,974	1,958	1,984
Financial assets at amortised cost	1,622	537	1,124
Equity accounted investments and joint arrangements	6,267	5,678	6,112
Financial assets at fair value through other comprehensive income	3,553	3,909	3,470
Deferred income tax assets	259	–	120
Total non-current assets	121,648	90,336	98,493
Current assets			
Inventories	37,889	27,033	32,758
Trade and other receivables	31,881	29,693	33,018
Financial assets at amortised cost	1,800	1,800	1,800
Short-term financial assets	5	15,613	5,079
Cash and cash equivalents	21,104	23,636	35,505
Total current assets	92,679	97,775	108,160
Total assets	214,327	188,111	206,653
Liabilities			
Current liabilities			
Trade and other payables	(38,274)	(32,934)	(35,801)
Financial liabilities	(1,057)	(990)	(332)
Lease liabilities	(742)	(303)	(506)
Current income tax liabilities	(865)	(308)	(641)
Total current liabilities	(40,938)	(34,535)	(37,280)
Net current assets	51,741	63,240	70,880
Non-current liabilities			
Other payables	(10,810)	(11,089)	(12,880)
Financial liabilities	(1,622)	(894)	(1,830)
Lease liabilities	(3,534)	(651)	(2,510)
Provisions for liabilities and charges	(3,377)	(2,459)	(2,536)
Deferred income tax liabilities	(4,231)	(1,666)	(4,264)
Total non-current liabilities	(23,574)	(16,759)	(24,020)
Total liabilities	(64,512)	(51,294)	(61,300)
Net assets	149,815	136,817	145,353
Equity attributable to owners of the company			
Issued share capital	1,189	1,189	1,189
Share premium account	2,927	2,711	2,827
Capital redemption reserve	137	137	137
Foreign currency translation reserve	3,131	1,777	1,808
Retained earnings			
At 1 July	139,392	131,631	131,631
Profit for the period attributable to owners	8,380	6,900	20,073
Other changes in retained earnings	(5,341)	(7,528)	(12,312)
	142,431	131,003	139,392
Total equity	149,815	136,817	145,353

Consolidated Statement of Changes in Equity

For the six months to 31 December 2022

	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 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
Comprehensive income						
Profit for six months to 30 June 2022	–	–	–	–	13,173	13,173
Actuarial gain on pension scheme	–	–	–	–	953	953
Movement on unrecognised pension scheme surplus	–	–	–	–	(1,143)	(1,143)
Revaluation of financial assets at fair value through other comprehensive income	–	–	–	–	(172)	(172)
Movement on associated deferred tax	–	–	–	–	43	43
Exchange differences on translation of foreign operations	–	–	–	31	–	31
Total comprehensive income	–	–	–	31	12,854	12,885
Transactions with owners						
Shares issued from exercised options	–	116	–	–	–	116
Dividends paid to shareholders	–	–	–	–	(4,462)	(4,462)
Share based payment charge	–	–	–	–	(3)	(3)
Total transactions with owners	–	116	–	–	(4,465)	(4,349)
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)
Share-based payment charge	–	–	–	–	–	–
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

Consolidated Statement of Cash Flows

For the six months to 31 December 2022

	31.12.22 Six months to (unaudited) £'000	31.12.21 Six months to (unaudited) £'000	30.06.22 Twelve months to (audited) £'000
Cash generated from operations			
Profit before income tax	10,620	8,496	24,103
Adjustments for:			
– Depreciation of property, plant and equipment	2,048	1,789	3,759
– Depreciation of investment property	10	9	19
– Amortisation of intangible assets	1,770	1,207	3,213
– Profit on disposal of property, plant and equipment	(58)	(111)	(197)
– Net finance expense	359	340	855
– Retirement benefit contributions in excess of current and past service charge	(73)	(73)	(190)
– Share-based payment charge	–	2	–
– Share of joint venture profit	–	–	(228)
– Research and development expenditure credit	(182)	(144)	(306)
– Effects of exchange rate movements	394	350	(520)
Changes in working capital:			
– Inventories	(2,136)	(3,324)	(8,986)
– Trade and other receivables	3,008	2,730	(603)
– Payables and provisions	(3,921)	348	3,870
Total cash generated from operations	11,839	11,619	24,789
Tax paid	(1,964)	(2,670)	(5,049)
Cash flow from investing activities			
Purchase of property, plant and equipment	(4,133)	(1,743)	(5,510)
Proceeds from sale of property, plant and equipment	155	219	423
Purchase of intangible assets	(1,157)	(917)	(2,366)
Purchase of subsidiaries (net of cash acquired)	(12,603)	(14,624)	(14,625)
Purchase of shares or depositary receipts of shares in subsidiaries	(5,293)	(15,286)	(15,219)
Purchase of investment property	–	–	(36)
Investment in joint venture	–	(4,838)	(4,958)
Net sale of other financial assets at fair value through other comprehensive income	–	–	268
Property rental and similar income	23	32	113
Dividend income	102	124	246
Net withdrawal of short-term financial assets	5,074	7,990	18,524
Interest received	137	67	218
Net issue of loan notes	(437)	–	(806)
Net cash used in investing activities	(18,132)	(28,976)	(23,728)
Cash flow from financing activities			
Net proceeds from the issuance of ordinary shares	100	751	867
Proceeds from loans	1,006	49	236
Repayment of borrowings	(1,787)	(1,039)	(1,271)
Payment of lease liabilities	(334)	(148)	(535)
Payment of lease interest	(94)	(23)	(139)
Dividends paid to company shareholders	(5,403)	(7,617)	(12,079)
Net cash used in financing activities	(6,512)	(8,027)	(12,921)
Effects of exchange rate changes on cash	368	(578)	146
Net decrease in cash and cash equivalents	(14,401)	(28,632)	(16,763)
Cash and cash equivalents at the beginning of the period	35,505	52,268	52,268
Cash and cash equivalents at the end of the period	21,104	23,636	35,505

Notes to the Interim Financial Statements

1. BASIS OF PREPARATION

The consolidated interim financial statements for the six months to 31 December 2022 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 2022 and the comparative period to 31 December 2021 have not been audited or reviewed and are therefore disclosed as unaudited. The figures for 30 June 2022 have been extracted from the financial statements for the year to 30 June 2022, 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 2022 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 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 recently acquired SchahLED business is 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 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 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
Depreciation and amortisation	1,724	451	1,012	641	–	3,828
EBITDA	8,747	3,193	1,761	938	168	14,807
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 income tax						10,620

Included in the Thorlux segment are additional revenues from SchahLED of £6,674,000 and operating profit of £367,000.

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 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
Depreciation and amortisation	1,682	622	194	507	–	3,005
EBITDA	6,795	3,595	646	627	178	11,841
Operating profit before acquisition adjustments	5,113	3,188	766	120	178	9,365
Operating profit	5,113	2,973	452	120	178	8,836
Net finance expense						(340)
Profit before income tax						8,496

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 2022						
Revenue to external customers	78,912	34,676	14,152	15,975	–	143,715
Revenue to other group companies	5,171	377	–	5,794	(11,342)	–
Total revenue	84,083	35,053	14,152	21,769	(11,342)	143,715
Depreciation and amortisation	3,378	1,043	1,525	1,045	–	6,991
EBITDA	16,887	8,514	3,107	2,692	506	31,706
Operating profit before acquisition adjustments	13,509	7,846	2,242	1,647	506	25,750
Operating profit	13,509	7,471	1,582	1,647	506	24,715
Net finance expense						(840)
Share of profit of joint ventures						228
Profit before income tax						24,103

Notes to the Interim Financial Statements

continued

3. BUSINESS COMBINATION

In September 2022, the Group acquired 80% of the share capital of SchahLED Lighting GmbH in Germany, a turnkey provider of intelligent energy saving lighting products for the industrial and logistic sector. The company was acquired for an initial consideration of £12.9m (€14.6m) and could pay an additional amount to be determined by SchahLED's EBITDA performance in the year ending 30 June 2023. The current best estimate for this is £1.1m (€1.3m).

There is a fixed commitment to acquire the remaining shares, based on current best estimates, a further £5.5m (€6.2m) could be payable which is subject to future performance conditions.

Amounts recognised in respect of this acquisition are:

	€'000	£'000
Total identifiable assets	1,791	1,576
Goodwill	20,359	17,920
Total purchase consideration	22,150	19,496

Total purchase consideration satisfied by:

Cash	14,643	12,888
Deferred consideration	1,280	1,127
Redemption liability	3,661	3,222
Contingent consideration	2,566	2,259
Total purchase consideration	22,150	19,496

Net cash flow a rising on acquisition

Cash consideration	14,643	12,888
Less cash in subsidiary acquired	(324)	(285)
Cash outflow on acquisition	14,319	12,603

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 SHARES IN SUBSIDIARIES

On 12 September 2022 the Group purchased a further 13.5% of the share capital of Electrozemper S.A. with a cash payment of £5.3m (€6.1m), as part of its commitment to acquire the remaining shares.

5. EARNINGS PER SHARE

The basic earnings per share is calculated on profit after taxation and the weighted average number of ordinary shares in issue of 117,191,586 (Interim 2022: 116,816,601) 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 117,292,983 (Interim 2022: 117,368,458) during the period.

6. DIVIDEND

The interim dividend is at the rate of 1.62p per share (Interim 2022: 1.54p), and based on 117,191,586 shares in issue at the announcement date the dividend will amount to £1,899,000 (Interim 2022: £1,803,000). The interim dividend will be paid on 21 April 2023 to shareholders on the register at the close of business on 24 March 2023, and the shares become ex-dividend on 23 March 2023.

For the year ended 30 June 2022, a final dividend of 4.61p (2021: final 4.31p) per share and a special dividend of nil (2021: special 2.20p), amounting to £5,403,000 (2021: £7,617,000) was paid on 25 November 2022.

7. AVAILABILITY OF INTERIM STATEMENT

Copies of this report are being sent to shareholders and will also be available from the company's registered office or on the company's website (www.fwthorpe.co.uk) from 31 March 2023.



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.

FW THORPE PLC

TL Thorlux
Lighting

Philip Payne

SOLITE

PORTLAND
LIGHTING

TRI TRT LIGHTING
ROAD & TUNNEL SYSTEMS

LIGHTRONICS
MEMBER OF FW THORPE PLC

Famostar

ZEMPER

ratio
ELECTRIC

INTELLIGENT LIGHTING
SCHAHLLED

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