

# Chairman's Statement



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FW Thorpe Plc achieved record revenue and profit levels in the 2017/18 financial year, even superseding last year's big stride forward in performance. This result was supported by growth from our operations overseas, including the addition of Famostar Emergency Lighting B.V.

#### Group results

In 2017/18, our revenue reached £109.6m, an increase of 4.0%, and operating profit was £19.5m, up 5.7%. This result is very credible, particularly against the backdrop of softer market conditions reported by some of our mainstream competitors.

Over the last few years, we have actively divested and re-organised those parts of the Group that have not contributed for many years, either financially or technically, and which we felt had no long-term future within the Group. We have also endeavoured to add businesses that give us access to new territories and the potential to share technology to develop market-leading products for our customers. I am pleased to report the continued success and profitability of all our remaining businesses, and especially our acquisitions.

I would like to make special mention of our colleagues at Lightronics, in the Netherlands, who have had another successful year, I would also like to welcome Famostar to our group; the company has certainly joined us in 'top gear' and has made a healthy contribution to this year's result.

General market conditions in the Netherlands seem good, and it is not an accident that we are enjoying some of that growth and helping to balance our risk in various markets. We have been actively working on this strategy over recent years, and this year saw some excellent growth in and a contribution from, various export markets, but with particularly good achievements by the UAE office and Australia.

There is a detailed summary of each company's performance later in our Annual Report and Accounts.



Performance as a whole for the year to 30 June 2018 allows your Board to recommend a final dividend of 4.00p per share (2017: 3.55p), which gives a total for the year of 5.40p (2017: 4.90p).

This year saw our products move further forwards into the high technology lighting arena, bringing to market further wireless and software systems making our products capable of providing enhanced services beyond our traditional main selling point of saving energy. Latest developments, using the SmartScan platform, provide users with a building's occupancy statistics by area and even provide data that analyses people movement, helping to improve a business's efficiency, for example in a warehouse picking application to optimise product locations. Our emergency lights now provide exact test records, even indicating the day and date when tests were completed and producing their own downloadable test certificates. Certain emergency lights are now capable of providing statistical data regarding their local environment, such as humidity, air temperature and CO<sub>2</sub> concentration levels; this is potentially going to save one local hospital hundreds of pounds per day in manual test and measurement costs. We can now also change the colour temperature of our lights (warmer to cooler white), which is claimed to alter our hormone levels, to provide customers with options regarding health and wellbeing – and, quite amazingly, this is achieved wirelessly, in addition to all the other benefits our Smart luminaire technology provides. No wonder sales of these high technology systems rocketed this year with new customers found and others switching to this new technology. In the field of lighting controls I genuinely believe we are inventive and leading the way, but more importantly we do not just talk about what is possible – we deliver it!

Each year I sit down and think about what is next. I wonder which products we will find to differentiate ourselves from the cheaper competition. In the last few years, all our companies switched to almost 100% LED technology, and most now offer wireless solutions.

There seems no end to our ideas and innovation, and I am really looking forward to the launch of a completely new range of luminaires this autumn, which will reinvigorate the workplace through lighting and make the work environment a place

where people want to be. Importantly, these luminaires will find applications in all our main market segments and give our sales engineers creative ways to light spaces. We have applied for several patents to protect our ideas. It is an exciting, albeit challenging, time to be running a group of lighting companies. If we can bring these new products to market quickly, I am confident it will give us a much needed boost to UK orders.

There is a general malaise in the UK market caused by a reduction in business confidence to invest in the construction sector and elsewhere as the country awaits Brexit and the return of political stability. We have enjoyed ongoing buoyancy throughout the government austerity drive, mainly due to the introduction of the new technologies mentioned above, but we believe that the boost has peaked.

Every company in the Group has a set of objectives, each of which is chosen to see the Group successfully through turbulent times. At each Board meeting, these objectives are monitored and progressed. The Group's philosophy has not changed, and the Board continues to invest for the long term and work hard to ensure the businesses operate a professional and low risk ethos. However, there is an inevitable focus on costs and, to that end, the Board took the decision, in August, to close the production plant in Portsmouth, where demand has not been as high as originally anticipated.

Over the last 12 months, the previous Compact Lighting entity has been successfully integrated into the Thorlux Lighting UK operations, and all products have now been transferred to the Thorlux manufacturing systems. A small number of staff are likely to transfer to Thorlux headquarters in Redditch. I wish those seeking employment elsewhere success, and I would like to thank all employees affected for their understanding.

We continue to invest in the better performing areas of the Group and, in January, purchased the Lightronics building and adjoining buildings in Waalwijk in the Netherlands for €3.4m. A further £1.6m investment is being made in a new factory for Portland Lighting, close to its current rented accommodation in Walsall. Investments have also been made in electronic printed circuit board assembly equipment at TRT, to serve TRT's products locally and to provide risk mitigation for the Thorlux plant.

## Dividend increase

(excluding special dividends)

Total for the year of 5.40p  
(2017: 4.90p)

# +10.2%

# Chairman's Statement continued



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## Personnel

I would like to thank my whole team for their continued support and diligence. The long service records of many in management positions and in our lower ranks are proving invaluable as we steer our ship through economically and technologically changing times.

## Outlook

Whilst we have strengthened the position of the Group by restructuring loss making operations, diversifying the business through acquisitions and investing in product innovation, this year's excellent performance will be difficult to replicate as we contend with ongoing economic uncertainty, government instability and exchange rate volatility.

Whereas in recent years, we have worked hard to balance our risk by growing into new market sectors and territorial markets, the majority of our sales are still within the UK.

We are planning for the future uncertainty, and we have a strategy in place. We have great financial strength and excellent products that are in line with or ahead of latest trends, and we have a great team of focused people.

We are, however, to some extent, reliant on market conditions.

We intend to continue on the same path of steady, sustainable long-term growth.

## Mike Allcock

Chairman and Joint Chief Executive

15 October 2018