

Financial Performance



“Revenue increased by 4.0% to £109.6m with operating profit showing an improvement of 5.7% to £19.5m, benefiting from the inclusion of six months of the Famostar business.”

The directors have pleasure in submitting their annual report and the audited consolidated financial statements of the Group and the company for the year ended 30 June 2018.

Results and dividends

Revenue increased by 4.0% to £109.6m with operating profit showing an improvement of 5.7% to £19.5m, benefiting from the inclusion of six months of the Famostar business.

Whilst we have seen an overall improvement in operating profit, this is impacted by the need to provide for further increases in expected payouts on the Lightronics earn out due to the success of that business. In 2018 we have provided a further £1.5m (2017: £0.9m), that has suppressed the Group’s operating performance during the year.

Net finance expense became net finance income of £0.1m (2017: expense of £0.3m) with last year’s expense being driven by loan note impairment. The net income has reduced from previous years due to the accounting treatment of the Lightronics acquisition and continued low interest rates on our cash deposits.

The taxation charge reflects an effective rate of 17.67% (2017: 20.99%). This is lower than the rate in the previous year due to the introduction of the patent box relief regime.

On 12 April 2018, the company paid an interim dividend of 1.40p per share (2017: 1.35p) amounting to £1,623,000 (2017: £1,561,000). A final dividend of 4.00p (2017: 3.55p) per ordinary share is proposed amounting to £4,639,000 (2017: £4,114,000) and, if approved, will be paid on 29 November 2018. Total dividends paid during the year amounted to £5,737,000 in aggregate (2017: £4,858,000). The final dividend for 2017 was paid on 30 November 2017.

Cash and liquidity management

The Group’s cash is managed in accordance with the treasury policy. Cash is managed centrally on a daily basis to ensure that the Group has sufficient funds available to meet its needs and invests the remainder. The majority of cash is placed with approved counterparties either on overnight deposit or time deposit. There are a series of time deposits which are maturing on a rolling cycle in order to meet regular business payments, with a margin for larger regular and one-off payments as well as seasonal variation in cash requirements.



The Group primarily trades in sterling. There is an exposure to foreign currency as the Group buys and sells in foreign currencies and maintains currency bank accounts in US dollars, Australian dollars, UAE dirhams and euros. The activities of buying and selling in foreign currency are broadly matched with currencies bought and sold as required in order to minimise currency exposures. Larger exposures would be hedged in order to reduce the risk of adverse exchange rate movement. There were no currency hedging derivatives in place at 30 June 2018 or 30 June 2017.

Pension scheme position and funding

The latest triennial actuarial valuation was completed as at 30 June 2015. This valuation showed that the pension scheme position remains in surplus and a funding level for the future has been agreed between the trustees of the scheme and the directors of the company. The directors consider it unlikely that any changes to the present funding levels will have any significant effect on the strength of the company's statement of financial position.

Group research and development activities

The Group is committed to research and development activities in order to maintain its market share in the industrial and commercial lighting market. These activities encompass constant development of both new and existing products to ensure that a leading position in the lighting market is maintained.

During the year the Group spent £1,605,000 (2017: £1,715,000) on capitalised development costs, which includes internal labour.

Property, plant and equipment

The directors are of the opinion that the market value of the freehold land and buildings is in excess of their net book value. While it is considered that the market value is significantly greater than the net book value for many of the Group's properties as a result of being acquired between one and over 20 years ago, management consider that undertaking formal valuation exercises would be costly for limited value and consequently no formal exercise has been undertaken.

Investment this year included freehold property in Waalwijk for Lightronics of €3.4m and increased printed circuit board capacity located at TRT Lighting.

Creditor payment policy

The Group's policy concerning the payment of its trade creditors is to accept and follow the normal terms of payment among suppliers to the lighting industry. Payments are made when they fall due, which is usually on the day after the end of the calendar month following the month in which delivery of goods or services is made. Where reasonable settlement discount terms are offered for early payment, these terms are usually taken up. The number of days represented by the company's year end trade payables is 38 (2017: 48).

2018 saw the introduction of the duty to report on payment practices and performance. FW Thorpe has complied with this regulation but it is disappointing to see that a number of our competitors have decided against it somehow.

Internal financial control

During the year, a member of the Group finance department has visited all operating sites to assess their compliance with a selection of key control procedures and any non-compliance reported to the Group Board. Any areas of non-compliance noted as part of this process have been addressed.

In addition, the executive directors regularly visit all operating sites and review with local management financial and commercial issues affecting the Group's operations. Regular financial reporting includes rolling forecasts and monthly financial reports comparing performance against plan. These reports are reviewed locally with a Group representative and monitored by the Group Board. Accordingly, the directors do not consider that an internal audit department is required.

Craig Muncaster

Joint Chief Executive, Group Financial Director and Company Secretary

15 October 2018

Group Total Revenue (£m)

Excluding Intercompany

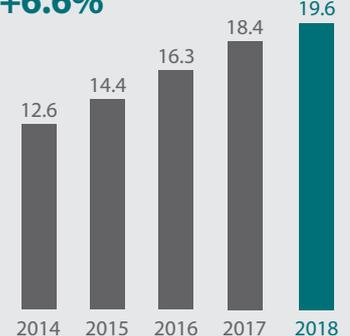
+4.0%



Underlying Group PBT (£m)

Profit before tax

+6.6%



Underlying Basic EPS (Pence)

Earnings per share

+10.9%

