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LPA Group Plc

Interim Unaudited Group Results for the Six Months Ended 31 March 2014

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CHAIRMAN'S STATEMENT

Sales revenue fell by 7.9% to £7.97m (2013: £8.65m), profit before tax increased 5.7% to £186,000 (2013 restated: £176,000) and diluted earnings per share rose 5.6% to 1.32p (2013 restated: 1.25p). Working Capital remains well within our normal trading range and net debt, despite significant capital expenditure on the new Shire Hill facility, amounted to £1.38m (2013: £2.27m). Further significant capital expenditure remains to be incurred, but this will be offset by the £1.3m of deferred consideration due on vacating the Tudor Works site. We continue to operate well within our banking facilities. We propose to increase the interim dividend by 16.7% to 0.7p (2013: 0.6p) which will be paid on 19 September 2014 to shareholders registered at the close of business on 29 August 2014.

Order entry in the first half increased 27.7% to £9.36m (2013: £7.33m) and since the start of the financial year the order book has increased by 21.5% to £7.86m (September 2013: £6.47m). None of these figures include approximately £7.0m due on the Intercity Express Programme and around £2.5m in respect of two aerospace programmes for which we have also been selected. Since the end of the half year routine orders have started to pick up and the Group has recorded a number of significant contract awards including: £1.4m in respect of LED lighting for a double deck high speed train for French Railways (being confirmation of the previously announced letter of intent at £1.2m); two Transport+ contracts totalling £0.4m, possibly signalling the end of the orders hiatus caused by the refranchising process difficulties; and a contract for £0.3m to supply additional 'classic' lighting for an extension to a project in Hong Kong.

Network Rail has embarked upon a £38bn investment programme over the next five years; Crossrail has commenced its station and tunnel fit out phase and has ordered 600 carriages to be built in Derby; the Train Operating Companies envisage upgrade or life extension of up to 1,400 carriages over the next five years; and Transport for London plan to acquire 2,780 new carriages for London Underground together with station and tunnel upgrades. Given this background we expect the UK rail market to be extremely buoyant over the next five years. We remain active in exports markets, with many projects in the offing.

Our LED lighting business continues to progress with rail vehicle and infrastructure projects at home and abroad and we are also developing non-rail infrastructure opportunities. Our electro-mechanical business' high speed ethernet backbone technology is generating both interest and orders and the planned rationalisation should further improve efficiency. Ethernet backbone technology will be of particular relevance to the implementation of the future European Train Control System, which will be rolled out across all existing rail vehicles over the next ten years. Transport+ is beginning to recover from the hiatus caused by the delayed refranchising process and our component distribution business has begun to recover lost ground as aerospace, defence and rail programmes in which it is involved begin to progress.

The refurbishment of Light and Power House, our new facility at Shire Hill in Saffron Walden, is almost complete. We expect to relocate our Saffron Walden businesses during July and to vacate Tudor Works during August, which will trigger payment of the £1.3m balance of the initial consideration. We have an overage clause which allows us to benefit from any better than expected result from the redevelopment of the site for housing. Thereafter we have further rationalisation of our electro-mechanical operations to complete as well as a 50% extension to our LED lighting facility in Normanton, West Yorkshire.

We have made significant progress in the development of the business so far this year and expect this trend to continue in the second half and accelerate during 2015 and thereafter.

Michael Rusch
Chairman
26 June 2014

CONSOLIDATED INCOME STATEMENT

	6 months to 31 March 2014 Unaudited £000's	Restated 6 months to 31 March 2013 Unaudited £000's	Restated Year to 30 Sept 2013 Audited £000's
Revenue	7,970	8,645	17,630
Operating profit	195	203	609
Gain on property disposal	-	-	2,062
Reorganisation costs	-	-	(809)
Goodwill impairment	-	-	(85)
Finance costs	(31)	(47)	(103)
Finance income	22	20	43
Profit before tax	186	176	1,717
Taxation	(19)	(19)	57
Profit for the period	167	157	1,774
Attributable to:			
- Equity holders of the parent	167	157	1,774
Earnings per share (see note 2)			
- Basic	1.42p	1.33p	15.05p
- Diluted	1.32p	1.25p	14.17p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	6 months to 31 March 2014 Unaudited £000's	Restated 6 months to 31 March 2013 Unaudited £000's	Restated Year to 30 Sept 2013 Audited £000's
Profit for the period	167	157	1,774
Other comprehensive (expense) / income			
Items that may be reclassified subsequently to profit or loss	-	-	-
Cash flow hedges - transferred to profit for the period	-	14	14
Tax on cash flow hedges	-	(3)	(3)
Items that will not be reclassified to profit or loss			
Actuarial loss on pension scheme	(6)	(188)	(135)
Tax on actuarial loss	(8)	30	40
Other comprehensive expense net of tax	(14)	(147)	(84)
Total comprehensive income for the period	153	10	1,690
Attributable to:			
- Equity holders of the parent	153	10	1,690

CONSOLIDATED BALANCE SHEET

	As at 31 March 2014 Unaudited £000's	As at 31 March 2013 Unaudited £000's	As at 30 Sept 2013 Audited £000's
Non-current assets			
Intangible assets	1,245	1,321	1,236
Property, plant and equipment	3,040	3,270	2,669
Retirement benefits	1,026	834	960
	5,311	5,425	4,865
Current assets			
Inventories	2,303	2,303	2,172
Trade and other receivables	5,139	3,498	5,095
Current tax receivable	-	-	43
Cash and cash equivalents	751	7	940
	8,193	5,808	8,250
Total assets	13,504	11,233	13,115
Current liabilities			
Bank overdraft	-	(698)	-
Bank loans and other borrowings	(233)	(109)	(103)
Provisions	(244)	-	(243)
Current tax payable	-	(105)	-
Trade and other payables	(3,242)	(2,992)	(3,425)
	(3,719)	(3,904)	(3,771)
Non-current liabilities			
Bank loans and other borrowings	(1,902)	(1,466)	(1,449)
Provisions	(303)	(5)	(425)
Deferred tax liabilities	(236)	(221)	(212)
Other payables	(22)	(23)	(22)
	(2,463)	(1,715)	(2,108)
Total liabilities	(6,182)	(5,619)	(5,879)
Net assets	7,322	5,614	7,236
Equity			
Share capital	1,183	1,179	1,180
Share premium account	457	448	449
Un-issued shares reserve	185	168	178
Revaluation reserve	-	306	-
Merger reserve	230	230	230
Retained earnings	5,267	3,283	5,199
Equity attributable to shareholders of the parent	7,322	5,614	7,236

CONSOLIDATED CASH FLOW STATEMENT

	6 months to 31 March 2014 Unaudited £000's	Restated 6 months to 31 March 2013 Unaudited £000's	Restated Year to 30 Sept 2013 Audited £000's
Profit for the period	167	157	1,774
Finance costs	31	47	103
Finance income	(22)	(20)	(43)
Income tax expense	19	19	(57)
Operating profit	195	203	1,777
Adjustments for:			
Depreciation	147	142	289
Impairment of property, plant and equipment	-	-	146
Amortisation of intangible assets	2	13	54
Impairment of goodwill	-	-	85
Gain on sale of property, plant and equipment	(1)	-	(2,065)
Non-cash charge for equity-settled share-based payments	11	11	22
	354	369	308
Movements in working capital:			
Change in inventories	(131)	142	273
Change in trade and other receivables	(44)	320	23
Change in trade and other payables	(183)	(197)	216
Change in provisions	(121)	-	663
Cash generated from operations	(125)	634	1,483
Income tax received	40	-	(71)
Retirement benefits	(50)	(50)	(100)
Net cash from operating activities	(135)	584	1,312
Purchase of property, plant and equipment	(527)	(194)	(355)
Proceeds from sale of property, plant and equipment	10	-	1,253
Capitalised development expenditure	(11)	(17)	(58)
Net cash from investing activities	(528)	(211)	840
Drawdown of bank loans	600	-	-
Repayment of bank loans	-	(73)	(73)
Repayment of obligations under finance leases	(17)	(20)	(43)
Interest paid	(31)	(47)	(103)
Proceeds from issue of share capital	11	20	22
Dividends paid	(89)	(71)	(142)
Net cash from financing activities	474	(191)	(339)
Net (decrease) / increase in cash and cash equivalents	(189)	182	1,813
Cash and cash equivalents at start of the period	940	(873)	(873)
Cash and cash equivalents at end of the period	751	(691)	940

Reconciliation of cash and cash equivalents	As at 31 March 2014 Unaudited £000's	As at 31 March 2013 Unaudited £000's	As at 30 Sept 2013 Audited £000's
Cash and cash equivalents in current assets	751	7	940
Bank overdraft in current liabilities	-	(698)	-
Cash and cash equivalents at end of the period	751	(691)	940

NOTE 1 – BASIS OF PREPARATION

These interim consolidated financial statements are for the six months ended 31 March 2014. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 September 2013. These financial statements have been prepared under the historical cost convention, except for revaluation of financial instruments.

These consolidated interim financial statements have been prepared in accordance with the accounting policies adopted in the last annual financial statements for the year to 30 September 2013 except that IAS19 Employee Benefits (Revised 2011) has been adopted for the first time. These accounting policies are based on the recognition and measurement principles of IFRS as adopted by the European Union. The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these interim financial statements and are expected to be followed throughout the year ended 30 September 2014.

Change in accounting policy
Comparative figures as at 31 March 2013 and 30 September 2013 have been restated for the adoption of IAS19 Employee Benefits (Revised 2011).

The principal impact on the Group is that the return on pension scheme assets recognised in the income statement is now based on the discount rate applied to the pension liabilities as opposed to a weighted average of the expected long term rates of return applicable to each asset class. As the discount rate applied to liabilities is lower than the expected long term rate of return the affect has been to reduce the pension scheme net finance credit by £36,000 for the six months to 31 March 2013 and by £70,000 for the year to 30 September 2013 with corresponding reductions in tax charge of £6,000 and £20,000 respectively.

Equal and opposite adjustments to those included in the income statement have been recognised in other comprehensive income and as such there is no change to figures reported in the balance sheet.

NOTE 2 – EARNINGS PER SHARE

The calculations of earnings per share are based upon the profit after tax attributable to ordinary equity shareholders of £167,000 (March 2013 restated: £157,000 - September 2013 restated: £1,774,000) and the weighted average number of ordinary shares in issue during the period of 11.802m (March 2013: 11.785m - September 2013: 11.789m). The weighted average number of ordinary shares diluted for the effect of outstanding share options was 12.607m (March 2013: 12.562m - September 2013: 12.518m).

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