LPA GROUP PLC

Preliminary results for the year ended 30 September 2012

LPA Group plc ("LPA" or the "Group"), the LED lighting and electro-mechanical engineering group, announces more than doubled profits for the year ended 30 September 2012, a £0.8m contract for LPA Transport+ and a further £0.5m of contracts for Aircraft Ground Power Supply units (crocodiles) for Heathrow, all with delivery commencing this year.

KEY POINTS

- Sales up 5.9% to £18.4m (2011: £17.3m)
- Profit before taxation more than doubled to £877,000 (2011: £400,000)
- Basic earnings per share 6.37p (2011: 2.93p)
- Final dividend increased 20% to 0.60p (2011: 0.50p), total for the year 1.10p (2011: 0.90p)
- Gearing 41.9% (2011: 27.1%), after purchasing £1.3m factory
- Sales of LED lighting products increased 61.9% to £3.87m (2011: £2.39m)

Peter Pollock, Chief Executive, comments:

"The last year vastly exceeded both expectations and our medium term growth plan, due to a benign confluence of balanced factory load and exceptional short term orders received during the year and requiring delivery before the year end. After a strong start to the current financial year activity levels have eased back in line with current expectations for the year as a whole, and some near term regular business has been disrupted by the delays in the Rail re-franchising process. However our LPA Transport+ turnkey service business has just circumvented that challenge by winning a £0.8m London Underground related contract. The Group, in particular its LED based lighting business, has many exciting prospects from which we hope to benefit.

"This year will be one of transition, with a factory extension at our LED lighting business in Normanton, refurbishment of the recently acquired Shire Hill factory in Saffron Walden, the planned sale of our Tudor Works facility in Saffron Walden, the relocation of our main electro-mechanical business to Shire Hill, and the delivery of current expectations.

"Our strong order book and numerous near term opportunities, as evidenced by the contracts announced today, underpin our confidence in the achievement of current expectations for the year as a whole."

24 January 2013

ENQUIRIES:

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Chairman's Statement

Results

The Group has enjoyed an exceptional year to 30 September 2012 which greatly exceeded our expectations and medium term growth strategy. Sales rose by £1.03m to £18.35m (2011: £17.32m) with a corresponding increase in operating profits of £487,000 to £921,000 (2011: £434,000). Profit before tax more than doubled to £877,000 (2011: £400,000) and basic earnings per share increased by 3.44p to 6.37p (2011: 2.93p). Gearing, after acquiring premises in Saffron Walden at a cost of £1.3m, was 41.9% (2012: 27.1%). The order book at the end of the year amounted to £10.4m (2011: £12.9m), but this does not include at least three major long term projects for which we have been selected, but for which values are as yet undefined and therefore not included in the order book.

Dividends

The interim dividend was increased 25% to 0.50p (2011: 0.40p) and given both the progress in the second half and prospects in the current year your Board considers it appropriate to increase the final dividend by a further 20% to 0.60p (2011: 0.50p), giving a total for the year of 1.10p (2011: 0.90p). Subject to approval by shareholders at the annual general meeting, to be held at 12.00 noon on 7 March 2013 at the offices of College Hill, 3 Royal Mint Court, London, the final dividend will be paid on 22 March 2013, to shareholders registered at the close of business on 1 March 2013.

Board and management

The Board and the Executive Team, which consists of the Group Chief Executive, the Group Finance Director, and the Managing Directors of the four operating entities, has remained unchanged throughout the year.

My appointment as Chairman was to expire at the conclusion of the forthcoming annual general meeting. I am honoured that the Board has invited me to continue as Chairman for a further term of three years, an invitation I am delighted to accept.

Property

We have recently obtained outline planning permission for the construction of 24 homes on our Tudor Works site in Saffron Walden and we expect to agree sale terms for the site during the year. We have also acquired suitable premises in Shire Hill nearby to accommodate our main electro-mechanical manufacturing activities. The Shire Hill premises will require significant expenditure and effort to bring them up to modern standards. We plan to execute these enhancements and to relocate our Saffron Walden business during the year.

Employees

As ever our employees remain our most valuable asset and without them this exceptional result would not have been possible. I am delighted that we have been able to acquire existing premises in Saffron Walden which will allow us to retain the jobs and exceptional skills of our local people.

Outlook

The current financial year started well, but routine orders have been affected by delays in the Rail re-franchising process nevertheless we have won a £0.8m contract for LPA Transport+ and a further £0.5m of contracts for Aircraft Ground Power Supply units (crocodiles) for Heathrow, all with delivery commencing this year. We welcome the advice to the UK Department for Transport, contained in Richard Brown's report on Rail Franchising, to resolve the current hiatus, which is delaying investment decisions, by February 2013. However our policy has been, and continues to be, to develop business relationships with train builders supplying the UK, both domestically and from overseas, and to develop export markets in Asia and Australasia as well as Europe.

LPA Transport+ will continue to promote our position as a provider of upgrade and renovation solutions to Train Operating Companies and maintainers in the UK. We aggressively pursue major LED based lighting opportunities, both train borne and in infrastructure, which we expect to contribute to the continuing rapid growth of the business. Our electro-mechanical and distribution businesses continue to develop in infrastructure, aerospace and defence, helping to broaden the Group's markets beyond its traditional focus on rail.

We are mindful of continuing difficulties in the Eurozone but our strong order book and numerous near term opportunities underpin our confidence in the achievement of current expectations for the year as a whole.

Michael Rusch
Chairman
24 January 2013

Chief Executive's Review

Trading results

The year to 30 September 2012 surpassed expectations, both internal and external, due to the happy coincidence of a balanced order book and a number of significant contracts, some Olympics driven, won on short delivery schedules. Indeed one such contract for a train upgrade received in May, was largely delivered and installed in time for the Olympics. Other new contracts, for an Aircraft ground power supply upgrade at Heathrow Airport, a vehicle underpass LED lighting project for TfL and further supplies of LumiMatrix for a major third party project in Australia, were well advanced and deliveries commenced by the September year end.

During the year sales increased 5.9%, profits and earnings per share more than doubled, dividends increased 22% and gearing was held to 41.9% (2011: 27.1%) despite the £1.3m acquisition of a factory.

The order book fell at the year end, but it does not include several contracts won to supply product over extended periods into the future where the values, although large, are as yet undefined. Routine orders during the year were satisfactory. As indicated by the contracts announced today, the Group is in good condition to cope with the current uncertainties caused by the hiatus in the Rail Franchising process in the UK and the financial difficulties facing the Eurozone.

LED based lighting achieved record growth with sales up by 61.9% during the year to £3.87m (2011: £2.39m), justifying the confidence and investment which the Group has committed to this area. We are widening our market coverage: in addition to rail vehicle opportunities, we are increasingly bidding for infrastructure projects in rail and other industries.

Electro mechanical performed exceptionally well with good demand for electrical connectors, inter rail car jumpers, aircraft ground power supply (crocodiles), harnesses for RNLI boats and the services of LPA Transport+.

Distribution again delivered a significantly improved performance and continues to develop its activities in aerospace and defence as well as the railway sector.

Details of the financial performance are contained in the Chairman's Statement and the Financial Review.

Markets

The global rail transport market continues to expand rapidly as does global manufacturing capacity to satisfy it.
The UK Government has awarded two major new rail vehicle contracts to overseas builders but these have yet to be fully executed. We will pursue these and other opportunities with vigour, though we are disappointed not to have been selected as lighting supplier for Thameslink trains.

We endeavour to build relationships with all train builders supplying the UK market so that we can establish ourselves as suppliers on their new trains, for example Siemens Inspiro. We also supply Alstom in Italy for the new trains they are supplying to West Coast Mainline and in France for SNCF. We supplied Bombardier for Turbostar Diesel Multiple Units.

We compete in a global market and often find ourselves challenged by low cost country sourcing. However our commitment to quality and long life reliability, which results in lower whole life cost, is often a deciding factor in our favour. LPA Transport+ will help to secure our position in the after sales support of trains in UK.

The relatively small size of the UK market and its volatile demand has necessitated that we develop markets outside UK and indeed Europe. We have won very significant orders in Asia and Australasia and we continue to pursue opportunities in these regions and elsewhere.

The world-wide aircraft ground power supply connector market and the UK defence and aerospace markets remain very important to us. We are delighted to have won more orders for our aircraft ground power supply units (Crocodiles) from Heathrow and other airports at home and overseas. We are increasingly involved in infrastructure**.**

Design and development

Overall our design and development concentrated on new LED lighting and connector products and large infrastructure and rail projects.

Chief Executive's Review (continued)

We continued to add variants of LumiMatrix to our LumiSeries range of energy saving LED-based lighting products. LumiMatrix, which is a light engine, can be configured in almost any shape based on modules, using power LEDs for industrial applications, and chip LEDs for commercial or domestic applications. We have launched a derivative of LumiMatrix called LumiTile which is suitable for office suspended ceiling applications, where it can replace a ceiling tile or a conventional fluorescent luminaire, providing long life, low energy, high output lighting.

Electro-mechanical design and development activity included new applications for our Cat5 data transmission connector including ethernet backbone, which enabled LPA Transport+ to win a significant contract during the year to provide CCTV on trains in time for the Olympics.

Structure and costs

As part of our strategy to vacate the present Tudor Works site, which is located in a residential area in Saffron Walden, the freehold of a factory on the Shire Hill Industrial Estate in Saffron Walden was acquired for £1.3m. Outline Planning Permission has been obtained for the Tudor Works site for the construction of 24 homes. Negotiations for the sale of Tudor Works are well advanced. The Shire Hill factory requires significant renovation and updating to modern standards. This work and the relocation of our Electro-Mechanical business from Tudor Works is currently planned to be completed during this calendar year.

Another major challenge over the coming months will be the construction of a 50% increase in manufacturing space at our Normanton LED lighting manufacturing facility.

When these exercises are complete we will conduct a further study into the future structure and cost base of our businesses.

We have increased sales and marketing expenditure to support our efforts to grow our business in existing and new markets.

Strategy

Given the various recent announcements in relation to franchising, Network Rail and the (Rail) Industry Strategic Plan during January it would appear that the Government remains committed to Rail for the foreseeable future. Analysis of these announcements suggests that in addition to the opportunities offered in rail infrastructure by Cross Rail and Electrification, there will be a requirement for life extension of 1,300 to 2,000 rail vehicles during the five years from 2014 and procurement of up to an additional 4,150 new rail vehicles including those required for ThamesLink, Inter-city Express Programme and CrossRail. Our position as a supplier to both the new rail vehicle and the after-market in the UK would appear to be beneficial and bodes well for all our businesses.

Network Rail have postulated £37.5bn of spend on infrastructure during the five year period from 2014. We have focussed more resource on infrastructure generally, particularly for LED lighting.

Thousands of new, larger and fuel efficient aircraft are due for delivery in the near term. We continue to focus on the aerospace (and defence) industry and on aircraft ground support.

We have further reduced our exposure to the volatile and low added value sub-contract market.

We will continue to serve and to develop our export markets in Europe, Asia, Australasia and elsewhere.

Outlook

The exceptional level of activity enjoyed during 2012 continued at the start of the current financial year but has now eased off. The year is likely to be back end loaded but, as a whole, is expected to be in line with our expected growth plan and current expectations. We have a good base load and many near term opportunities in prospect, in all our activities, but particularly for LED lighting and LPA Transport+.

We remain committed to deliver shareholder value over the medium term and we look forward to the future with confidence.

Peter Pollock
Chief Executive
24 January 2013

Financial Review

Financial performance

Revenue in the current year increased by £1.03m (5.9%) to £18.35m (2011: £17.32m) and produced an operating profit of £921,000 (2011: £434,000), an advance of £487,000.

In the first half of the year sales of £8.92m (2011: £8.44m) were achieved generating an operating profit of £316,000 (2011: £209,000) with sales and profits up on prior year by £0.48m and £107,000 respectively. The second half result saw further improvement with sales of £9.43m and an operating profit of £605,000 significantly exceeding both the first half and the corresponding period last year (2011: sales of £8.88m, profit of £225,000).

The sales growth was derived from higher non-rail lighting and LPA Transport+ partially offset by lower rail project revenues. With gross margins improving by 4.9% to 28.3% (2011: 23.4%), in part reflecting the lower project content, a gross profit of £5.20m (2011: £4.06m) resulted. Other operating expenses were £0.66m above last year at £4.28m (2011: £3.62m), in part reflecting the higher activity but also including property costs related to the various property transactions at £158,000 (2011: £22,000) and bonuses of £271,000 (2011: £114,000).

Within finance costs interest on borrowings fell to £56,000 (2011: £77,000), with comparable interest rates but lower average borrowings, and the interest cost on pension scheme liabilities was below last year at £522,000 (2011: £562,000). Finance income, which comprises the return on pension scheme assets, was also lower at £534,000 (2011: £605,000).

With a tax charge of £140,000 (2011: £65,000) the profit for the year was £737,000 (2011: £335,000) representing basic earnings per share of 6.37p (2011: 2.93p).

Balance sheet

Shareholders' funds rose by £1.35m in the year to £5.64m (2011: £4.29m) giving a net asset value per ordinary share of 48.1p (2011: 37.5p). The tangible net asset value per share, calculated excluding intangibles and pension asset (net of deferred tax) from the calculation, was 30.6p (2011: 25.9p).

Property, plant and equipment at 30 September was £3.04m (2011: £1.66m) of which property made up £1.93m (2011: £0.80m) and plant and equipment £1.11m (2011: £0.86m). Net additions in the year were £1.63m (2011: £143,000) of which £1.15m related to the acquisition, in July, of the Shire Hill factory site in Saffron Walden. The depreciation charge was £248,000 (2011: £276,000). The carrying value of the Group's freehold properties does not reflect any redevelopment upside.

Higher activity in the final quarter resulted in increased net trading assets (defined as inventories plus trade and other receivables, less trade and other payables, provisions and current tax) at £2.94m (2011: £2.43m).

Net debt rose £1.2m over the year to £2.37m with gearing (net debt as a % of total equity) increasing to 41.9% (2011: 27.1%).

Intangible assets which comprise goodwill and capitalised development costs were essentially unchanged at £1.32m (2011: £1.32m). Goodwill (which largely relates to the Group's investment in Excil Electronics) was £1.23m and capitalised development costs (which relate to the development of LED lighting products) were £0.09m.

The IAS19 actuarial surplus recognised as at 30 September 2012 amounted to £952,000 (2011: £671,000 but restricted to £nil). Movements over the course of the year comprised an actuarial gain of £169,000 (2011: £804,000) recognised in the statement of comprehensive income, an income statement credit of £12,000 (2011: £43,000) together with contributions received of £100,000 (2011: £100,000): the effect of the reversal of the limit on the amount of surplus recognised in 2011 of £671,000 was taken through the statement of comprehensive income.

The actuarial gain of £169,000 (2011: £804,000) principally resulted from a better than expected asset return of £1,067,000 (2011: loss of £323,000), less changes in the financial assumptions adopted of £708,000 (2011: gain of £1,132,000), less an experience loss on liabilities of £190,000 (2011: £5,000).

Cash flow

A strong trading performance, albeit mitigated by higher working capital levels at the year end, resulted in £625,000 of cash generated from operations (2011: £1,140,000). With tax receipts of £18,000 (2011: £18,000) and pension contributions of £100,000 (2011: £100,000) net cash absorbed from operating activities was £543,000 (2011: £1,058,000).

Financial Review (continued)

Cash flow

Capital expenditure was significantly increased to £1,676,000 (2011: £144,000), asset disposal proceeds were £25,000 (2011: £6,000) and development expenditure capitalised in the year amounted to £19,000 (2011: £31,000).

In the year cash benefited by the £1,400,000 (2011: nil) draw down from the new term loan facility, repayments of existing debt were £407,000 (2011: £408,000) and interest payments on borrowings fell to £56,000 (2011: £77,000). With £97,000 (2011: £nil) received from the exercise of share options and increased dividend payments of £116,000 (2011: £92,000), there was an overall net decrease in the cash position of £209,000 (2011: increase of £312,000).

Net debt

An analysis of the change in net debt is shown below:

	Bank loans £'000	Finance lease obligations £'000	Cash and cash equivalents £'000	Net debt £'000
At 1 October 2011	364	136	664	1,164
Cash absorbed	-	-	1,202	1,202
Term loan draw down	1,400	-	(1,400)	-
Repayment of borrowings	(291)	(116)	407	-
At 30 September 2012	1,473	20	873	2,366

The bank loans are repayable over eleven years (with £73,000 repayable in October 2012 and the balance repayable in 40 quarterly instalments of £35,000 commencing in October 2013), the finance lease obligations are repayable over the next year, and the bank overdraft of £0.88m (2011: £0.67m) is repayable on demand. At the year-end the Group was holding minimal cash and had £1.12m (2011: £1.84m) of un-drawn overdraft facilities available to it.

A new term loan facility was negotiated in the year in respect of the various property transactions envisaged. The total facility is for £3.0m and is available to be drawn down over three years but with the final £1.1m being dependent upon an exchange of contracts for the sale of Tudor Works. The first £1.4m was drawn down in July 2012 to facilitate the purchase of Shire Hill. Upon the anticipated sale of Tudor Works £1.0m of the proceeds are to be used to pay down the facility, with remaining advances are to be repaid in 40 equal quarterly instalments commencing in October 2013. Interest is payable at 2.75% over LIBOR and a charge of 1.375% is payable on the unutilised part of the facility.

Subsequent to the year end the Group has re-negotiated its working capital facilities through to the end of January 2014. These total £2.6m (previously £2.7m) and provide for an overdraft limit of £1.5m (previously: £2.0m) a guarantee facility of £1.0m (previously: £0.6m) and a forward exchange contract facility of £0.1m (previously: £0.1m). Interest payable on the overdraft facility is unchanged at 2.5% over the prevailing base rate.

Treasury

The Group's treasury policy operates within approved Board guidelines and has not changed since 2011. It seeks to ensure that adequate financial resources are available for the development of the Group's business whilst managing its foreign currency, interest rate, liquidity and credit risks.

Stephen Brett
Finance Director
24 January 2013

Consolidated Income Statement

For the year ended 30 September 2012

	Note	2012 £'000	2011 £'000
Revenue		18,352	17,322
Cost of sales		(13,153)	(13,265)
Gross profit		5,199	4,057
Distribution costs		(1,508)	(1,374)
Administrative expenses		(2,770)	(2,249)
Operating profit		921	434
Finance costs		(578)	(639)
Finance income		534	605
Profit before tax attributable to equity holders of the parent		877	400
Taxation		(140)	(65)
Profit for the year		737	335
Attributable to:			
- Equity holders of the parent		737	335
Earnings per share	1		
Basic		6.37p	2.93p
Diluted		6.13p	2.92p

All activities are continuing.

Consolidated Statement of Comprehensive Income

For the year ended 30 September 2012

	2012 £'000	2011 £'000
Profit for the year	737	335
Cash flow hedges:		
Losses taken to equity	(16)	(5)
Transferred to profit for the year	7	15
Tax on cash flow hedges	2	(3)
Actuarial gain on pension scheme	840	133
Tax on actuarial gain	(216)	(58)
Other comprehensive (expense) / income net of tax	617	82
Total comprehensive income for the year	1,354	417
Attributable to:		
- Equity holders of the parent	1,354	417

Consolidated Balance Sheet

At 30 September 2012

	2012 £'000	2011 £'000
Non-current assets		
Intangible assets	1,317	1,323
Property, plant and equipment	3,043	1,658
Retirement benefits	952	-
Deferred tax assets	-	46
	5,312	3,027
Current assets		
Inventories	2,445	2,157
Trade and other receivables	3,818	3,049
Cash and cash equivalents	7	6
	6,270	5,212
Total assets	11,582	8,239
Current liabilities		
Bank overdraft	(880)	(670)
Bank loans and other borrowings	(93)	(392)
Current tax payable	(93)	(8)
Trade and other payables	(3,203)	(2,740)
	(4,269)	(3,810)
Non-current liabilities		
Bank loans and other borrowings	(1,400)	(108)
Provisions	(5)	(5)
Deferred tax liabilities	(241)	-
Other payables	(23)	(24)
	(1,669)	(137)
Total liabilities	(5,938)	(3,947)
Net assets	5,644	4,292
Equity		
Share capital	1,174	1,145
Share premium account	433	365
Un-issued shares reserve	163	195
Revaluation reserve	306	307
Merger reserve	230	230
Retained earnings	3,338	2,050
Equity attributable to shareholders of the parent	5,644	4,292

Consolidated Cash Flow Statement

For the year ended 30 September 2012

	2012 £'000	2011 £'000
Profit for the year	737	335
Finance costs	578	639
Finance income	(534)	(605)
Income tax	140	65
Operating profit	921	434
Adjustments for:		
Depreciation	248	276
Amortisation of intangible assets	25	38
Loss / (gain) on sale of property, plant and equipment	18	(5)
Non-cash charge for equity-settled share-based payments	17	3
	1,229	746
Movements in working capital:		
Change in inventories	(288)	316
Change in trade and other receivables	(769)	356
Change in trade and other payables	453	(278)
Cash generated from operations	625	1,140
Income tax received	18	18
Retirement benefits (pension contributions)	(100)	(100)
Net cash from operating activities	543	1,058
Purchase of property, plant and equipment	(1,676)	(144)
Proceeds from sale of property, plant and equipment	25	6
Capitalised development expenditure	(19)	(31)
Net cash from investing activities	(1,670)	(169)
Drawdown of bank loans	1,400	-
Repayment of bank loans	(291)	(291)
Repayment of obligations under finance leases	(116)	(117)
Interest paid	(56)	(77)
Proceeds from issue of share capital	97	-
Dividends paid	(116)	(92)
Net cash from financing activities	918	(577)
Net (decrease) / increase in cash and cash equivalents	(209)	312
Cash and cash equivalents at start of the year	(664)	(976)
Cash and cash equivalents at end of the year	(873)	(664)

Reconciliation of cash and cash equivalents	2012 £'000	2011 £'000
Cash and cash equivalents in current assets	7	6
Bank overdraft in current liabilities	(880)	(670)
Cash and cash equivalents at end of the year	(873)	(664)

Notes

1 – EARNINGS PER SHARE

The calculation of earnings per share is based upon the profit for the year of £737,000 (2011: £335,000) and the weighted average number of ordinary shares in issue during the year of 11.569m (2011: 11.448m). The weighted average number of ordinary shares diluted for the effect of outstanding share options was 12.027m (2011: 11.457m).

	2012			2011		
	Earnings £'000	Weighted average number of shares Million	Earnings per share Pence	Earnings £'000	Weighted Average number of shares Million	Earnings per share Pence
Basic earnings per share	737	11.569	6.37	335	11.448	2.93
Effect of share options	-	0.458	(0.24)	-	0.009	(0.01)
Diluted earnings per share	737	12.027	6.13	335	11.457	2.92

2 - INFORMATION

The preceding information does not constitute the Company's statutory accounts for the years ended 30 September 2012 or 30 September 2011 but is derived from those accounts. The 2012 accounts are expected to be posted to shareholders on 11 February 2013 and will be available from the Company Secretary, LPA Group Plc, Debden Road, Saffron Walden, Essex, CB11 4AN and on LPA's website (www.lpa-group.com), shortly thereafter. Statutory accounts for 2011 have been delivered to the Registrar of Companies, and those for 2012 will be delivered following the annual general meeting. The auditors have reported on these accounts and their reports were unqualified and did not contain statements under the Companies Act.

The Chairman's Statement, the Chief Executive's Review, and the Financial Review included in this preliminary announcement form part of the business review included in the 2012 accounts. The business review and other content of this preliminary announcement have been prepared solely for the shareholders of the Company as a body. To the extent permitted by law the Company, its directors, officers and employees disclaim liability to any other persons in respect of the information contained in this preliminary announcement. Sections may include statements containing risks and uncertainties facing the Group, and other forward-looking statements, which by their nature involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. The Company undertakes no obligation to update any forward-looking statements.