

# LPA GROUP PLC

## Half-Yearly Report for the six months to 31 March 2017

***LPA Group PLC ("LPA" or "the Group"), the LED lighting and electro-mechanical system manufacturer and distributor, announces a strong performance for the six months to 31 March 2017.***

### KEY POINTS

- Revenue increased 3.1% to £10.81m (2016: £10.48m)
- Operating profit before exceptional items £772,000 (2016: £782,000)
- Net exceptional gain £226,000 (2016: £14,000)
- Profit before tax increased to £976,000 (2016: £782,000)
- Diluted earnings per share substantially increased to 6.81p (2016: 5.34p)
- Interim dividend increased 5.0% to 1.05p (2016: 1.00p)
- Order entry increased 7.7% to £14.85m (2016: £13.78m)
- Order book stands at £22m (2016: £22m)
- Lighting operation successfully relocated in the period

### Michael Rusch, Chairman, comments:

***"In my comments at the Annual General Meeting, I reported that the Group had established itself on a new trading level and that this was being sustained with excellent levels of orders and sales. I am delighted to report that this remains the case.***

***"Our new manufacturing facilities give us the capacity and improved productivity to continue to grow and prosper.***

***"Our current order book underpins expected progress in the remainder of this financial year and in the medium term.***

***"As a measure of our continued confidence, the interim dividend has been increased by 5.0% to 1.05p."***

**26 June 2017**

### ENQUIRIES:

#### **LPA Group plc**

Peter Pollock, Chief Executive  
Steve Brett, Finance Director

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#### **Cairn Financial (Nominated Adviser)**

James Caithie / Tony Rawlinson

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#### **WH Ireland (Broker)**

Tim Feather / Ed Allsopp

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#### **Instinctif Partners (PR Adviser)**

Mark Garraway / Helen Tarbet

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## **CHAIRMAN'S STATEMENT**

In my comments to the Annual General Meeting on 14 March 2017, I reported that the Group had established itself on a new trading level and that this was being sustained with excellent levels of orders and sales. I am delighted to report that this remains the case.

Order entry increased 7.7% to a new record of £14.85m (2016: £13.78m) and sales increased 3.1% to £10.81m, also a record (2016: £10.48m). Despite the previously reported lower margin due to a change of product mix (higher proportion of project work, reduced aerospace & defence activity), operating profit before exceptional items exceeded our internal forecasts at £772,000 (2016: £782,000). The period includes a net exceptional gain of £226,000 comprising a property disposal gain on the sale of our former lighting factory in Yorkshire of £341,000 (2016: £14,000) less £115,000 of relocation and other nonrecurring costs. Profit before tax amounted to £976,000 (2016: £782,000) and diluted earnings per share were 6.81p (2016: 5.34p).

Electro-mechanical, and, in particular, Transport+, performed well during the period. Lighting suffered the failure of a large oil and gas customer and relocated its factory during the first half, but still performed well. Engineered component distribution faced reduced demand from the aerospace and defence sector and some delayed projects in the rail sector, but delivered a satisfactory result.

The order book at the end of the period was unchanged at £22m (2016: £22m). There are a number of project orders in the pipe-line for which we have been selected but which remain un-entered because we have not yet received confirmed delivery schedules: these amount to approximately £4.6m (2016: £4.4m). Interest in our LED lighting, ethernet backbone, USB outlet charging technology and Transport+ remains strong: our efforts in export markets will continue.

With the relocation of our lighting activity in March, the Group has completed the reorganisation of its two manufacturing operations (that for electro-mechanical was completed in 2015). Substantial investments in new buildings and plant have been made, in large part funded from the sale of former properties, which provide the Group with expanded capacity, improved productivity and excellent facilities for the future.

The loss of a working majority for the Government, coupled with the Brexit negotiations may prolong a period of uncertainty. However we trust that the Government will continue with its investment in the rail sector and that the Group will continue to enjoy success in exports to Europe, the Middle East and Asia.

Following the significant investment in facilities and a working capital build to fund growth over the year, gearing amounted to 31.6% as compared to 29.2% at the start of the financial year. Cash flow is expected to be increasingly positive through the second half and beyond.

We are continuing to follow a progressive dividend policy: the interim dividend will be increased by 5.0% to 1.05p (2016: 1.00p) which will be paid on 22 September 2017 to those shareholders registered at the close of business on 1 September 2017.

We expect good progress in orders and sales through the remainder of this year and the current order book underpins the situation for the medium term. The future looks encouraging.

**MICHAEL RUSCH**  
**Chairman**  
**26 June 2017**

## Interim Unaudited Group Results for the Six Months ended 31 March 2017

### CONSOLIDATED INCOME STATEMENT

	6 months to 31 March 2017 Unaudited £000's	Period to 1 April 2016 Unaudited £000's	Year to 30 Sept 2016 Audited £000's
<b>Revenue</b>	10,807	10,483	21,422
<b>Operating profit before exceptional items</b>	772	782	1,533
Gain on sale of property	341	14	14
Relocation and other nonrecurring costs	(115)	-	-
<b>Operating profit</b>	998	796	1,547
Finance costs	(32)	(40)	(85)
Finance income	10	26	54
<b>Profit before tax</b>	976	782	1,516
Taxation	(78)	(100)	(54)
<b>Profit for the period</b>	898	682	1,462
Attributable to:			
- Equity holders of the parent	898	682	1,462
<b>Earnings per share</b> (see note 2)			
- Basic	7.37p	5.75p	12.30p
- Diluted	6.81p	5.34p	11.35p

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	6 months to 31 March 2017 Unaudited £000's	Period to 1 April 2016 Unaudited £000's	Year to 30 Sept 2016 Audited £000's
<b>Profit for the period</b>	898	682	1,462
<b>Other comprehensive income / (expense)</b>			
<i>Items that will not be reclassified to profit or loss</i>			
Actuarial gain / (loss) on pension scheme	294	64	(692)
Tax on actuarial gain / (loss)	(57)	(23)	119
Other comprehensive income / (expense) net of tax	237	41	(573)
<b>Total comprehensive income for the period</b>	1,135	723	889
Attributable to:			
- Equity holders of the parent	1,135	723	889

## Interim Unaudited Group Results for the Six Months ended 31 March 2017

### CONSOLIDATED BALANCE SHEET

	As at 31 March 2017 Unaudited £000's	As at 1 April 2016 Unaudited £000's	As at 30 Sept 2016 Audited £000's
<b>Non-current assets</b>			
Intangible assets	1,190	1,204	1,194
Property, plant and equipment	6,686	4,722	5,624
Retirement benefits	1,195	1,519	841
	<u>9,071</u>	<u>7,445</u>	<u>7,659</u>
<b>Current assets</b>			
Inventories	3,593	2,866	3,030
Trade and other receivables	4,721	4,502	4,678
Cash and cash equivalents	138	4	149
	<u>8,452</u>	<u>7,372</u>	<u>7,857</u>
<b>Total assets</b>	<u>17,523</u>	<u>14,817</u>	<u>15,516</u>
<b>Current liabilities</b>			
Bank overdraft	(640)	(384)	(138)
Bank loans and other borrowings	(265)	(246)	(247)
Current tax payable	(199)	(134)	(122)
Trade and other payables	(4,061)	(3,582)	(3,803)
	<u>(5,165)</u>	<u>(4,346)</u>	<u>(4,310)</u>
<b>Non-current liabilities</b>			
Bank loans and other borrowings	(2,327)	(1,471)	(2,305)
Deferred tax liabilities	(251)	(369)	(193)
Other payables	-	(20)	(19)
	<u>(2,578)</u>	<u>(1,860)</u>	<u>(2,517)</u>
<b>Total liabilities</b>	<u>(7,743)</u>	<u>(6,206)</u>	<u>(6,827)</u>
<b>Net assets</b>	<u>9,780</u>	<u>8,611</u>	<u>8,689</u>
<b>Equity</b>			
Share capital	1,231	1,189	1,196
Share premium account	610	480	504
Un-issued shares reserve	183	191	183
Merger reserve	230	230	230
Retained earnings	7,526	6,521	6,576
<b>Equity attributable to shareholders of the parent</b>	<u>9,780</u>	<u>8,611</u>	<u>8,689</u>

# LPA GROUP PLC

## Interim Unaudited Group Results for the Six Months ended 31 March 2017

### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	6 months to 31 March 2017 Unaudited £000's	Period to 1 April 2016 Unaudited £000's	Year to 30 Sept 2016 Audited £000's
Opening equity	8,689	7,987	7,987
Total comprehensive income	1,135	723	889
Transactions with owners:			
Dividends	(185)	(119)	(238)
Proceeds from issue of shares	141	20	51
Closing equity	<u>9,780</u>	<u>8,611</u>	<u>8,689</u>

# LPA GROUP PLC

## Interim Unaudited Group Results for the Six Months ended 31 March 2017

### CONSOLIDATED CASH FLOW STATEMENT

	6 months to 31 March 2017 Unaudited £000's	Period to 1 April 2016 Unaudited £000's	Year to 30 Sept 2016 Audited £000's
Profit before tax	976	782	1,516
Finance costs	32	40	85
Finance income	(10)	(26)	(54)
Operating profit	998	796	1,547
<i>Adjustments for:</i>			
Depreciation	230	224	442
Amortisation of intangible assets	17	19	39
Gain on sale of property, plant and equipment	(341)	(14)	(14)
Loan arrangement fees	4	-	19
	908	1,025	2,033
<i>Movements in working capital:</i>			
Change in inventories	(563)	(208)	(372)
Change in trade and other receivables	(43)	(1,036)	(1,212)
Change in trade and other payables	259	617	873
<b>Cash generated from operations</b>	561	398	1,322
Retirement benefits	(50)	(50)	(100)
<b>Net cash from operating activities</b>	511	348	1,222
Purchase of property, plant and equipment	(1,354)	(174)	(1,294)
Proceeds from sale of property, plant and equipment	524	637	601
Capitalised development expenditure	(13)	(1)	(11)
<b>Net cash (used in) / from investing activities</b>	(843)	462	(704)
Drawdown of bank loans	500	-	2,475
Repayment of bank loans	(603)	(100)	(1,750)
Repayment of obligations under finance leases	(27)	(18)	(40)
Interest paid	(7)	(40)	(72)
Proceeds from issue of share capital	141	20	51
Dividends paid	(185)	(119)	(238)
<b>Net cash (used in) / from financing activities</b>	(181)	(257)	426
Net (decrease) / increase in cash and cash equivalents	(513)	553	944
Cash and cash equivalents at start of the period	11	(933)	(933)
<b>Cash and cash equivalents at end of the period</b>	(502)	(380)	11
	6 months to 31 March 2017 Unaudited £000's	Period to 1 April 2016 Unaudited £000's	Year to 30 Sept 2016 Audited £000's
<b>Reconciliation of cash and cash equivalents</b>			
Cash and cash equivalents in current assets	138	4	149
Bank overdraft in current liabilities	(640)	(384)	(138)
Cash and cash equivalents at end of the period	(502)	(380)	11

## NOTES

### 1 - BASIS OF PREPARATION

These interim consolidated financial statements are for the six months ended 31 March 2017. 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 2016.

They have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and applicable law (IFRS) and in accordance with the provisions of the Companies Act 2006 applicable to companies applying IFRS. These financial statements have been prepared under the historical cost convention with the exception of certain items which are measured at fair value.

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 2016. 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 2017.

### 2 - EARNINGS PER SHARE

The calculations of earnings per share are based upon the profit after tax attributable to ordinary equity shareholders and the weighted average number of ordinary shares in issue during the period. Details are as follows:

	Six months to 31 March 2017 Unaudited	Period to 1 April 2016 Unaudited	Year to 30 Sept 2016 Audited
Profit for the period - £000's	898	682	1,462
Weighted average number of ordinary shares in issue during the period	12.186m	11.856m	11.884m
Dilutive effect of share options	0.995m	0.924m	1.003m
Number of shares for diluted earnings per share	13.181m	12.780m	12.887m
Basic earnings per share	7.37p	5.75p	12.30p
Diluted earnings per share	6.81p	5.34p	11.35p

### 3 - ANALYSIS OF NET DEBT

	Bank loans £000's	Finance lease obligations £000's	Cash and cash equivalents £000's	Net debt £000's
At 1 October 2016	2,457	95	(11)	2,541
New finance lease obligations	-	141	-	141
Draw down of bank loans	500	-	(500)	-
Interest and arrangement fees	29	-	-	29
Repayment of borrowings	(603)	(27)	630	-
Cash absorbed	-	-	383	383
At 31 March 2017	2,383	209	502	3,094

### 4 - INFORMATION

LPA Group plc is the Group's ultimate parent company. It is incorporated in England and Wales and domiciled in Great Britain. The address of LPA Group plc's registered office, which is also its principal place of business, is Light & Power House, Shire Hill, Saffron Walden, Essex, CB11 3AQ. LPA Group plc's shares are quoted on the AIM market of the London Stock Exchange.

LPA Group plc's consolidated interim financial statements are presented in Pounds Sterling (£'000), which is also the functional currency of the parent company. These consolidated interim financial statements have been approved for issue by the Board of Directors on 26 June 2017. The financial information for the year ended 30 September 2016 set out in this interim report does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The Group's statutory financial statements for the year ended 30 September 2016 have been filed with the Registrar of Companies. The auditor's report on those financial statements was unqualified and did not contain statements under Section 498(2) or Section 498(3) of the Companies Act 2006.

Summarised copies of this Interim Report are being sent to shareholders. Copies are also available from the Company's registered office at the above address and will be made available on the Company's website ([www.lpa-group.com](http://www.lpa-group.com)).