29 January 2010 - Preliminary announcement of results for the year ended 30 September 2009

LPA Group plc ("LPA" or the "Group"), the LED lighting, power and electronics system manufacturer and distributor, announces its results for the year ended 30 September 2009, including record order entry of £22.8m, but that it has had a challenging start to the current financial year due to already contracted projects being delayed at customers' request.

KEY POINTS

- **Turnover down 9.1% to £13.7m (2008: £15.1m)**
- **Profit before taxation of £187,000 (2008: £382,000)**
- **Diluted earnings per share of 1.24p (2008: 3.24p)**
- **Maintained final dividend of 0.40p, total for the year 0.90p (2008: 0.90p)**
- **Gearing reduced to 31.3% (2008: 37.9%)**
- **Sales of LED lighting products increased 47% to £1.2m**
- **Record order entry of £22.8m, up 49.4% (2008: £15.3m)**
- **Year-end order book at record £16.8m (2008: £7.8m)**

Peter Pollock, Chief Executive, comments

"Although sales fell 9% we were still able to turn a modest profit in a year when order entry increased by 49% to a record £22.8m despite a reduction in routine orders. Since the start of the new financial year routine orders for products have recovered, but the results for the year as a whole will be negatively affected by the postponement of £1.7m of scheduled contract deliveries to later periods. However given the substantial order book for the next three years we expect to make progress in the latter part of this year and thereafter."

29 January 2010

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Chairman's Statement

Results

The Group has not been immune to the effects of the recession and sales for the last financial year were down by 9% to £13.7m (2008: £15.1m). Thanks to an improved gross margin and strict control of costs a small profit before tax of £187,000 (2008:

£382,000) was achieved. Working capital has been kept under tight control and gearing has further reduced from 37.9% to 31.3%. The previously announced project awards contributed to a record year for order entry at £22.8m (2008: £15.3m), resulting in an order book at 30 September 2009 of £16.8m (2008: £7.8m), and which provides a strong base load for delivery over the next three years.

Dividends

The interim dividend was doubled to 0.50p consolidating the special dividend of 0.25p which was paid to shareholders in 2008 to celebrate the Group's Centenary. Your Board has carefully considered the payment of a final dividend and proposes to maintain it at 0.40p which will be paid in this tax year. This gives an unchanged total for the year of 0.90p. Given the uncertainties of the current economic climate and trading conditions the Board will keep future dividend policy under review.

Subject to approval by shareholders at the annual general meeting to be held at 12.00 noon on 4 March 2010, at the offices of College Hill Associates Limited, The Registry, Royal Mint Court, London, EC3N 4QN, the final dividend will be paid on 26 March 2010, to shareholders registered at the close of business on 5 March 2010.

Board and management

The Board has remained unchanged throughout the year. In accordance with the articles of association Per Staehr is the director retiring by rotation at the forthcoming annual general meeting and, being eligible, offers himself for re-election.

The Board have asked, and I have consented, to my appointment being extended for a further three years until the conclusion of the annual general meeting in 2013.

During the past two years, as part of our effort to control costs while output has been falling, the Chief Executive has combined his role with that of acting Managing Director of LPA Niphan Systems and LPA Excil Electronics as well as spearheading the Group's export initiatives. This has proved successful and with the winning of £8m of contracts in Australia during the year a base load has been established for both companies over the next three years. Since the start of the new financial year Group management has been strengthened by the appointment of Managing Directors for both LPA Niphan Systems and LPA Excil Electronics which will enable the Chief Executive to continue the successful development of the Group.

Employees

In a year of mixed fortunes, our employees have again proven their value and they remain our most important asset. I would like to thank them for their efforts under difficult circumstances.

Defined benefit pension scheme

At the end of the financial year the defined benefit scheme was closed to future accrual. This will reduce future liabilities and risks to the Group.

Outlook

Although recently there has been a welcome recovery in routine orders, wholly unexpected contract re-scheduling by customers over the last ten weeks has removed approximately £1.7m of anticipated sales from the year. The first half will be disproportionately affected. Costs are being tightly controlled and directors' salaries have been held at January 2009 rates.

Given the record level of orders on hand shareholders will appreciate that it is frustrating not to be able to report a more positive start to the new financial year. However we have a good base load for the next three years and many prospects. Overall the outlook is positive.

Michael Rusch
Chairman
29 January 2010

Chief Executive's Review

Trading results

During the past financial year we suffered from a dearth of routine orders, which dried up as the recession developed. Sub-contract metal work and contract electronic manufacturing were the worst affected, but orders for industrial and aircraft connectors and rail general components also fell.

Added value was reduced imposing pressure on costs which were controlled tightly. Essential design and development activity was maintained to support the large rail contracts won and to introduce new LED lighting products, as was our sales and marketing expenditure to support our efforts to grow the business in new markets. Overall a small profit was returned.

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

Markets

The rail transport market has continued to provide us with good long term orders and there remain some very large opportunities which we will pursue with vigour. Despite Government commitment to invest in rail, the home market for passenger vehicles has become small and lumpy, so we continue our efforts to develop markets abroad, a policy that has delivered spectacular results in terms of order entry in the year just closed.

We were excited by the prospect of a further 200 Turbostar Diesel Multiple Units for the home market which were the subject of an urgent bid in early Spring, only to have it evaporate in the Department for Transport's late Summer announcement of further electrification.

Our continued efforts in Australia resulted in our first substantial order for LED based lighting worth £5.7m. France in particular and Asian countries in general have been quicker to embrace this new technology than our home market, though it must be said that new specifications emanating from the Department for Transport do call for such technology, which is helping to drive would be suppliers to the UK market to talk to us. We are also offering our LED products to the rail maintenance and infrastructure markets.

We are taking our LED lighting into other markets. We have won orders from the cruise ship and commercial markets.

We have been selected, and have begun supplying connectors and lighting for the additional West Coast Mainline passenger carriages, which will be built at Alstom's plant in Savigliano, Italy. The full contract orders should follow in due course.

We continue to supply the aircraft ground support market world-wide and we are now trialling our connectors at a major Asian hub airport.

The UK defence and aerospace markets remain very important to us.

Design and development

We have continued to develop our LumiSeries range of energy saving LED-based lighting products. We have extended the portfolio to include alternating current products which can now be offered to commercial markets, in addition to the existing direct current products used as standard in transportation. Trials of LumiStrip against fluorescent tubes have demonstrated substantial advantages including power saving, reduced maintenance and better colour rendition. It is pleasing to note that sales of LED products increased by 47% in the year to £1.2m (2008: £0.8m).

The bulk of our electro-mechanical design and development activity has been committed to meeting the requirements of the major rail projects we have won. We have launched a new aircraft power connector which has evoked a positive response from customers.

Structure and costs

Maintaining our capacity to respond to the increasing level of project work while the routine orders have been in decline has been challenging. We have maintained expenditure on sales and marketing and design and development as we invest for the future. We keep the structure under review and will make changes when appropriate.

Strategy

Our intention is to deliver shareholder value. In current economic conditions this is a challenge. Our continuing focus on the transportation market, particularly rail, has been rewarded by winning significant contracts in the year just finished and has provided many opportunities for the future. We are working to reduce our dependency on the sub-contract market, which has shrunk dramatically in this recession. We will continue to offer our LED lighting products in new markets and this should provide a strong engine for growth.

We will prepare the Saffron Walden property for sale when market conditions improve. We will migrate activities from the site when sensible, while retaining our essential skills in the locality.

Peter Pollock
Chief Executive
29th January 2010

Financial Review

Accounts preparation

The accounts have been prepared under the principles of International Financial Reporting Standards (IFRS).

Financial performance

Sales revenues in the current year were £13.72m, down by £1.36m (9.1%) from £15.08m in 2008, with operating profit falling by £68,000 to £205,000 (2008: £273,000). In the first half of the year sales were £7.03m (2008: £7.68m) and operating profit £92,000 (2008: £155,000) trailing the corresponding period last year by £0.65m and £63,000 respectively. Second half results were also down with sales at £6.69m (2008: £7.40m) and an operating profit of £113,000 (2008: £118,000).

Whilst gross profit for the year fell to £3.60m (2008: £3.80m), sales included an increased proportion of higher added-value products, which together with lower production overheads, led to a gross margin improvement from 25.2% to 26.2%. All other operating expenses, less income, were £0.13m below last year at £3.39m (2008: £3.52m). Costs in the year included termination costs of £13,000 (2008: £40,000), share option costs at £64,000 (2008: £63,000) and defined benefit pension scheme expense at £105,000 (2008: £188,000) following the decision to close the scheme to future pension accrual.

Within finance costs and finance income interest on borrowings fell in the year to £91,000 (2008: £172,000) reflecting lower average borrowings and significantly lower interest rates, the interest cost on pension scheme liabilities rose to £572,000 (2008: £481,000) as a result of the higher level of liabilities, and the return on pension scheme assets was down at £645,000 (2008: £753,000) the consequence of both lower opening assets and lower expected long-term rates of return.

With a tax charge of £45,000 (2008: £11,000) the profit for the year was £142,000 (2008: £371,000) representing basic earnings per share of 1.24p (2008: 3.25p).

Balance sheet

At the end of the year shareholders' funds were £4.47m (2008: £4.86m) giving a net asset value per ordinary share of 39.0p (2008: 42.5p). The tangible net asset value per share, calculated excluding intangible assets and the net pension (liability) / asset from the calculation was 28.6p (2008: 28.4p).

Property, plant and equipment at 30 September was £2.03m (2008: £2.19m) of which property made up £0.83m and plant and equipment £1.20m. Additions, which remain focused in the areas of production and engineering, were £249,000 (2008: £267,000) and the depreciation charge for the year was £328,000 (2008: £321,000). The carrying value of the Group's freehold properties does not reflect any redevelopment upside.

Net trading assets (defined as inventories plus trade and other receivables, less trade and other payables, provisions and current tax) were lower than last year at £2.62m (2008: £2.88m).

Progress was again made in reducing net debt, which fell from £1.84m to £1.40m over the year. Gearing improved to 31.3% (2008: 37.9%).

Intangible assets which total £1.29m (2008: £1.23m) comprise goodwill and capitalised development costs. Goodwill stands at £1.23m (2008: £1.23m) and largely relates to the Group's investment in Excil Electronics: there was no impairment charge in the year (2008: £nil). Capitalised development costs at the end of the year were £59,000 (2008: £Nil) and relate to the development of LED lighting products. Such costs were capitalised for the first time this year as the necessary criteria were met.

The pension liability included in the balance sheet, net of deferred tax, was £97,000 (2008: asset of £378,000). The change comprised an actuarial loss of £505,000 (2008: £986,000) recognised in the statement of recognised income and expense, plus £44,000 charged to the income statement (2008: credit of £38,000), less £74,000 (2008: £81,000) of contributions received. The actuarial loss resulted from an experience loss on liabilities of £550,000 plus the impact of changes to financial assumptions of £250,000 less a better than expected asset return of £295,000.

Pensions

Recognising the increasing costs of providing defined benefit pensions and the ongoing risk of future accrual the decision was taken to close the defined benefit pension arrangement operated by the Group to future pension accrual with effect from 1 October 2009.

Cash flow

Although trading performance was behind last year, the lower levels of working capital at the year end meant that overall net cash from operating activities improved to £871,000 (2008: £745,000).

Capital expenditure was higher in the year at £249,000 (2008: £81,000) reducing to net expenditure of £174,000 (2008: £54,000) after asset disposals. Development expenditure of £60,000 (2008: £Nil) was capitalised in the year (2008: £Nil) and interest received on short term deposits was £Nil (2008: £9,000).

In the year debt repayments were £403,000 (2008: £383,000), and interest payments on borrowings were reduced to £80,000 (2008: £161,000). Receipts from the exercise of share options were £Nil (2008: £10,000) and dividend payments were unchanged at £103,000 resulting in an overall net increase in the cash position of £51,000 (2008: £63,000).

Net debt

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

	Bank loan £'000	Finance lease obligations £'000	Cash and cash equivalents £'000	Net debt £'000
At 1 October 2008	1,218	482	142	1,842
Cash generated	-	-	(454)	(454)
Repayment of borrowings	(291)	(112)	403	-
Other non-cash items	11	-	-	11
At 30 September 2009	938	370	91	1,399

The bank loan is repayable in 13 quarterly instalments of £73,000 the last being in October 2012, the finance lease obligations are repayable over the next four years, and the bank overdraft of £0.09m (2008: £0.47m) is repayable on demand. At the year-end the Group was holding minimal cash (2008: £0.33m) and had £0.91m (2008: £0.67m) of un-drawn overdraft facilities available to it.

Subsequent to the year end the Group has re-negotiated its working capital facilities through to late November 2010. These total £2.8m and provide for an overdraft limit of £2.0m (previously: £1.0m), a guarantee limit of £0.6m (previously: £0.1m), and an unchanged forward exchange contract facility limit of £0.2m. Interest is payable on the new overdraft facility at 2.50% over base rate (previously 2.25% over base) and a 1.25% (previously 1.125%) charge is made against the unutilised part of the facility.

Treasury

The Group's treasury policy operates within approved Board guidelines and has not changed since 2008. 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
29 January 2010

Consolidated Income Statement

For the year ended 30 September 2009

	Note	2009 £'000	2008 £'000
Revenue		13,715	15,082
Cost of sales		(10,120)	(11,285)
Gross profit		3,595	3,797
Distribution costs		(1,413)	(1,339)
Administrative expenses		(1,977)	(2,185)
Operating profit		205	273
Finance costs		(663)	(653)

Finance income		645	762
Profit before tax		187	382
Taxation		(45)	(11)
Profit for the year		142	371
Earnings per share	1		
Basic		1.24p	3.25p
Diluted		1.24p	3.24p

All activities are continuing.

Consolidated Statement of Recognised Income and Expense

For the year ended 30 September 2009

	2009 £'000	2008 £'000
Cash flow hedges:		
Gains taken to equity	74	22
Transferred to profit for the period	(60)	(28)
Tax on cash flow hedges	(4)	2
Actuarial loss on pension scheme	(702)	(1,369)
Tax on actuarial loss	197	383
Net loss recognised directly in equity	(495)	(990)
Profit for the year	142	371
Total recognised expense	(353)	(619)

Consolidated Balance Sheet

At 30 September 2009

	2009 £'000	2008 £'000
Non-current assets		
Intangible assets	1,293	1,234
Property, plant and equipment	2,031	2,191
Retirement benefits	-	525
Deferred tax assets	135	120
	3,459	4,070
Current assets		
Inventories	2,495	2,194
Trade and other receivables	2,822	3,174
Cash and cash equivalents	2	330
	5,319	5,698

Total assets	8,778	9,768
Current liabilities		
Bank overdraft	(93)	(472)
Bank loans and other borrowings	(402)	(392)
Current tax payable	(40)	-
Trade and other payables	(2,630)	(2,458)
	(3,165)	(3,322)
Non-current liabilities		
Bank loans and other borrowings	(906)	(1,308)
Provisions	(5)	(5)
Retirement benefits	(135)	-
Deferred tax liabilities	(73)	(246)
Other payables	(26)	(27)
	(1,145)	(1,586)
Total liabilities	(4,310)	(4,908)
Net assets	4,468	4,860
Capital and reserves		
Share capital	1,145	1,145
Share premium account	365	365
Un-issued shares reserve	145	81
Revaluation reserve	309	310
Merger reserve	230	230
Retained earnings	2,274	2,729
Total equity	4,468	4,860

Consolidated Cash Flow Statement

For the year ended 30 September 2009

	2009 **£'000**	**2008** **£'000**
Profit for the year	142	371
Finance costs	663	653
Finance income	(645)	(762)
Income tax expense	45	11
Operating profit	205	273
Adjustments for:		
Depreciation	328	321
Amortisation of intangible assets	1	-
Loss / gain on sale of property, plant and equipment	6	(16)
Derivative financial instruments	(2)	(3)
Non-cash charge for equity-settled share-based payments	64	63
Retirement benefits	31	107
	633	745
Movements in working capital:		
Change in inventories	(301)	254
Change in trade and other receivables	379	100
Change in trade and other payables	160	(374)

Cash generated from operations	871	725
Income tax received	-	20
Net cash from operating activities	871	745
Purchase of property, plant and equipment	(249)	(81)
Proceeds from sale of property, plant and equipment	75	27
Capitalised development costs	(60)	-
Interest received	-	9
Net cash from investing activities	(234)	(45)
Repayment of bank loans	(291)	(291)
Repayment of obligations under finance leases	(112)	(92)
Interest paid	(80)	(161)
Proceeds from issue of share capital	-	10
Dividends paid	(103)	(103)
Net cash from financing activities	(586)	(637)
Net increase in cash and cash equivalents	51	63
Cash and cash equivalents at start of the year	(142)	(205)
Cash and cash equivalents at end of the year	(91)	(142)

Reconciliation of cash and cash equivalents	**2009 £'000**	**2008 £'000**
Cash and cash equivalents in current assets	2	330
Bank overdraft in current liabilities	(93)	(472)
Cash and cash equivalents at end of the year	(91)	(142)

Notes

1 - EARNINGS PER SHARE

The calculation of earnings per share is based upon the profit for the year of £142,000 (2008: £371,000) and the weighted average number of ordinary shares in issue during the year of 11.448m (2008: 11.419m). The weighted average number of ordinary shares diluted for the effect of outstanding share options was 11.463m (2008: 11.465m).

	2009			**2008**		
	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	142	11.448	1.24	371	11.419	3.25
Effect of share options	-	0.015	-	-	0.046	(0.01)
Diluted earnings per share	142	11.463	1.24	371	11.465	3.24

2 - INFORMATION

The preceding information does not constitute the Company's statutory accounts for the years ended 30 September 2009 or 30

September 2008 but is derived from those accounts. The 2009 accounts will be posted to shareholders on 8 February 2010 and will be available from the Company Secretary, LPA Group Plc, Debden Road, Saffron Walden, Essex, CB11 4AN, shortly thereafter. Statutory accounts for 2008 have been delivered to the Registrar of Companies, and those for 2009 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 2009 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.