29 January 2008 - Preliminary announcement of results for the year ended 30 September 2007

LPA Group PLC, the lighting, power and electronics system manufacturer and distributor, announces a return to profit for the year to 30 September 2007 and a good start to the new financial year.

KEY POINTS

- **Turnover up 21.2% to £16.65m (2006: £13.74m)**
- **Profit before taxation of £298,000 (2006: loss of £143,000)**
- **Adjusted earnings per share (before amortisation of goodwill) 2.91p (2006: loss 0.40p)**
- **Proposed final dividend of 0.40p (2006: 0.35p) per share making a total for the year of 0.60p (2006 0.50p) an increase of 20%**
- **Reduction in gearing to 38.0% (2006: 38.8%); strong cash flow in current year**
- **Property disposal could add significantly to shareholders' funds if activities can be economically relocated in the medium term**
- **Continuing interest in LED lighting for defence, infrastructure and rail vehicles**

Peter Pollock, Chief Executive, commented

"Pleasing progress has been made during 2007 in rebuilding the profitability of the Group. The current year has started strongly, but there are challenges which need to be overcome in the near term before the pick up in rail project work in 2009. Orders expected to be placed during 2008, together with those already in hand, should see a significant increase in activity from 2009 through to 2011."

29 January 2008

ENQUIRIES

Peter Pollock	**LPA Group Plc**	**07881 626123 or 01799 512844**
Thilo Hoffman	**Landsbanki Securites**	**020 7426 9000**
Gareth David	**College Hill Associates**	**020 7457 2020**

Chairman's Statement

Results

I am pleased to report that, as anticipated in my interim statement, the Group's second half performance, like that of the first, was strong, resulting in improved sales for the year of £16.65m (2006: £13.74m), a profit before tax of £298,000 as compared to a previous year loss before tax of £143,000 and basic earnings per share of 2.07p (2006: loss of 1.26p).

Dividends

Given the good trading performance last year and a cash position which has continued to improve, your directors recommend an increased final dividend of 0.40p (2006: 0.35p) per share, which together with the interim dividend of 0.20p (2006: 0.15p), will give a total for the year of 0.60p (2006: 0.50p), an increase of 20%. The final dividend will be paid on 28 March 2008, to members on the register at close on 7 March 2008, subject to receiving shareholder approval at the annual general meeting to be held this year at the offices of College Hill Associates Limited, The Registry, Royal Mint Court, London, EC3N 4QN at 12 noon on 11 March 2008.

Board

In my statement to you last year I indicated our intention to strengthen the Board through the addition of at least one new non-executive director, and I am delighted to report the appointment of Per Staehr, who joined the Board in December 2007. Per has held a number of senior appointments in the rail and transportation industries and brings with him a wealth of relevant experience.

John Goodger was due to retire at the conclusion of the forthcoming Annual General Meeting, however the Board has asked him to provide a period of overlap with Per Staehr and he has agreed to remain on the Board until the end of the current financial year.

Employees

Our people have, once again, proved to be our most valuable asset and have contributed in many ways to the Group's progress during the year. I take this opportunity to thank them for their continued support.

Saffron Walden property

The Board has been evaluating a possible sale of its freehold site at Saffron Walden, where there is potential to realise value by relocating manufacturing activity and selling the site for residential re-development. The Board solicited and received a conditional offer of £2.2m for the site from a major house builder, which is £1.7m higher than the current book value of £0.5m. The Board appointed King Sturge LLP, whose initial assessment of the site suggested that a value in excess of the offer could be realised, to help identify suitable alternative premises and to begin the formal marketing of the site. We are actively assessing costs, other issues, and options for relocation from the site, in the medium term.

Outlook

The start to the current financial year has been strong but the second quarter will be weaker. The continuing delay in the award of rail vehicle contracts has created a hiatus in the work load which will restrict progress during the remainder of this year. The Group will be dependent on its non project activities to sustain it, but happily these showed considerable growth during last year, which we hope will continue this year.

The Group has already been selected for a number of projects for which, frustratingly, contracts have yet to be placed, but which taken with the recently announced new rail vehicle orders where the Group is an established supplier, means that the Group remains well placed to receive a number of large contracts during the current financial year. These, together with contracts already on hand, should deliver growth during 2009 and sustain the load through to 2011.

I look forward to reporting further at the Annual General Meeting and in the Interim Statement.

Michael Rusch
Chairman
29 January 2008

Chief Executive's Review

Trading

Order entry increased by 7.5% in the year to £15.18m despite continued delay in the placing of project orders for which the Group has already been selected. Sales also increased, by 21.2% to £16.65m, which was the driver behind the improved activity throughout the year, however the low rail project order intake meant that total orders fell behind sales for the first time in five years. The consequent weakness in the rail contract load meant that sales for the current year were likely to fall below those for last year, and in anticipation of this, the cost base was reduced in September.

Markets

Despite the increase in service related activities such as sub-contract and distribution, the Group's main market remains the supply of components and systems for rail (including new vehicle build and refurbishment) in the UK, Europe and Asia. Other markets, including aerospace and defence, infrastructure and general industrial, continue to grow in importance and reduce the Group's dependence on long term contracts.

Rail

The Group remains the leading UK-based designer and manufacturer of inter-rail vehicle electrical connection systems and has supplied an important first contract in Asia. The Group also holds a world class position in LED's for illumination applications, originally developed for rail vehicle interiors but increasingly used for other markets and applications. Finally the Group continues to be the UK's leading designer, integrator and supplier of auxiliary battery power systems, a position which has been enhanced by a second appointment as distributor of batteries for train use, and which now allows the Group to offer both Lead Acid Gel and NiCad battery solutions for new build and service replacement applications.

Following a period of unprecedented demand for new rail vehicles the UK remains, for the second year in succession, in consolidation mode. The number of new trains being built remains depressed and attention has been directed to refurbishment of surface stock. There has been some demand for new Electrostar vehicles, where the Group has only limited involvement, and the Group has made initial supplies of lighting and shore supply for Javelin (the new High Speed Channel Tunnel Rail Link vehicle).

Orders for Turbostar, where the Group is well represented, have now been announced and contracts should be awarded this year. Likewise various impasses which have delayed the placing of orders for new West Coast Mainline vehicles could be resolved in the relatively near future which could lead to significant contracts for the Group. The delays however mean that the hiatus in work load is likely to be longer than expected, extending through the rest of 2008, but which will be followed by a period of higher activity starting with the Victoria Line upgrade at the end of 2008 and which should extend through to 2011 and quite probably beyond. The Group is also pursuing current opportunities in Australia, which have an earlier planned start date and which are likely also to run through till 2011.

The Group is beginning to enjoy more success in the rail infrastructure market, albeit from a small base and with a narrow product offering which we are gradually expanding.

Aerospace and Defence

This market remains important to the Group, where we concentrate on the subcontract and the spares market, which offer more opportunities than large pan-national collaborative projects with long gestation periods. The UK defence market remains fragmented which gives us opportunities to use our customer-focussed service approach successfully.

Infrastructure and General Industrial

The Group remains a leading player in the global market, excluding the US, for aircraft Ground Power connectors and cables which provide power for aircraft, on the ground with engines switched off, to run essential services. We are dominant in the UK, but compete against European and US competitors in export markets. These products are used for both civil and military applications.

The Group manufactures a range of electrical connection products, for which the London Underground station upgrades are an exciting market, albeit subject to delays as a consequence of the Metronet insolvency.

The Group's metal forming activities have continued to prosper and grow. Their high quality, service and ability to produce short production runs are recognised and have resulted in them acquiring more customers.

Strategy

Having restored financial stability management remain focussed on delivering shareholder value and sustaining the Group's profitability in future.

The opportunity to realise the development potential of the Saffron Walden site has been grasped and strategies to maximise this potential at minimum cost to the business are being followed.

Whilst recognising their importance, it is nevertheless a goal of the Group to reduce its dependence on large long term contracts. Much of last year's growth was achieved in activities outside of rail vehicle projects with new products in lighting and aircraft ground power supply, together with growth in our service-led activities in sub contract and distribution.

The reduction in manufacturing costs through outsourcing to low cost countries continues.

It is an objective of the Group to position its products at the higher end of the technology spectrum. LED lighting products occupy such a position and have large growth potential. The Group's LED technology was initially developed for the rail and defence markets, but it has wider application and an LED replacement for the Halogen MR16 20 watt filament lamp was recently launched. This LED replacement consumes about 20 per cent of the energy, while delivering about ten per cent more light output than its halogen equivalent, and has a life of up to 15 years. Pre-production quantities will be available in March, with volume production following.

Our continuing commitment to quality, reliability and low life-cycle cost is now reflected in our new logo with its recycling theme and strap line 'Long Life Reliability does not cost the earth'. This is part of an effort to combat the lowest cost initial purchasing philosophy, which sources cheap products of less than optimal quality, and which often leads to more frequent replacement, more maintenance and higher whole life costs. In particular it accords with the UK and European rail industry where, the drive is towards a sustainable railway which will be environmentally-friendly and lower cost. There is strong interest in both our range of LED lighting products, which have easily recognisable green credentials, but also in our inter-car connection equipment, with its high density, compact, lightweight and long life characteristics.

Growth opportunities, both organic and through acquisition where appropriate, are pursued.

Structure and costs

The Group structure is reviewed and adjusted as appropriate to meet market requirements. In the year key appointments made included a managing director at Excil Electronics, where focus on the LED lighting market development is essential, and a sales director at Niphan Systems. As noted above operating costs were reduced at the end of the year.

Design and development

Effort has been applied to the standardisation of product to facilitate faster tendering, larger batch sizes and low cost country sourcing, and there has been more focus on the development of proprietary products. LED lighting products are in demand and we need to do more to satisfy the market requirements. There has been a high level of tendering associated with major rail projects. The Group has developed a new plug and socket for use on roadside light columns, where in the event of impact the electrical connection is automatically broken rendering the lamp standard safe.

Peter Pollock
Chief Executive
29 January 2008

Financial Review

Financial performance

Results for the year were significantly ahead of 2006 with turnover increasing by £2.91m (21.2%) to £16.65m generating an operating profit of £278,000 as compared to a loss of £205,000 last year. Whilst the majority of this improvement was seen in the first half of the year - where sales of £8.60m were £1.93m up on the corresponding period last year and an operating profit of £128,000 replaced a loss of £181,000 - the second half with sales of £8.05m and an operating profit of £150,000 was also in advance of prior year (2006: sales of £7.07m, loss of £24,000).

The improved sales performance was seen across all Group activities. There was a modest increase in gross margin, from 22.8% to 23.2%, which was mitigated by growth being largely in lower added-value products, but benefited from a smaller year-on-year fall in the labour and overhead content of stock. Total operating expenses at £3.58m were £238,000 above last year, the increase largely volume related. Costs in the year included £47,000 in respect of tender offer defence costs and termination costs of £57,000 (2006: £83,000). As a consequence an operating profit of £278,000 resulted, compared to an operating loss of £205,000 last year.

Interest costs were in line with prior year at £184,000 (2006: £181,000) reflecting lower average borrowings but higher interest rates, but with a lower net pension return of £204,000 (2006: 243,000) net finance income fell to £20,000 (2006: £62,000). The tax charge in the period was £68,000 (2006: credit £6,000).

The profit after tax was £230,000 (2006: loss of £137,000) representing basic earnings per share of 2.07p (2006: loss per share of 1.26p). The adjusted earnings per share, which excludes goodwill amortisation from the calculation, was 2.91p (2006: loss of 0.40p).

Balance sheet

At the end of the year shareholders' funds were £5.50m (2006: £5.72m) giving a net asset value per ordinary share of 48.3p (2006: 52.5p).

The tangible net asset value per share, which excludes goodwill and pension asset, was 27.4p (2006: 25.2p).

Goodwill included in the balance sheet largely relates to the investment in Excil Electronics.

The pension asset included in the balance sheet fell in the year by £498,000 to £1.25m (2006: £1.74m). The change comprised an actuarial loss of £570,000 recognised in the statement of recognised gains and losses (being the net of actuarial assumption changes and a restriction on the amount of surplus recognised), £39,000 charged to the profit and loss account, less £111,000 of contributions received.

Cash flow and debt

Cash generated from operating activities increased in the year to £697,000 (2006: £648,000) with the improved profit performance, largely offset by the affect of a small increase in working capital during the year as compared to a large decrease in the previous year.

Capital expenditure which remains focused in production and engineering rose slightly to £156,000 (2006: £143,000) reducing to net expenditure of £147,000 (2006: £137,000) after asset disposals. After payments of interest £173,000 (2006: £171,000), tax £Nil (2006: £8,000), and dividends £61,000 (2006: £55,000), the net cash inflow before financing amounted to £316,000 (2006: £277,000).

In the year cash benefited by £600,000 from the negotiation of an increase in the term loan facility, £156,000 was received from the exercise of share options, and debt repayments of £340,000 (2006: £385,000) were made such that there was a net increase in the cash position of £732,000 (2006: decrease of £108,000).

In the year net debt fell to £2.09m (2006: £2.22m), gearing fell to 38% (2006: 39%) and at the year-end there were £1.0m (2006: £0.7m) of un-drawn committed facilities available to the Group.

Treasury

The Group's treasury policy, which operates within approved Board guidelines and has not changed since 2006, 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.

The Group's principal financial instruments comprise sterling bank loans and overdrafts, and obligations under hire purchase contracts together with trade debtors and trade creditors that arise directly from its operations. The main risks arising from the Group's financial instruments can be analysed as follows:

Currency risk - the Group has transactional currency exposure arising from normal trading activity. Such exposure arises from sales or purchases in currencies other than sterling, the functional currency of the Group. The Group hedges the foreign currency risk associated with sales and purchases using forward exchange contracts. Experience to date is that any un-hedged exposure has not led to major exchange gains or losses. The main foreign currencies in which the Group operates are the euro and the US dollar.

Interest rate risk - the only financial liabilities of the Group which are subject to interest charges are bank loans and overdrafts (floating rate liabilities which bear interest at market rates) and obligations under hire purchase contracts (fixed rate liabilities which bear interest at the negotiated market rate prevailing at the time the commitment is made). The directors monitor the overall level of borrowings and interest costs to limit any adverse effects on financial performance of the Group.

Liquidity risk - the Group's policy has been to ensure continuity of funding through acquiring an element of its fixed assets under hire purchase agreements, and arranging funding for its operations through medium-term bank loans with short-term flexibility achieved through the use of overdraft facilities.

Credit risk - the Group's credit risk is primarily attributable to its trade debtors. Credit risk is managed by monitoring the aggregate amount and duration of exposure to any one customer depending upon their credit rating. The amounts presented in the balance sheet are net of allowances for doubtful debts, estimated by the Group's management based on prior experience and their assessment of the current economic environment.
The Group does not trade in derivatives or make speculative hedges.

Going concern

The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and therefore the accounts have been prepared on a going concern basis.

Stephen Brett
Finance Director
29 January 2008

Consolidated Profit and Loss Account

For the year ended 30 September 2007

	2007 £'000	2006 £'000
Turnover	16,650	13,737
Cost of sales	(12,792)	(10,600)
Gross profit	3,858	3,137
Net operating expenses	(3,580)	(3,342)
Operating profit / (loss)	278	(205)
Net finance income	20	62
Profit / (loss) on ordinary activities before taxation	298	(143)
Tax on profit / (loss) on ordinary activities	(68)	6
Profit / (loss) on ordinary activities after taxation	230	(137)
Earnings / (loss) per share		
Basic	2.07p	(1.26p)
Diluted	2.05p	(1.26p)

All activities are continuing.

Statement of Total Recognised Gains and Losses

For the year ended 30 September 2007

	2007 £'000	2006 £'000
Profit / (loss) after tax for the year	230	(137)
Actuarial (loss) / gain recognised in the pension scheme	(872)	144
Deferred tax attributable to actuarial loss/gain	302	(43)
Total recognised losses	(340)	(36)

Consolidated Note of Historical Cost Profits and Losses

For the year ended 30 September 2007

In both the current and the preceding financial year, there is no material difference between the profit before taxation and the profit after taxation as shown in the profit and loss account and their historical cost equivalent.

Reconciliation of Movements in Shareholders' Funds

For the year ended 30 September 2007

	2007 £'000	2006 £'000
Opening equity shareholders' funds	5,723	5,814
Profit / (loss) for the financial year	230	(137)
Actuarial (loss) / gain recognised in the pension scheme	(570)	101
Dividends	(61)	(55)
Issue of shares	156	-
Fair value of share options granted	18	-
Closing equity shareholders' funds	5,496	5,723

Consolidated Balance Sheet

At 30 September 2007

	2007 £'000	2006 £'000
Fixed assets		
Intangible assets	1,140	1,234
Tangible assets	2,256	2,100
	3,396	3,334
Current assets		
Stocks	2,448	2,632
Debtors	3,274	3,114

Cash at bank and in hand	3	4
	5,725	5,750
Creditors: Amounts falling due within one year	(3,319)	(4,143)
Net current assets	2,406	1,607
Total assets less current liabilities	5,802	4,941
Creditors: Amounts falling due after more than one year	(1,520)	(956)
Provisions for liabilities	(31)	(5)
Net assets excluding pension asset	4,251	3,980
Pension asset	1,245	1,743
Net assets	5,496	5,723
Capital and reserves		
Called up share capital	1,137	1,090
Share premium account	363	254
Un-issued shares reserve	18	-
Revaluation reserve	311	313
Merger reserve	230	230
Profit and loss reserve	3,437	3,836
Total equity shareholders' funds	5,496	5,723

Consolidated Cash Flow Statement

For the year ended 30 September 2007

	2007 **£'000**	**2006** **£'000**
Net cash inflow from operating activities	697	648
Returns on investments and servicing of finance		
Interest paid	(163)	(163)
Interest element of hire purchase payments	(10)	(8)
	(173)	(171)
Taxation	-	(8)
Capital expenditure		
Payments to acquire tangible fixed assets	(156)	(143)
Receipts from sale of other fixed assets	9	6
	(147)	(137)

Equity dividends paid to shareholders	(61)	(55)
Net cash inflow before financing	316	277
Financing		
Increase in share capital	156	-
Increase in term loan	600	-
Repayment of loans	(294)	(305)
Capital element of hire purchase payments	(46)	(80)
	416	(385)
Increase / (decrease) in cash	732	(108)

Notes

1 - EARNINGS PER SHARE

The calculation of earnings per share is based upon the profit after tax of £230,000 (2006: loss of £137,000) and the weighted average number of ordinary shares in issue during the year of 11.125m (2006: 10.903m). The weighted average number of ordinary shares diluted for the effect of outstanding share options was 11.226m (2006: 10.903). Adjusted earnings per share, which is disclosed to reflect the underlying performance of the Company, has been calculated on a profit of £324,000 (2006: loss of £44,000) being the profit after tax for the year before the amortisation of goodwill. Details are as follows:

	£'000	**2007 Basic pence per share**	**Diluted pence per share**	**£'000**	**2006 Basic pence per share**	**Diluted pence per share**
Basic earnings	230	2.07	2.05	(137)	(1.26)	(1.26)
Amortisation of goodwill	94	0.84	0.84	93	0.86	0.86
Adjusted earnings	324	2.91	2.89	(44)	(0.40)	(0.40)

2 - CHANGES IN ACCOUNTING POLICY

Share based payments

The Group's accounting policies are unchanged compared to last year apart from the adoption of FRS20 "Share Based Payments". The cost of share based payments, where employees receive share options, is determined by reference to the fair value at the date of grant. The cost is recognised in the profit and loss account over the vesting period. Comparative figures have not been restated as there is not a material impact on either net assets at September 2006 or earnings in the year to September 2006 arising from the adoption of FRS20.

3 - INFORMATION

The preceding information does not constitute the Company's statutory accounts for the years ended 30 September 2007 or 30 September 2006 but is derived from those accounts. The 2007 accounts will be posted to shareholders on 15 February 2008 and will be available from the Company Secretary, LPA Group Plc, Debden Road, Saffron Walden, Essex, CB11 4AN, shortly thereafter. Statutory accounts for 2006 have been delivered to the Registrar of Companies, and those for 2007 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 section 237(2) or (3) of the Companies Act 1985.

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 2007 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.