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# LPA Group Plc

Interim Unaudited Group Results for the Six Months ended 31 March 2019

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## CHAIRMAN'S STATEMENT

In my comments to the Annual General Meeting on 21 March 2019 and the subsequent Trading Statement on 23 May 2019, I referred to the quiet start to the year and the further delays to major UK projects, including CrossRail, which had persisted longer than anticipated and which would affect not only the first half but also the year as a whole.

As expected, output in the first half fell short of the exceptionally strong performance last year with sales amounting to £10.1m (2018: £13.9m) and Operating Profit before exceptional items of £0.2m (2018: £1.1m).

The exceptional item recognised, in line with the High Court ruling in October 2018, requiring all UK companies to remove inequalities between men and women in scheme benefits that arose under Guaranteed Minimum Pensions (GMP), amounted to £0.4m. Thus, the surplus on the Group's defined benefit pension scheme, which was £2.4m at 30 September 2018, is reduced by £0.4m. This is a historical cost which as advised previously has been recognised in the current financial year.

This exceptional charge results in a loss before tax of £0.2m (2018: Profit £1.0m) and a loss per share of 1.20p (2018 earnings per share 6.51p) to be recorded. Despite this loss, the Interim Dividend will be maintained at 1.10p, reflecting the board's confidence in the future. This confidence is underpinned by the significant increase in order entry in the period of £15.4m (2018: £8.4m) and the large orders subsequently won during April and May, announced in last month's Trading Update, a strong pipeline and funnel of potential future business.

Both Electro-mechanical and Lighting Systems suffered from the well flagged contract delays during the first half and while Electro-mechanical is expected to recover in the second half, Lighting Systems is likely to suffer further contract delays, before recovering next year as contracts already won come on stream. Engineered Component Distribution had a strong first half trading, and is well placed for this year and beyond. Despite the delivery delays, our order intake at £15.4m represents an 83% increase (2018: £8.4m), with an increased order book at £19m (2018: £16m).

We are working our way through the impact of the change in DfT rolling stock procurement, which has negatively affected the supply chain, with significant restructuring among major rolling stock maintenance and refurbishment companies. The Group is fortunate not to be entirely reliant on the UK Rail Industry, but has a significant export business as well as Aerospace, Aircraft Ground Support and Industrial market exposure.

We are actively investing in new product lines to increase our presence in these markets; our increased R&D spend is reflective of this. We are also extremely cost conscious, having already reduced manning levels by 18% compared with last year, largely through ending temporary contracts. We are maintaining our investment in plant & equipment and management methods to improve productivity.

In April 2019 the Group refreshed its long-term financing, which now comprises a mortgage facility, increased by £0.5m to £2.6m, remaining secured on the Group's freehold properties, over a fifteen-year repayment period, with a refinancing due by March 2024. The Group will adopt IFRS 16 (Accounting for Leases) with effect from 1 October 2019, but the board, having reviewed its impact does not consider the overall impact to be material.

The Group embraces the digital era and with its green credentials seeks to reduce waste. Over the next eighteen months we are planning to move shareholder communication from paper reports to digital reports available for download from our website. Indeed, all our communications are already available digitally from our website. finnCap have been appointed stockbrokers to the Group with effect from 3 June 2019.

I am pleased to report that the rejuvenated board is working well together in challenging circumstances. We expect to appoint a further non-executive director during the next year and that Paul Curtis will be promoted to Chief Executive Officer in due course. The Chairman of LPA Pensions Trustees has retired, an executive role which I shall discharge until I retire in September 2021. We have adopted the QCA Corporate Governance Code and a road map to full compliance; this is set out in our Annual Report and on our website.

The interim dividend will be paid on 27 September 2019 to those shareholders registered at the close of business on 6 September 2019; the ex-dividend date being 5 September 2019. Despite the softer performance in the first half, the Group is in fine fettle and the board looks forward to the future with confidence.

**Peter Pollock**  
Chairman  
19 June 2019

**CONSOLIDATED INCOME STATEMENT**

	<b>6 months to 31 Mar 2019 Unaudited £000</b>	<b>6 months to 31 Mar 2018 Unaudited £000</b>	<b>Year to 30 Sept 2018 Audited £000</b>
<b>Revenue</b>	10,091	13,929	27,979
<b>Operating profit before exceptional items</b>	174	1,122	2,244
Pension; reorganisation and other nonrecurring costs	(364)	(111)	(175)
<b>Operating (loss) / profit</b>	(190)	1,012	(2,069)
Finance costs	(43)	(43)	(80)
Finance income	34	18	35
<b>(Loss) / Profit before tax</b>	(199)	987	2,024
Taxation	50	(127)	(253)
<b>(Loss) / Profit for the period</b>	(149)	860	1,771
Attributable to:			
- Equity holders of the parent	(149)	860	1,771
<b>(Loss)/Earnings per share</b> (see note 3)			
- Basic	-1.20p	6.95p	14.34p
- Diluted	-1.20p	6.51p	13.44p

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	<b>6 months to 31 Mar 2019 Unaudited £000</b>	<b>6 months to 31 Mar 2018 Unaudited £000</b>	<b>Year to 30 Sept 2018 Audited £000</b>
<b>(Loss) / Profit for the period</b>	(149)	860	1,771
<b>Other comprehensive income / (expense)</b>			
Actuarial (loss) / gain on pension scheme	(516)	(396)	962
Tax on actuarial (loss) / gain	94	65	(178)
Other comprehensive (expense) / income net of tax	(422)	(331)	784
<b>Total comprehensive income for the period</b>	(571)	529	2,555
Attributable to:			
- Equity holders of the parent	(571)	529	2,555

**CONSOLIDATED BALANCE SHEET**

	<b>As at 31 Mar 2019 Unaudited £000</b>	<b>As at 31 Mar 2018 Unaudited £000</b>	<b>As at 30 Sept 2018 Audited £000</b>
<b>Non-current assets</b>			
Intangible assets	1,248	1,187	1,200
Property, plant and equipment	7,267	6,842	7,216
Retirement benefits	1,613	983	2,409
	<hr/> 10,128	<hr/> 9,012	<hr/> 10,825
<b>Current assets</b>			
Inventories	3,746	4,820	3,881
Trade and other receivables	4,800	6,041	5,540
Cash and cash equivalents	304	44	956
	<hr/> 8,850	<hr/> 10,904	<hr/> 10,377
<b>Total assets</b>	<hr/> 18,978	<hr/> 19,918	<hr/> 21,202
<b>Current liabilities</b>			
Bank overdraft	-	(817)	-
Bank loans and other borrowings	(355)	(251)	(322)
Current tax payable	(283)	(188)	(266)
Trade and other payables	(3,602)	(4,947)	(4,868)
	<hr/> (4,240)	<hr/> (6,203)	<hr/> (5,456)
<b>Non-current liabilities</b>			
Bank loans and other borrowings	(2,576)	(2,420)	(2,605)
Deferred tax liabilities	(212)	(159)	(430)
Other payables	-	(90)	-
	<hr/> (2,788)	<hr/> (2,669)	<hr/> (3,035)
<b>Total liabilities</b>	<hr/> -7,028	<hr/> -8,872	<hr/> -8,491
<b>Net assets</b>	<hr/> 11,950	<hr/> 11,046	<hr/> 12,711
<b>Equity</b>			
Share capital	1,261	1,238	1,238
Investment in own shares	(324)	-	(214)
Share premium account	688	628	628
Un-issued shares reserve	123	134	122
Merger reserve	230	230	230
Retained earnings	9,972	8,816	10,707
<b>Equity attributable to shareholders of the parent</b>	<hr/> 11,950	<hr/> 11,046	<hr/> 12,711

**CONSOLIDATED CASH FLOW STATEMENT**

	<b>6 months to 31 Mar 2019 Unaudited £000</b>	<b>6 months to 31 Mar 2018 Unaudited £000</b>	<b>Year to 30 Sept 2018 Audited £000</b>
(Loss) / Profit before tax	(199)	987	2,024
Finance costs	43	43	80
Finance income	(34)	(18)	(35)
Operating (loss) / profit	<u>(190)</u>	<u>1,012</u>	<u>2,069</u>
<i>Adjustments for:</i>			
Depreciation	361	319	652
Amortisation of intangible assets	12	6	12
(Gain) on sale of property, plant and equipment	-	(8)	(10)
Retirement benefits provisions	364	-	-
	<u>547</u>	<u>1,329</u>	<u>2,723</u>
<i>Movements in working capital:</i>			
Change in inventories	135	(404)	536
Change in trade and other receivables	924	(986)	(486)
Change in trade and other payables	(1,447)	(22)	(190)
<b>Cash generated from operations</b>	<u>159</u>	<u>(83)</u>	<u>2,583</u>
Income taxes paid	-	-	(35)
Retirement benefits	(50)	(50)	(100)
<b>Net cash from operating activities</b>	<u>109</u>	<u>(133)</u>	<u>2,448</u>
Purchase of property, plant and equipment	(245)	(173)	(496)
Proceeds from sale of property, plant and equipment	-	8	10
Capitalised development expenditure	(60)	(8)	(27)
Purchase of Own Shares	(110)	-	(214)
<b>Net cash (used in) investing activities</b>	<u>(415)</u>	<u>(173)</u>	<u>(727)</u>
Repayment of bank loans	(99)	(98)	(196)
Repayment of obligations under finance leases	(94)	(53)	(109)
Interest paid	(14)	(15)	(24)
Proceeds from issue of share capital	83	-	-
Dividends paid	(222)	(204)	(339)
<b>Net cash (used in) financing activities</b>	<u>(346)</u>	<u>(370)</u>	<u>(668)</u>
Net (decrease) / increase in cash and cash equivalents	(652)	(676)	1,053
Cash and cash equivalents at start of the period	956	(97)	(97)
<b>Cash and cash equivalents at end of the period</b>	<u>304</u>	<u>(773)</u>	<u>956</u>
<b>Reconciliation of cash and cash equivalents</b>			
Cash and cash equivalents in current assets	304	44	956
Bank overdraft in current liabilities	-	(817)	-
Cash and cash equivalents at end of the period	<u>304</u>	<u>(773)</u>	<u>956</u>

**NOTE 1 – BASIS OF PREPARATION**

These interim consolidated financial statements are for the six months ended 31 March 2019. They do not include all 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 2018.

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 2018. 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 ending 30 September 2019.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****New standards and interpretation adopted by the Group**

These statements include a historic provision for Guaranteed Minimum Pension (GMP) equalisation, which whilst remains an estimate, is believed to be a full provision. This is in line with the High Court ruling in October 2018 requiring all UK companies to remove inequalities between men and women in scheme benefits that arose under GMP. As the basis of calculation was not previously available the ruling is considered to create a new obligation, leading to accounting for the increase in liabilities as a past service cost, which is recognised in the current period profit and loss account as an exceptional cost.

**NOTE 3 – EARNINGS PER SHARE**

The calculations of earnings per share are based upon the loss/profit after tax attributable to ordinary equity shareholders and the weighted average number of ordinary shares in issue during the period. Diluted earnings per share are based on the weighted average number of ordinary shares; share options and warrants in issue in the period.

\* Basic and diluted earnings per share are equal for the 6 months to 31 March 2019, since where a loss is incurred the effect of outstanding share options and warrants is considered anti-dilutive and is ignored for the purpose of the loss per share calculation. As at 31 March 2019 there were 1,025,000 outstanding share options, of which 875,000 were exercisable. Details are as follows:

	<b>6 months to 31 Mar 2019 Unaudited</b>	<b>6 months to 31 Mar 2018 Unaudited</b>	<b>Year to 30 Sept 2018 Audited</b>
(Loss) / Profit for the period - £000	(149)	860	1,771
Weighted average number of ordinary shares in issue during the period (million)	12.435	12.186	12.350
Dilutive effect of share options *	-	0.995	0.813
Number of shares for diluted earnings per share	12.435	13.181	13.163
Basic (loss) / earnings per share	-1.20p	6.95p	14.34p
Diluted (loss) / earnings per share *	-1.20p	6.51p	13.44p



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