

LPA GROUP PLC

Interim unaudited results for the six months ended 31 March 2021

LPA Group Plc ("LPA" or the "Group"), the high reliability LED lighting, electronic and electro-mechanical system designer, and manufacturer, announces its results for the six months to 31 March 2021 and a record order book.

KEY POINTS

- Order book increased 6% to £26.2m (2020: £24.7m)
- Order entry at £13.0m (2020: £14.2m)
- Revenue £9.3m (2020: £10.8m)
- Underlying operating profit £0.15m (2020: £0.23m)
- Profit before tax £0.10m (2020: £0.19m)
- Basic earnings per share 1.67p (2020: 2.08p)
- Interim dividend nil (2020: nil)
- Net debt¹ reduced to £1.77m (2020: £3.17m)
- Gearing¹ reduced 47% to 13.5% (2020: 25.6%)

Paul Curtis, CEO, commented:

"Against a backdrop of both Covid-19 and Brexit, the Group has shown its strength and agility in dealing with delays experienced to projects across our markets, and maintained profit at near 2020 levels, despite a 14% reduction in revenue for the period.

The order book increased to record levels of £26.2m, featuring a mix of orders from both traditional customers and product lines, but importantly also featuring a c£5m contribution from new product developments and new customers.

The Group continues to focus on costs and cash retention, and development of our people and product ranges, ensuring it is strongly positioned for the future. It is envisaged that as world economic activity increases, the work that has been undertaken throughout the last year will put the Group in an excellent position to maximise the opportunities for growth and Group development that may arise."

Paul Curtis
CEO

16 June 2021

Notes: ¹excluding IFRS16 (operating) leases. Including: Gearing reduced 45% to 14.8% (2020: 26.8%). Net debt reduced to £1.95m (2020: £3.32m).

This announcement contains inside information for the purposes of the UK Market Abuse Regulation and the Directors of the Company are responsible for the release of this announcement.

Caution regarding forward looking statements

Certain statements in this announcement, are, or may be deemed to be, forward looking statements. Forward looking statements are identified by their use of terms and phrases such as "believe", "could", "should" "envisage", "estimate", "intend", "may", "plan", "potentially", "expect", "will" or the negative of those, variations or comparable expressions, including references to assumptions. These forward looking statements are not based on historical facts but rather on the Directors' current expectations and assumptions regarding the Company's future growth, results of operations, performance, future capital and other expenditures (including the amount, nature and sources of funding thereof), competitive advantages, business prospects and opportunities. Such forward looking statements reflect the Directors' current beliefs and assumptions and are based on information currently available to the Directors.

LPA Group Plc

Interim Unaudited Group Results for the six months ended 31 March 2021

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LPA Group Plc		
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CHAIRMAN'S STATEMENT

In my AGM Trading Update I reported that we had been victims of our own success in managing our way through the impact of Covid-19 better than other parts of our customers' supply chains and that as a consequence, delivery of components we manufacture would be delayed into later periods. I am relieved to report that the situation appears to have stabilised and that the reality has been not much worse than our expectations. No business has been lost and the longer-term order book has strengthened, giving us continuing confidence that the business will recover throughout next year, returning to at least some normality.

Sales in the Covid-19 impacted first half fell 14% to £9.3m (2020: £10.8m) but strong management ensured that an underlying operating profit was maintained at £0.15m (2020: £0.23m), and profit before tax at £0.10m (2020: £0.19m). Basic Earnings Per Share amounted to 1.67p (2020: 2.08p). Although gearing has reduced 45% to 14.8% (2020: 26.8%), with cash equivalents at £1.3m (2020: £0.2m), it is considered prudent not to announce a dividend until trading conditions have normalised (2020: nil), however it is our intention to do so when conditions permit. Order entry fell 9% to £13.0m (2020: £14.2m) but the order book increased 6% to a new record level of £26.2m (2020: £24.7m).

As previously reported, project delays have been experienced across the Group. More positively, routine orders, being those up to c£50k in value, have held up relatively well. The project pipeline remains remarkably robust.

A Strategic Review concluded that the Group should continue to pursue projects at home and abroad, but also seek to grow routine orders activity, currently c£8m per annum, aggressively, through product and market development organically or by acquisition. Some examples of new initiatives currently being implemented include the launch of our new Plane Power range of aircraft ground power connectors, with enhanced features and ease of installation. We are also delighted to have agreed a new 10 year framework contract which will see us take over the business for supporting the inter-car connection systems on an additional 3,000 passenger carriages as part of our UK Rail General routine business. In addition, our lighting and electronic systems activity has expanded its offering to rail customers to include electronic seat control systems, to work alongside our reading light pods and power outlets for laptop and phone charging. In support of the increased product development underway, our sales force has been strengthened and efforts to expand our distribution network around the world are ongoing.

Concern for Environment, Social responsibility, and Governance ("ESG") is not new to us. Our logo and strapline 'long life reliability does not cost the earth' demonstrates our commitment to producing quality, reliable, long life products capable of delivering many years of service. Our LED Lighting, which was the first to be installed in a major worldwide passenger train fleet ten years ago, was designed to last up to twice as long as the competition. Before the Covid-19 disruption, we offered apprenticeships and engaged with the science departments of local schools and we organised charitable events to support local and national organisations, activities we intend to resume as soon as circumstances permit. Our 'Guiding Light Principle', published on our website and in our Annual Report sets out our commitment as does our adoption of the QCA Corporate Governance Code. We have few major energy consuming activities and most, if not all, of the byproducts of our operations are recycled. We design out waste. We are actively working to reduce our environmental footprint.

I am delighted that Robert B Horvath has joined our board as Chairman elect to succeed me when I retire from the board in August. Len Porter, our Senior Independent Director, will also leave the board later this year after seven years of valuable service. I am also delighted to report that Andrew Jenner BSc ACA will be joining the board in September as Non-Executive Director and Senior Independent Director designate.

The last 24 years have been immensely challenging and exciting. I leave the board in good hands; I have every confidence in the executive team to manage their way through the current challenges. We have a strong order book, a strong balance sheet and a clear strategy and we should have every confidence in the future.

Peter Pollock
Chairman
16 June 2021

Interim Unaudited Group Results for the six months ended 31 March 2021

CONSOLIDATED INCOME STATEMENT

		6 months to 31 Mar 21 Unaudited £000	6 months to 31 Mar 20 Unaudited £000	Year to 30 Sept 20 Audited £000
Revenue	Note 4	9,296	10,780	20,711
Cost of sales		(7,185)	(8,368)	(16,017)
Gross profit		2,111	2,412	4,694
Distribution costs		(758)	(853)	(1,514)
Administrative expenses		(1,330)	(1,358)	(2,897)
Other operating income		111	25	333
Underlying operating profit		154	234	783
Share based payments		(11)	(8)	(36)
Exceptional costs		(9)	-	(131)
Operating profit		134	226	616
Finance income		11	20	41
Finance costs		(48)	(60)	(106)
Profit before tax		97	186	551
Taxation	Note 2	109	70	44
Profit for the period		206	256	595
Attributable to:				
- Equity holders of the parent		206	256	595
Earnings per share	Note 5			
- Basic		1.67p	2.08p	4.82p
- Diluted		1.62p	2.01p	4.65p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	6 months to 31 Mar 21 Unaudited £000	6 months to 31 Mar 20 Unaudited £000	Year to 30 Sept 20 Audited £000
Profit for the period	206	256	595
Other comprehensive income			
Actuarial gain / (loss) on pension scheme	399	(240)	(427)
Tax on actuarial gain / (loss)	(86)	44	28
Other comprehensive income net of tax	313	(196)	(399)
Total comprehensive income for the period	519	60	196

Interim Unaudited Group Results for the six months ended 31 March 2021

CONSOLIDATED BALANCE SHEET

	As at 31 Mar 21 Unaudited £000	As at 31 Mar 20 Unaudited £000	As at 30 Sept 20 Audited £000
Non-current assets			
Intangible assets	1,409	1,400	1,386
Tangible assets	5,350	5,767	5,546
Right of use assets	1,318	1,404	1,438
Retirement benefits	2,424	2,080	1,964
	10,501	10,651	10,334
Current assets			
Inventories	4,069	4,234	3,968
Trade and other receivables	4,369	5,819	5,447
Current tax receivable	77	129	30
Cash and cash equivalents	1,285	221	845
	9,800	10,403	10,290
Total assets	20,301	21,054	20,624
Current liabilities			
Bank loan	(189)	(129)	(188)
Lease liabilities	(374)	(374)	(406)
Trade and other payables	(3,541)	(4,806)	(4,193)
	(4,104)	(5,309)	(4,787)
Non-current liabilities			
Bank loan	(2,220)	(2,372)	(2,313)
Lease liabilities	(449)	(668)	(584)
Deferred tax liabilities	(415)	(313)	(389)
	(3,084)	(3,353)	(3,286)
Total liabilities	(7,188)	(8,662)	(8,073)
Net assets	13,113	12,392	12,551
Equity			
Share capital	1,276	1,266	1,266
Investment in own shares	(324)	(324)	(324)
Share premium account	730	708	708
Share-based payment reserve	129	90	118
Merger reserve	230	230	230
Retained earnings	11,072	10,422	10,553
Equity attributable to shareholders of the parent	13,113	12,392	12,551

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	6 months to 31 Mar 21 Unaudited £000	6 months to 31 Mar 20 Unaudited £000	Year to 30 Sept 20 Audited £000
Opening equity	12,551	12,324	12,324
Total comprehensive income	519	60	196
<i>Transactions with owners:</i>			
Proceeds from issue of shares	32	-	-
Share-based payments	11	8	36
Tax benefit on share-based payments	-	-	(5)
Closing equity	13,113	12,392	12,551

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CONSOLIDATED CASH FLOW STATEMENT

	6 months to 31 Mar 21 Unaudited £000	6 months to 31 Mar 20 Unaudited £000	Year to 30 Sept 20 Audited £000
Profit before tax	97	186	551
Finance costs	48	60	106
Finance income	(11)	(20)	(41)
Operating profit	134	226	616
<i>Adjustments for:</i>			
Amortisation of intangible assets	47	43	95
Depreciation of tangible assets	256	251	494
Depreciation of right of use assets	138	116	241
(Gain) / loss on sale of tangible assets	(5)	61	61
Equity settled share based payments	11	8	36
	581	705	1,543
<i>Movements in working capital:</i>			
(Increase) in inventories	(101)	(410)	(144)
Decrease / (Increase) in trade and other receivables	1,060	(1,381)	(902)
(Decrease) / Increase in trade and other payables	(627)	968	245
Cash generated from operations	913	(118)	742
Income taxes received	-	2	131
Defined benefit pension contributions	(50)	(50)	(100)
Net cash from operating activities	863	(166)	773
Purchase of software	(16)	(8)	(16)
Purchase of tangible assets	(40)	(109)	(156)
Proceeds from sale of tangible assets	5	6	6
Capitalised development expenditure	(52)	(76)	(100)
Net cash (used) in investing activities	(103)	(187)	(266)
Repayment of bank loans	(92)	(122)	(84)
Principal elements of lease liabilities	(212)	(176)	(367)
Interest paid	(48)	(17)	(100)
Proceeds from issue of shares	32	-	-
Net cash (used) in financing activities	(320)	(315)	(551)
Net increase / (decrease) in cash and cash equivalents	440	(668)	(44)
Cash and cash equivalents at start of the period	845	889	889
Cash and cash equivalents at end of the period	1,285	221	845
Cash and cash equivalents in current assets	1,285	221	845
Cash and cash equivalents at the end of the period	1,285	221	845

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NET DEBT

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

	Bank loans	Lease obligations	Cash and cash equivalents	Net debt
	£000	£000	£000	£000
At 1 October 2020	2,501	990	(845)	2,646
New lease obligations & lease modifications	-	45	-	45
Repayment of borrowings / lease liabilities	(92)	(212)	304	-
Cash absorbed	-	-	(744)	(744)
At 31 March 2021	2,409	823	(1,285)	1,947

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 BASIS OF PREPARATION

These interim financial statements are for the six months ended 31 March 2021. 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 2020, which have been filed at Companies House with an unmodified audit report.

These interim financial statements have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006. These financial statements have been prepared under the historical cost convention with the exception of certain items which are measured at fair value.

These 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 2020. 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 2021.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of judgements and estimates

In preparing these interim financial statements management is required to make judgements on the application of the Group's accounting policies and make estimates about the future. Actual results may differ from these assumptions. The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the consolidated financial statements for the year ended 30 September 2020.

Deferred taxation

In the 2021 Spring Budget, the UK Government announced that UK corporation tax rates will increase from 19% to 25% from April 2023. This change is expected to be confirmed as statute ahead of year end 30 September 2021, at which point deferred tax rates will be increased to 25%, other than on specific assets and liabilities identified as crystallising prior to April 2023. In accordance with recognised guidance, deferred tax rates are unchanged at 19% within these interim financial statements.

Trading losses of £0.29m, previously excluded as an asset, have been recognised as the Directors believe there is reasonable expectation of these being utilised in the future. Unrecognised losses carried forward total £0.83m (2020: £1.12m).

New standards and interpretation adopted by the Group

There has been no impact of new standards and interpretations adopted in the period.

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NOTE 3 GOING CONCERN

There remain uncertainties due to the Covid-19 pandemic which continues to make forecasting more difficult.

The Group's business activities and the factors likely to affect its future performance together with the Group's treasury policy, its approach to the management of financial risk, and its exposure to liquidity and credit risks are outlined fully in the Annual Report & Accounts 2020, which details Covid-19 impacts commencing March 2020.

In assessing going concern the Directors note that whilst current economic conditions create uncertainty, with a particular focus on the Covid-19 pandemic the Group: (i) has traded profitably in the current period and is expected to continue to do so in the near term; (ii) has in place adequate working capital facilities for its forecast needs; (iii) has a strong current order book with significant further opportunities in its market place; and (iv) has proven adaptable in past periods of adversity. Therefore, the Directors believe that it is well placed to manage its business risks successfully.

Covid-19 continues to impact whilst post-Brexit impacts have given rise to increased distribution costs, input price pressures are a combination of both factors. Customers worldwide remain operational however significant rail project delays have arisen in the period that could not have been foreseen. The Directors have assessed these and sensitised forecasts accordingly.

The UK's Covid-19 Job Retention Scheme (extended to at least 30 September 2021) has been utilised by the Group in the period to provide further support to manage resources through workflow fluctuation and short notice deferrals on delivery schedules.

Having assessed all aspects of the business and the likely effectiveness of mitigating actions that the Directors would consider undertaking or have undertaken, the going concern basis has been adopted in preparing these interim financial statements. Actions taken include both cost reductions and a proactive policy of cash retention achieved in part through the UK Government's Job Retention Scheme grants, and the non-declaration of dividends through this period.

In reaching this conclusion, the Directors, after making enquiries, inclusive but not limited to updated forecasts and expectations, liabilities and risks and ongoing support from the Group's bank, have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

NOTE 4 OPERATING SEGMENTS

All of the Group's operations and activities are based in, and its assets located in, the United Kingdom. For management purposes the Group comprises three product groups (in accordance with IFRS 8) - electro-mechanical, lighting & electronics and distribution (which collectively design, manufacture and market industrial electrical and electronic products) - less centre costs, which operate across three market segments - Rail; Aerospace & Defence, Industrial & Other. It is on this basis that the Board of Directors assess Group performance. The split is as follows:

	6 months to 31 Mar 21 Unaudited	6 months to 31 Mar 20 Unaudited	Year to 30 Sept 20 Audited
Electro-mechanical	4,520	4,653	9,195
Lighting & electronics	3,172	3,514	7,087
Distribution	1,604	2,613	4,429
Operational Revenue	<u>9,296</u>	<u>10,780</u>	<u>20,711</u>

All revenue originates in the UK. An analysis by geographical markets and market segments is given below:

	6 months to 31 Mar 21 Unaudited	6 months to 31 Mar 20 Unaudited	Year to 30 Sept 20 Audited
Rail	77%	74%	77%
Aerospace & Defence	7%	15%	12%
Industrial & Other	16%	11%	11%
	<u>100%</u>	<u>100%</u>	<u>100%</u>
United Kingdom	70%	62%	70%
Rest of Europe	18%	26%	20%
Rest of the World	12%	12%	10%
	<u>100%</u>	<u>100%</u>	<u>100%</u>

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NOTE 5 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. Diluted earnings per share are based on the weighted average number of ordinary shares and share options in issue during in the period.

Details are as follows:

	6 months to 31 Mar 21 Unaudited	6 months to 31 Mar 20 Unaudited	Year to 30 Sept 20 Audited
Profit for the period - £000	206	256	595
Weighted average number of ordinary shares in issue during the period (million)	12.378	12.358	12.358
Dilutive effect of share options (million)	0.392	0.391	0.442
Number of shares for diluted earnings per share (million)	<u>12.770</u>	<u>12.749</u>	<u>12.800</u>
Basic earnings per share	1.67p	2.08p	4.82p
Diluted earnings per share	1.62p	2.01p	4.65p

NOTE 6 INFORMATION

LPA Group Plc is the Group's ultimate parent company. It is incorporated in England and Wales and domiciled in the UK, Company Number 686429. 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, CB11 3AQ, UK. 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 interim financial statements have been approved for issue by the Board of Directors on 16 June 2021. The financial information for the year ended 30 September 2020 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 2020 have been filed with the Registrar of Companies. The auditor's report on those financial statements was unmodified and did not contain statements under Section 498(2) or Section 498(3) of the Companies Act 2006.

Copies of this Interim Report are being sent to shareholders who have requested to receive a hard copy. Copies are available on the Company's website (www.lpa-group.com), by request from the Company's Registrar, or the Company's registered office, address as above.

Shareholders are encouraged to visit our website where useful links and assistance have been provided including our Registrars to assist utilisation of digital channels and receipt of future dividends and our Brokers who provide market guidance, further details including "The Digital future" document published by the Group on 5 July 2019 can be found at www.lpa-group.com/investor-information/share-information.

NOTE 7 COMPANY INFORMATION

Company contacts

Directors	Peter Pollock Paul Curtis Chris Buckenham Robert B Horvath Len Porter Gordon Wakeford	Chairman CEO CFO NED (Chair elect) Senior NED NED
Secretary	Chris Buckenham	
Registered Office	Light & Power House, Shire Hill, Saffron Walden, CB11 3AQ, UK	
Registered Number	00686429	
Website	www.lpa-group.com	

Nominated Adviser	Cairn Financial Advisers LLP 62-63 Cheapside London EC2V 6AX	Broker	finnCap 1 Bartholomew Close London EC1A 7BL
Auditors	RSM UK Audit LLP 2nd Floor, North Wing East City House, Hills Road Cambridge CB2 1RE	Bankers	Barclays Bank Plc PO Box 885, Mortlock House Vision Park, Histon Cambridge CB24 9DE
Registrars	Link Group 10 th Floor Central Square 29 Wellington Street Leeds LS1 4DL	Solicitors	Eversheds Sutherland (International) LLP 115 Colmore Row Birmingham B3 3AL

Trading subsidiaries

LPA Group Plc headquarters is situated at, and all LPA Group entities have their registered address at, Light & Power House, Shire Hill, Saffron Walden, CB11 3AQ, UK.

Trading addresses:

LPA Group entities operate as distinct businesses through appointed Executive Teams.

Light & Power House, Shire Hill, Saffron Walden, CB11 3AQ, UK

LPA Industries Ltd / Haswell Engineers Ltd - trading as LPA Connection Systems

LPA House, Ripley Drive, Normanton, West Yorkshire, WF6 1QT, UK

Excil Electronics Ltd - trading as LPA Lighting Systems

Bath Road, Thatcham, Berkshire, RG18 3ST, UK

Channel Electric Equipment Ltd - trading as LPA Channel Electric