LPA GROUP PLC

LPA Group plc ("LPA" or the "Group"), the high reliability LED lighting, electronic and electro-mechanical system designer and manufacturer, announces its Preliminary Results for the year ended 30 September 2021.

Preliminary Results key points:

Financial

- Order Entry increased to £23.2m (2020: £21.9m)
- Order Book increased 21.3% to a record level at £27.3m (2020: £22.5m)
- Revenue £18.3m (2020: £20.7m)
- Underlying operating loss £0.27m (2020: profit £0.78m)*
- Loss before tax amounted to £0.39m (2020: profit £0.55m)
- Basic loss per share amounted to 0.27p (2020: earnings 4.82p)
- No dividends declared or paid in 2021 or 2020
- Gearing reduced to 11.6% (2020: 21.1%)

* Operating loss/profit before Share Based Payments and Exceptional Costs

In the year to 30 September 2021, we announced several significant contract awards and business developments, which are summarised below:

- Two awards with a combined value over £4m from Siemens Austria for the design and supply of interior lighting, and door status lights for the London Underground Deep Tube upgrade programme. These initial awards are for 94 newly designed train sets for the Piccadilly Line, with an option for a further 216 sets for the other London Underground deep tube lines.

- An award to supply seat automation, control, diagnostics, lighting and power electronics for an initial 50 double decker train sets for the Avelia Horizon high speed TGV trains, under construction with Alstom France for the French rail network SNCF. This is a significant award incorporating the Group's new innovative electronics technology within train seats. The contract includes an option for a further 50 trainsets.

- Two contract awards for the supply of interior lighting and, separately, inter-car power connection systems for the new Hitachi AT300 trains. These are to be operated by the West Coast Partnership on the UK's prestigious West Coast Mainline. The combined award value is £1.9m.

- An award for the supply of lighting systems for 165 new build carriages on the UK's East Midlands Railway Aurora Intercity fleet. These new trains sets are being built by Hitachi in the UK.

- A 10 year framework agreement was signed by the Group to take over the business for manufacture and supply of bespoke inter-car connection systems. This provides access to an additional 3,000 passenger carriages for our UK Rail General routine business. This fits strategically within our existing operations and sees a competitor exit this sector.

- Significant expansion of our distribution partner network in support of a renewed focus on the Group's aviation ground power products.

Robert B Horvath – Chairman commented:

"As reported previously, our 2021 trading performance was severely impacted by certain customers rescheduling their requirement delivery of the long term projects they awarded us. The impact on our second half performance was to defer revenues of c£8m into future years. The effect of short notice deferrals, particularly in the run up to our year end, impacted our 2021 results and we are reporting an operating loss. Our ability to flex the cost base and still retain the necessary skills and people (even with some support from the UK Coronavirus Job Retention Scheme) became severely tested as we have a record order book still to deliver.

Notwithstanding our limited face to face interaction with customers around the world we have announced six major contact awards during the year, combined with a 10-year framework agreement, expansion of our distribution partners and the successful launch of our Plane Power range of ground power connectors for the aviation industry. Our order entry in the financial year remained robust and I am pleased to report further awards and an order book increasing to £32m as at 31 December 2021.

The 2021 year has been transitionary for the Board and we are also looking to recruit further at senior management level. We have rotated the Board Committee Chairs to better suit the skills of our Independent Directors and to have a balanced and experienced Board to drive the Group forward. The Executive Directors have relaunched the Group strategic documents following a detailed examination and dissemination of our Vision, Mission & Objectives statement alongside LPA Group values; they have worked hard to address our business culture and to develop skills and competencies that will be fit for the future.

After the last 24 months it is right that cash retention remains a constant focus. Our gearing reduced to 11.6% through net debt reduction, and our net asset value increased substantially following the actuarial valuation of our (closed) defined benefit pension scheme. The trustees (of which I was appointed Chairman from 9 August 2021) have sought, with guidance, to maintain this position and de-risk future volatility in the assets of the scheme. We are doing this by rebalancing the investment portfolio, following a busy and successful year of change, without any impact on our members' benefits.

The start of our 2022 financial year has continued to provide challenges as the project delays wash through and supply chain issues continue. We anticipate a loss to be reported in the first half of the 2022 reporting year but we are confident, supported by our record order book, in our second half recovery and our overall strategy."

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The Directors of the Company take responsibility for this announcement.

Regulatory Information

The information contained within this announcement is deemed to constitute inside information as stipulated under the Market Abuse Regulations (EU No. 596/2014) which is part of UK law by virtue of the European Union (Withdrawal) Act 2018. Upon the publication of this announcement, this inside information is now considered to be in the public domain.

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.

Chairman's Statement

Overview

We have had a busy period since I took over as Chairman in August. We have worked hard on operational matters, which I will touch on later, whilst having a deeper look at our Strategic plan for the next 5 years. The continuing trend of customer delay in our project-based work has put strain on our ability to fully recover our overhead in what are our first-class manufacturing facilities. We have created a strategic road map to rebalance our business to become less dependent on the timing of long-term project based work, recognising that we have the highest order book we have ever had yet spread over 3 financial years.

The Executive team have worked hard on the strategic map, a new business plan for 2022 and a refresh of our vision and mission. We have relooked at our corporate values statement and begun the process of realigning our processes and resources in line with our plans. We are looking actively at the aftercare market and for business opportunities that can be injected into our facilities. We have had some success in 2021 when we acquired a revenue source from a competitor for whom rail is not part of their strategy moving forward. We will look for more such opportunity.

As a market leading designer and manufacturer of high reliability electronic and electro-mechanical systems we pride ourselves on our capabilities and our facilities, which have remained open throughout and we have retained most of our key staff to operate those facilities. The incidence of Covid-19 amidst our staff has been low but we continue to have a strong welfare interest in our workplace to ensure that staff are protected as far as can be possible whilst at work. We will continue to follow Government guidelines closely.

Our customers and suppliers have suffered and continue to suffer disruption as they look to their own business interests. We have seen evidence of destocking by some of our customers, assumedly to preserve cash, while nearly all are reporting some form of broken supply chain issue and accordingly delay in their projects. Our own supply chain has been strained and we have instances of being forced to redesign product to get around a supply chain problem, but in general we remain resilient.

We have a great team, good experience of our industries and we are led by competent Executive Directors. Our customer and supplier relationship programmes have served us well to meet the challenges and we anticipate that our order book will grow still further over the coming months. Orders entered during the year, amounted to £23.2m (2020: £21.9m), and the order book at the end of the year was 21% higher at £27.3m than it was at the equivalent time last year (2020: £22.5m).

Operationally it has been a tough year as we had budgeted for success built on our orderbook only to find that 3 major long-term projects were put on hold in the second half of the year leaving us little or no manoeuvrability to replace the workflow. The projects are beginning to get going and we hope to see good call off during the second half of our new financial year.

Shareholders and Investors

The Board ensures it is always available to its key shareholders and works closely with its Brokers and advisers to ensure regular and open dialogue.

My predecessor, who was also Chief Executive for over 20 years, had strong ties to a number of our shareholders that are the original family members who founded the Plc Group. With his departure we as a Board are creating a plan for reaching out to all our shareholders. We want to communicate our long-term plans to deliver shareholder value in line with our vision and mission and our continuing commitment to our reputation. Importantly, we have stakeholders, in the wider sense, all over the world and we have struggled in the last 18 months to see them. The Group is in the business of long-term contracts and projects that we export widely and this needs to be reflected in our stakeholder relationships which must be proactive, long term, visible and embedded into our corporate culture. Our staff need to be able to travel and meet our customers first hand, as much of what we do is solutions based and flows from these interactions.

Dividends

No dividends were declared in 2020 and no interim or final dividends have been declared in 2021. The Board believes in a progressive dividend policy and will keep the policy under review, however, given the ongoing economic and market challenges, we believe it remains appropriate to defer any resumption of the policy at this time.

Board and Management

Board members' biographies and relevant experience are published on the Group's website www.lpa-group.com.

Following a number of years of succession planning and board retirements, the final stage of this completed in the year when Peter Pollock retired ahead of his 75th birthday from the position of Chairman. Peter held the role as Chief Executive for 21 years ahead of his move to Executive Chairman in 2018. We remain grateful to Peter for his long service and commitment to the Group.

The Executive Team of Paul Curtis (CEO) and Chris Buckenham (CFO) remained unchanged through the year. Andrew Jenner was appointed to the Board on 1 September 2021, succeeding Len Porter as Senior Independent Director. Len Porter retired on 31 December 2021 at the end of his term and I would also like to thank him for his commitment to LPA over his tenure. Gordon Wakeford served through the year as Independent Director.

I was appointed as Chair elect on 1 February 2021, assuming the position of Chairman on 9 August 2021. I serve on both Board Committees alongside Andrew and Gordon. Effective 1 September 2021, Andrew now chairs the Audit Committee and Gordon the Remuneration Committee.

Our trading activities continue to be managed independently through local Executive Teams, who hold local Executive meetings to govern the sites. The principals at each site, together with the CEO and CFO regularly hold governance meetings as the Group's Executive.

Employees

Our people are our most important asset, and investment in our staff is critical to our future success. Their skills alone are not enough without a commitment to the style and corporate values that the Board are committed to promoting.

The impact we experienced through Covid-19 on the business and on the general health, and wellbeing of our employees personally, cannot be underestimated. We have invested in external support to assess the impact on the mental health of those of our employees who have been working at home. Generally, people issues and managing our employee numbers and the cost base of our business during the pandemic has been particularly difficult when our customers have slowed down projects that we had planned to deliver. We pride ourselves on our engineering skills and our factory operations and we are committed to keeping them intact to fulfil our record order book. We do maintain flexibility through use of agency and temporary contracts, but we have no zero-hour contracts.

I should like to thank all our employees, past and present, for their hard work and diligence during another challenging year.

Outlook

The work in this last year for the Executive team, notwithstanding all the additional work that a new Board brings to scrutiny of long-term planning, should not be underestimated. The Executive team have a strong order book to work with, a solid balance sheet, tightly managed cash flow and a plan. The Company has come through this difficult period and whilst we anticipate a tough first half, we can foresee a bright future built on our capabilities and great customer relationships.

Robert B Horvath
Chairman

Business Model and Strategy

The Group is a quoted Small and Medium-sized Enterprise (SME) listed in the Electronic and Electrical section of the Alternative Investment Market (AIM) of the London Stock Exchange.

LPA is a market leading designer, manufacturer and supplier of high reliability, LED based lighting, electronic systems, electro-mechanical systems and a distributor of engineered components supplying markets operating within high dependency, hostile and benign environments which focuses on the market segments of rail, rail infrastructure, aviation, airport infrastructure and defence. These are viewed as stable / growth markets both in the UK and globally. All Group activities serve the same markets (to a greater or lesser extent), have a mutual dependence on transportation (which accounts for more than two thirds of Group turnover), share resource and frequently work on the same projects.

The Group has a reputation for innovation, providing cost effective solutions to customers' problems, in both benign and hostile environments, which aim to improve reliability and reduce maintenance and life cycle costs. Three distinct sites across the UK are operated, namely:

LPA operations	Market segment	Products, solutions, and technologies
LPA Connection Systems Light & Power House Shire Hill Saffron Walden CB11 3AQ, UK Tel: +44 (0)1799 512800	**Electro-mechanical systems** A designer and manufacturer of connection systems for the rail, aircraft ground support and infrastructure markets.	• Auxiliary battery power systems • Control panels & boxes • Enclosures, fabrications, form & weld • Laser cutting • Rail, aircraft & industrial connectors • Shore supply systems • Transport turnkey services
Email: enquiries@lpa-connect.com		
LPA Channel Electric Bath Road Thatcham Berkshire RG18 3ST, UK Tel: +44 (0)1635 864866	**Engineered component distribution** High value, high level service distributor and added value solutions provider to the rail and aerospace & defence markets.	• Circuit breakers • Connectors • Fans & motors • Relays & contactors • Switches • USB charging
Email: enquiries@lpa-channel.com		
LPA Lighting Systems LPA House Ripley Drive Normanton West Yorkshire WF6 1QT, UK Tel: +44 (0)1924 224100	**LED lighting and electronic systems** A designer and manufacturer of LED lighting and electronic systems which serve the rail, infrastructure, and other industrial markets.	• Electronic control systems • Electronic monitoring systems • Emergency lighting systems • Fluorescent and dichroic lighting systems • Inverters • LED lighting systems • Power supply units
Email: enquiries@lpa-light.com		

Group revenues are derived from both large value projects and smaller value routine orders with the route to market a combination of direct and indirect for most products. Agents and distributors may be used, particularly in overseas markets, although larger projects continue to require direct contact in most cases.

A wide range of leading organisations form our customer base, including: Alstom, Avanti, BAA, BAE Systems, CAF, Compin, CRRC, Downer EDI, First Group, Grammer, Heathrow Airport, Hitachi, ITW GSE, Kinki Sharyo, Knorr Bremse, Leonardo, Omer, Shanghai Pudong Airport, Siemens, SNCF, Stadler, Spirit Aerospace, Taiwan Rolling Stock Company, Transport for London, Unipart Rail and Wabtec.

It is our intention to strengthen the Group's position within the global marketplace by growing our customer base, alongside the addition of new products and the undertaking of selected strategic acquisitions. This is underpinned by our Vision, Mission and Objectives as detailed below.

Vision, Mission & Objectives (VMO)

Vision

To be a market leading electronic / electro-mechanical engineering Group, supplying high quality components and systems to customers in safety critical and challenging markets.

Mission

- Provide sustainable growth and returns to shareholders.
- Grow organically and by acquisition.
- Be our customers' first choice for products and services.
- Be an ethical and responsible employer.

Objectives

- Promote and build on the history and brand of LPA.
- Ensure all companies within the Group deliver 'best in class' products and services.
- Focus on reducing dependency on transportation market.
- Continuous innovation and product development.
- Improved sales channels for export.
- Targeted acquisitions to bring growth, technology, or access to markets.
- Work together across the Group and maximise opportunities.
- Exploit Group capability and technology to create new products and service new markets.
- Be an employer of choice.

Values and Culture

Investment in our people is paramount to our success and we have created clear communication and development strategies to enhance skills and ensure that we all understand and align to Group values, culture and best practice. This is supported by the Board and Executive teams and demonstrated by their visibility and accessibility across the Group.

We have reviewed our core values during the year to provide enhanced clarity to all our stakeholders. These are set out below and published on our website www.lpa-group.com.

LPA Core Values

- **L**eadership - you do not need to be in a position of power to lead in what you do.
- **P**assion - love what you do, use it to drive both yourself and the business forward.
- **A**ccountability -whatever you do, own it and do it well.
- Continuous Product Improvement - staying ahead of the competition.
- Personal Growth - always seek to learn and improve.
- Diversity - everyone deserves a chance and a voice.
- Fun - yes, it is work, but it does not mean we cannot enjoy it!
- Innovation - technology is everything to us, look forward and push the boundaries.
- Integrity - honesty and respect are key to who we are.
- Teamwork - work with your colleagues not against them.

Chief Executive Officer's Review

Trading Results

A slower than anticipated rebound to major projects within our customer base resulted in revenue for the year at £18.3m (2020: £20.7m) with an underlying operating loss of £0.27m (2020: profit £0.78m). Order entry slowed in the second half of the 2021 year under review but it was still an increase of 32% over H2 2020 at £9.9m (2020: £7.5m). At the end of the financial year we generated £23.2m, (2020: £21.9m) of new business opportunity (order entry), an overall increase on the prior year of 5.9% notwithstanding the impact of a full year of our sales staff trying to generate new work during Covid-19.

2021 Summary

- Order book increased 21.3% at £27.3m (2020: £22.5m);
- Improved order entry at £23.2m (2020: £21.9m);
- Revenue at £18.3m (2020: £20.7m);
- Underlying Operating Loss of £0.27m (2020: Profit £0.78m); and
- Net cash inflow from operating activities £1.2m (2020: £0.8m).

Added Value (a Group KPI) for the year was ahead of expectations at 50.5% (2020: 48.6%). Our drive to automate and gain efficiencies across all areas of the business continued throughout the year and was supported by investment in further capital equipment. The workforce was realigned and reduced overall by c.11%, partially to address project delays from the market but also reflecting the new levels of efficiency within operations. To compensate for the delayed larger projects we sought and carried out more routine and adhoc work, which generally attracts higher return, enhancing our Added Value.

Markets

Aviation (aircraft) build programmes were maintained for the majority of our 2021 year but at the lower levels we had experienced in the second half of the prior year. However, some confidence has returned, and current schedules are showing increasing volumes through to the end of 2022 and beyond. The Group's Aviation new build work is predominantly on the A220 and A350 programmes, both of which have strong order books to deliver over the coming years.

Aviation (infrastructure) has seen excellent progress in the year and we welcome enthusiasm from customers in relation to the quality and performance of our new Plane Power products. This, combined with substantial growth in the number of distribution partners, has led to increased levels of business beginning to be realised and confirms the strategy being undertaken for this segment of our business. We have targeted the coming year for further product launches within the range and this, combined with further growth and management of our distribution network, will help transition this segment into a more visible and resourced part of the Group.

The Rail industry is generally blighted by project delays, and this contributed to the year finishing considerably below revenue expectations. It has however been a more successful year for orders, with very few being lost, and several key and substantial programmes being won throughout the period. This success further strengthens both our technical capability and our worldwide reputation and is an area we will continue to build on over the coming years.

Operational review

Our 2021 financial year was a time of focusing on what we could control whilst managing the situations we could not. Throughout the period both the Rail and Aviation sectors experienced substantial disruption to programmes and struggled to rebound as quickly as other market sectors across the globe. Although these delays have impacted our results, the mass movement of people is still seen as a key requirement of any modern society and, as such, the transportation market remains a key sector for us.

It is, however recognised that dependency on the rail sector is a principal risk and with that delays in major transportation projects are a factor. This is an area we are committed to addressing as we move forward. The development of our standard products, sold through a managed worldwide network, is a key development for our electro-mechanical business and will create a separate business model to work alongside that of the project model that exists today. The Plane Power range is the first to undergo this transformation and will be the paradigm as we move forward in the development of both existing and new product ranges. Electro-mechanical represented 42% of Group revenues in the year (2020: 45%).

Engineered component distribution activity remained flat following a slowdown in H2 2020, with revenues contributing 19% to Group revenue (2020: 21%), a decrease of £1.0m. We witnessed delays to projects across the wider market and this was reflected in a reduced level of general business and stock levels across our customer base. Much work, however, was then undertaken on widening our product offering and we signed a number of new franchises in the period. These additional franchises have been brought on with the view of increasing our product offering to existing markets and the opening and developing of new markets outside of our traditional sectors. It is envisaged that, as the Rail and Aviation markets bounce back over the coming year, the Company will continue to push new products and market sectors to further drive growth and reduce some of the dependency on historic market segments and products.

Our Lighting and Electronics business, which contributed 39% of Group revenues (2020: 34%), continues to grow and strengthen its position in the worldwide marketplace. The year enjoyed, not only prestigious contract wins for our lighting technologies, but also substantial contracts for the design and manufacture of electronic control systems used in other areas within a train, a new area for us. These new contract wins are testament to the electronic and software design skills that now reside within the company and is an area we will look to grow further over the coming years. As we continue to increase our global presence, we will focus on leveraging these skills and resources across the Group to drive our product offering and portfolio potential.

With Brexit now complete and a plethora of issues caused by Covid-19, it seems that in-country engineering and supply has become of interest to many companies within the UK marketplace. Our facilities have benefited from much investment over the years and are well suited to this development. We are therefore looking to resource accordingly to ensure we capitalise on opportunities that may develop in both the immediate and the longer term.

Outlook

Although some improvement has been seen, and clarity on projects and schedules is improving, it is still envisaged that the coming year will be one of recovery and enhanced investment in our people and systems. That said, the renewed focus on strategic development at both Group and site level - alongside the security of a record orderbook, excellent technology, invested capability and a respected name in our market segments - means that we are confident in our vision for the Group.

Paul Curtis
Chief Executive Officer

Financial Review

Set out are the key drivers related to the business performance in the year and position at 30 September 2021, together with explanation of the financial Key Performance Indicators as summarised overleaf.

Trading Performance

Macro-economic factors

Covid-19 has continued to dominate the world through the financial year where supply chains have contracted, stocks depleted and reigniting these in unison worldwide has proven to be challenging for economies. The results have delayed supplies and reduced the availability of labour and skills, combined with the effects of Brexit. Our customer projects, in particular rail, are complex and dependant on a significant number of components to achieve the ultimate build. The aerospace and defence sector continued to be impacted with reduced flights and country lockdowns affecting confidence.

The 2021 financial year has seen c£8m of expected revenues deferred into FY22 and beyond with sequential knock on. This resulted in operating losses through H2 2021 with continued delays and short term visibility from customers. These are levels of disruption that could not have been anticipated as we entered the year and remain unprecedented. Short notice delays towards year end provided limited ability to flex the cost base, whilst a focus to retain skills and capabilities to deliver the increasing order book and future growth aspirations resulted in higher costs. The rail market slowed more gradually than others as we entered the first phase of Covid-19 in H2 2020 and is set to recover behind the curve seen by other markets. This has positively impacted our order book, which with continued strong intake through the year has reached record levels, despite challenges for our business teams in accessing customers and opportunities. The order book and activity levels underpin confidence for the medium term.

Rail projects continue to be awarded, with long gestation periods and a continued demand for greener travel and enhanced customer experience driving future demand. Aviation (infrastructure) activity continued at modest levels through the year, new airport builds globally driving demand alongside the gradual introduction of a new ground power connector range stimulating activity. Electronic and lighting systems activity matched that of 2020 but reported down on expectations through rail project delays.

Staff turnover remained higher than historical levels, in part attributable to retirements, and in part through a desire for change, with employees assessing their personal outlooks considering the impacts of Covid-19. Brexit introduced a more fluid job market and inflationary pressures latterly, less skilled opportunities affording short term gains for individuals, assisting offset inflationary pressures which consumers have and are to bear as the cost of the pandemic impacts. The Company has continued to upskill, mitigating against inflationary pressures and skills shortages whilst sought to retain skills and capabilities in the year, thus reporting a higher cost base, to meet future demand and development.

Headlines

- Order entry remained buoyant at £23.2m (2020: £21.9m) driven by rail projects, resulting with a record level order book of £27.3m (2020: £22.5m), an increase of 21.3%;
- Revenue of £18.3m down 11.8% (2020: £20.7m) with electro-mechanical systems revenues down £1.4m and engineered component distribution down £1.0m, lighting and electronics unchanged;
- Added Value up 1.9% at 50.5% (2020: 48.6%) through reduced project activity coupled with continued purchasing enhancements; and
- Gross margins resulted at 20.3% (2020: 22.7%), down 2.4% despite the increase in Added Value. The measure is impacted through increased direct labour and production overheads, up 2.9% on 2020. These increased through: furlough leave with CJRS grant offset reflected separately in other income; fixed overheads unable to flex with the reduced revenues; and additional engineering resources to develop technologies, contract delivery and support our commercial teams in new business tendering.

By comparison to 2020, H1 2021 revenues decreased by 13.8% at £9.3m (2020: £10.8m), delivering an underlying operating profit of £154,000 (2020: £234,000). H2 revenues were anticipated to accelerate as customer production recovered from lockdown disruption. H2 delivered revenues of £9.0m (2020: £9.9m), representing a decrease of 9.7% against H2 2020 sales.

Other operating expenses reduced by 3.1% to £4.3m (2020: £4.4m), a continued focus on costs, balanced with additional areas of investment focused on products, market and delivery of our future order book.

Group employment costs reduced by £156,000 to £6.32m (2020: £6.47m) inclusive of exceptional costs, as outlined below. Included are share based payments of £28,000 (2020: £36,000) relating to the award of share options through the Group's Long Term Incentive Plan, these calculated using the Black-Scholes model. No Executive bonuses were awarded in 2021 or 2020.

Other operating income of £217,000 (2020: £333,000) represents CJRS grant receipts, which are not directly offset against the wage costs to which they relate.

Exceptional costs and Non-Underlying Items

Exceptional costs in the year totalled £46,000, (2020: £131,000). Key items comprised:

(i) £46,000 dual running management costs (2020: £9,000). These costs reflect extended crossover periods for appointments and retirements for the Group's directors, a transition process which commenced in 2017 and completed on 31 December 2021.

(ii) reorganisation costs in 2020 of £122,000 (2021: nil) - associated with cost base reductions.

Finance Costs and Income

Within finance costs, the interest on borrowings decreased to £86,000 (2020: £106,000). The weighted average interest rate reduced by 0.2% from 2.9% to 2.7% through reduced borrowings and lease liabilities. There was no utilisation of the Group's overdraft facility in the year. The UK base rate was unchanged throughout the year, reducing through 2020 to 0.10%. Finance income, which comprises the net interest income on the pension asset, was £47,000, an increase of 14.6% (2020: £41,000).

Profit before Tax, Taxation and Earnings Per Share

After net finance costs of £39,000 (2020: £65,000) a loss before tax of £387,000 was recorded (2020: profit £551,000). A tax credit of £353,000 (2020 recovery: £44,000) is provided, reporting a loss after tax of £34,000 (2020: profit £595,000). A loss per share of 0.27p results (2020: earnings per share 4.82p).

Tax reflects the UK corporation tax rate of 19.0% (2020: 19.0%). The effective tax rate is largely the consequence of tax loss utilisation and recognition, enhanced through an increase in deferred tax rates to 25% from 19% reflecting the UK corporation tax rise from 1 April 2023, resulting in a tax credit of £71,000 (2020: nil). Further benefits were achieved through qualifying R&D expenditure including prior year increases on estimate and recognition of trading tax losses from previous years.

Treasury

The Group's treasury policy remained unchanged in the year.

Balance Sheet

Shareholders' funds increased by £1.6m (12.4%) in the year to £14.1m (2020: £12.5m), including:

- an increase in the defined benefit pension asset, net of a deferred tax charge, of £1.4m (2020: decrease £0.3m); and
- an increase in ordinary share capital of £79,000 following exercise of share options and issue of 790,000 new shares with a share premium recognised of £221,000 (2020: nil).

This has resulted in an increase to the net asset value per ordinary share to 105.0p (2020: 99.2p). Adjusted net asset value per share (calculated excluding goodwill and the pension asset net of deferred tax) was 74.4p (2020: 77.5p).

Gearing (net debt as a % of total equity) reduced 45% to 11.6% (2020: 21.1%) through a combination of:

- net debt decreasing by 38% to £1.63m (2020: £2.65m);
- working capital reducing 10.8% to £4.69m (2020: £5.25m); and
- net pension asset increasing 85.9% to £2.96m (2020: £1.59m).

Shareholders' funds include Investment in Own Shares (Treasury Shares), unchanged at £0.32m, representing ordinary shares held in the Company by the LPA Group Plc Employee Benefit Trust ("EBT").

Intangible assets, which comprise goodwill related to the Groups investment in Excil Electronics Ltd, capitalised development costs and software purchases were £1,405,000 (2020: £1,386,000). After assessment for impairment the goodwill remains unchanged at £1,149,000. Development costs capitalised in the year, representing the continued development of the Group's technologies and new product development ("NPD"), were £167,000 (2020: £100,000). Capitalised development assets were written off in the year, replaced with new technologies and products resulting in a loss within cost of sales of £53,000 (2020: nil).

The net book value of property, plant and equipment as at 30 September 2021, including Right of Use Assets, totalled £6,433,000 (2020: £6,984,000), of which property represented £4,115,000 (2020: £4,145,000), plant, equipment and motor vehicles £2,318,000 (2020: £2,839,000). Additions in the year were reduced following previous years of capital investment, at £215,000 (2020: £623,000). Disposals in the year totalled £368,000 with a net book value of £9,000 including Right of Use lease terminations (2020: £577,000 with a net book value of £67,000). The depreciation charge increased 3.0% reflecting prior levels of investment at £757,000 (2020: £735,000).

Net trading assets (defined as inventories plus trade and other receivables, less trade and other payables and current tax) were 10.8% lower at £4,686,000 (2020: £5,252,000), predominantly because of reduced activity leading into the financial year end and enhanced cash collections through the year.

Net debt and financing

The Group's main bank finance is a bank loan drawn down in 2019 at £2.6m and repayable over 5 years. Repayments are quarterly over the term with a bullet repayment in March 2024 of £1.8m (quarterly repayments calculated at draw down on a 15 year repayment term). As at September 2021 the amount outstanding was £2.3m (2020: £2.5m). Interest is payable at base rate plus 2.25%. No financial covenants applied following agreement with the bank to remove the net debt service covenant for the year ended 30 September 2021.

Cash Flow

Net cash inflow from operating activities was £1,189,000 (2020: £773,000) made up of a trading cash inflow of £601,000 (2020: £1,543,000); a decrease in working capital of £594,000 (2020 increase: £801,000); tax refunds of £77,000 (2020: £131,000) and voluntary defined benefit pension contributions of £100,000, shown net of £17,000 settlement costs funded through the defined benefit scheme (2020: £100,000). Overall, there was a net increase in the Group's cash position of £513,000 (2020: decrease of £44,000), which included £300,000 receipts from the exercise of share options (2020: nil).

Capital expenditure outflows on property, plant and equipment reduced to £100,000 (2020: £150,000), excluding Right of Asset additions financed through operating or finance leases. Capitalised development expenditure amounted to £167,000 (2020: £100,000), including expenditure to develop a new range of aircraft ground power support products and further product developments focused on Smart Lighting and electronic systems, including rail seat electronics.

In the year new lease liabilities were drawn to fund Right of Use additions of £115,000 (2020: £506,000). Interest at 3.6% was charged on fixed rate borrowings (2020: 3.9%). Interest on the Group's overdraft facility is payable at base rate plus 2.0%. The facility was unutilised as at 30 September 2021 and 2020. The composite interest rate across both borrowings and lease liabilities was 2.7% (2020: 2.9%).

Capital loan repayments of £187,000 were made (2020: £84,000). Outflows repaying the principal elements of lease liabilities were £420,000 (2020: £367,000). Interest payments on borrowings amounted to £86,000 (2020: £100,000).

The Group's dividend policy was paused in 2020 as a safeguard to secure cash reserves through the Covid-19 challenges, this continuing through 2021 with no distributions.

Defined Benefit Pension Asset

During the year changes were made to the Group's closed defined benefit pension arrangement ("DB Scheme") by the trustee, these included transfer to a Master Trust structure, change of adviser for the trustee and transfer of scheme administration externally, including pensioner payroll. These changes incurred additional one-off costs recognised in the statement of comprehensive income in the year. Included within the total pension costs of £190,000 (2020: £104,000), inclusive of costs related to the Group's Defined Contribution provisions, are costs for the trustee's legal advice, Employer legal advice, Scheme windup costs, pension and actuary advice and Winding Up Lump settlements (WULS). These activities are expected to reduce costs going forwards and enhance members service, whilst attributing to the increased pension asset at year end through a reduction in membership and technical provisions. The changes are expected to provide an enhanced members service and administration provision, coupled with a de-risked scheme asset with a reduced membership. Membership benefits are unaffected.

Following a strong year of asset value increments, the trustee has undertaken a review of the investment strategy, realigning the asset match with liabilities from January 2022 to lock in the gains and de-risk the scheme. As a result, it was agreed with the Company that the annual voluntary contributions paid over the past 10 years would no longer be required, previous commitments having been satisfied.

The IAS19 actuarial surplus recognised at 30 September 2021 was £3.94m (2020: £1.96m). Changes over the course of the year comprised an income statement credit of £47,000 related to interest (2020: £41,000). Voluntary employer contributions received from the Company of £100,000 (2020: £100,000) plus an actuarial gain of £1.85m (2020: loss £0.43m) recognised in the statement of comprehensive income, benefits paid from the scheme totalled £0.45m (2020: £0.51m). £17,000 (2020: Nil) of cost was recognised through the consolidated income statement in the year as one off past service WULS settlements, these contributing to the increase in governance costs recognised, but settled by the scheme.

Chris Buckenham
Chief Financial Officer

Key Performance Indicators

The Group uses the following key performance indicators to assess the progression in its business: factors affecting them are discussed in the Chairman's Statement, the Chief Executive Officers' Review and the Financial Review.

KPI	Basis of measurement	2021	2020
Health & Safety			
Riddors	• reportable incidents of disease or danger occurrences	None	None
Accidents	• events that cause impact, damage or injury involving a person or infrastructure, which are not a Riddor	13	12
Near misses	• events that occurred which have not caused an Accident	15	16
Employment			
Staff turnover	• being leavers (excluding those through restructuring programmes) as a percentage of the average total employed	13.1%	12.4%
Financial			
Orders to revenue	• orders for the year expressed as a multiple of revenue as a measure of prospective growth	1.27	1.06
Order entry	• order intake confirmed	£23.2m	£21.9m
Order book	• the measure of opening order book, plus order entry, less revenue	£27.3m	£22.5m
Revenue growth	• (decrease)/increase year-on-year as a percentage of prior year	(11.8%)	6.0%
Added Value	• the margin generated on revenue after deduction of material costs but before other costs of sale and conversion	50.5%	48.6%
Gross margin	• as a percentage of revenue	20.3%	22.7%
Profitability	• Underlying Operating (Loss)/Profit as a return on trading activities to revenue	(1.5%)	3.8%
Cash generation	• Net trading cash flow as the net increase in cash after capital investments, before the drawdown / repayment of borrowings and issue or acquisition of equity	£0.9m	£0.5m
Gearing	• the measure of net debt being borrowings and lease liabilities less cash balances, to net assets	11.6%	21.1%

Consolidated Income Statement

For the year ended 30 September 2021

	Note	2021 £000	2020 £000
Continuing operations			
Revenue	2	18,265	20,711
Cost of Sales		(14,558)	(16,017)
Gross Profit		3,707	4,694
Distribution Costs		(1,562)	(1,514)
Administrative Expenses		(2,710)	(2,897)
Other Operating Income	3	217	333
Underlying Operating (Loss)/Profit		(274)	783
Share Based Payments		(28)	(36)
Exceptional Costs	3	(46)	(131)
Operating (Loss)/Profit	3	(348)	616
Finance Income		47	41
Finance Costs		(86)	(106)
(Loss)/Profit Before Tax		(387)	551
Taxation	4	353	44
(Loss)/Profit for the Year		(34)	595
Attributable to:			
- Equity Holders of the Parent		(34)	595
(Loss)/Earnings per Share	5		
Basic		(0.27)p	4.82p
Diluted		(0.27)p	4.65p

Consolidated Statement of Comprehensive Income

For the year ended 30 September 2021

	2021 £000	2020 £000
(Loss)/Profit for the Year	(34)	595
Other Comprehensive Income/(Expense)		
Items that will not be reclassified to profit or loss:		
Actuarial gain/(loss) on pension scheme	1,849	(427)
Deferred tax on defined benefit scheme	(601)	28
Other Comprehensive Income Net of Tax	1,248	(399)
Total Comprehensive Income for the Year	1,214	196
Attributable to:		
- Equity Holders of the Parent	1,214	196

Consolidated Balance Sheet

At 30 September 2021

Co No: 00686429	**2021**	**2020**
	£000	**£000**
Non-Current Assets		
Intangible Assets	1,405	1,386
Tangible Assets	5,188	5,546
Right of Use Assets	1,245	1,438
Retirement Benefits	3,943	1,964
	11,781	10,334
Current Assets		
Inventories	4,702	3,968
Trade and Other Receivables	4,111	5,447
Current Tax Receivable	55	30
Cash and Cash Equivalents	1,358	845
	10,226	10,290
Total Assets	22,007	20,624
Current Liabilities		
Bank Loan	(191)	(188)
Lease Liabilities	(323)	(406)
Trade and Other Payables	(4,180)	(4,193)
	(4,694)	(4,787)
Non-Current Liabilities		
Bank Loan	(2,123)	(2,313)
Lease Liabilities	(354)	(584)
Deferred Tax Liabilities	(723)	(389)
	(3,200)	(3,286)
Total Liabilities	(7,894)	(8,073)
Net Assets	14,113	12,551
Equity		
Share Capital	1,345	1,266
Investment in Own Shares	(324)	(324)
Share Premium Account	929	708
Share Based Payment Reserve	60	118
Merger Reserve	230	230
Retained Earnings	11,873	10,553
Equity Attributable to Shareholders of The Parent	14,113	12,551

Consolidated Statement of Changes in Equity

For the year ended 30 September 2021

2021	**Share Capital £000**	**Investment in Own Shares £000**	**Share Premium Account £000**	**Share Based Payment Reserve £000**	**Merger Reserve £000**	**Retained Earnings £000**	**Total £000**
At 1 October 2020	1,266	(324)	708	118	230	10,553	12,551
(Loss) for the Year	-	-	-	-	-	(34)	(34)
Actuarial gain on pension scheme (net of tax)	-	-	-	-	-	1,248	1,248
Total Comprehensive Income	-	-	-	-	-	1,214	1,214
Proceeds from issue of shares	79	-	221	-	-	-	300
Share based payments	-	-	-	28	-	-	28
Tax on share-based payments	-	-	-	-	-	20	20
Transfer on exercise of share options	-	-	-	(86)	-	86	-
Transactions with Owners	79	-	221	(58)	-	106	348
At 30 September 2021	1,345	(324)	929	60	230	11,873	14,113

2020	**Share Capital £000**	**Investment in Own Shares £000**	**Share Premium Account £000**	**Share Based Payment Reserve £000**	**Merger Reserve £000**	**Retained Earnings £000**	**Total £000**
At 1 October 2019	1,266	(324)	708	82	230	10,362	12,324
Profit for the Year	-	-	-	-	-	595	595
Actuarial (loss) on pension scheme (net of tax)	-	-	-	-	-	(399)	(399)
Total Comprehensive Income	-	-	-	-	-	196	196
Share based payments	-	-	-	36	-	-	36
Tax on share-based payments	-	-	-	-	-	(5)	(5)
Transactions with owners	-	-	-	36	-	(5)	31
At 30 September 2020	1,266	(324)	708	118	230	10,553	12,551

Consolidated Cash Flow Statement

For the year ended 30 September 2021

	2021	2020
	£000	**£000**
(Loss)/Profit Before Tax	(387)	551
Finance Costs	86	106
Finance Income	(47)	(41)
Operating (Loss)/Profit	(348)	616
Adjustments for:		
Amortisation of Intangible Assets	111	95
Depreciation of Tangible Assets	484	494
Depreciation of Right of Use Assets	273	241
Loss on sale of Plant and Equipment	-	61
Loss on disposal of Intangible Assets	53	-
Equity Settled Share Based Payments	28	36
Operating cash flow before movements in working capital	601	1,543
Movements in Working Capital:		
(Increase) in Inventories	(734)	(144)
Decrease/(Increase) in Trade and Other Receivables	1,336	(902)
(Decrease)/Increase in Trade and Other Payables	(8)	245
Cash generated from operations	1,195	742
Income Taxes Received	77	131
Defined Benefit Pension Contributions less settlements	(83)	(100)
Net cash inflow from operating activities	1,189	773
Purchase of Software	(16)	(22)
Purchase of Property, Plant & Equipment	(100)	(150)
Proceeds from Sale of Property, Plant and Equipment	-	6
Expenditure on Capitalised Development Costs	(167)	(100)
Net cash outflow from investing activities	(283)	(266)
Repayment of Bank Loan	(187)	(84)
Principal elements of Lease Liabilities	(420)	(367)
Interest Paid	(86)	(100)
Proceeds from Issue of Share Capital	300	-
Net cash outflow from financing activities	(393)	(551)
Net increase/(decrease) in Cash and Cash Equivalents	513	(44)
Cash and Cash Equivalents at start of the year	845	889
Cash and Cash Equivalents at end of the year	1,358	845
Reconciliation of cash and cash equivalents		
Cash and Cash Equivalents in Current Assets	1,358	845

Net Debt

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

	Bank Loan £000	Lease Liabilities £000	Cash and Cash Equivalents £000	Net Debt £000
At 1 October 2020	2,501	990	(845)	2,646
New Lease Obligations and modifications	-	107	-	107
Interest Costs	57	30	(1)	86
Repayment of Borrowings/Lease Liabilities	(244)	(450)	694	-
Other Cash (Generated)	-	-	(1,206)	(1,206)
At 30 September 2021	2,313	677	(1,358)	1,633

	Bank Loan £000	Lease Liabilities £000	Cash and Cash Equivalents £000	Net Debt £000
At 1 October 2019	2,585	724	(889)	2,420
Adoption of IFRS 16	-	157	-	157
New Lease Obligations	-	470	-	470
Interest Costs	68	38	-	106
Repayment of Borrowings/Lease Liabilities	(152)	(399)	551	-
Other Cash (Generated)	-	-	(507)	(507)
At 30 September 2020	2,501	990	(845)	2,646

Notes

1. Information

In accordance with Section 435 of the Companies Act 2006, the Group confirms that the financial information for the years ended 30 September 2021 and 2020 are derived from the Group's audited financial statements and that these are not statutory accounts and, as such, do not contain all information required to be disclosed in the financial statements prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006. The statutory accounts for the year ended 30 September 2020 have been delivered to the Registrar of Companies. The statutory accounts for the year ended 30 September 2021 have been audited and approved but have not yet been filed. The Group’s audited financial statements for the year ended 30 September 2021 received an unqualified audit opinion and the auditor’s report contained no statement under section 498(2) or 498(3) of the Companies Act 2006. The financial information contained within this full year results statement was approved and authorised for issue by the Board on 27 January 2022.

The 2021 accounts are expected to be posted to shareholders on 18 February 2022 and will be available from the Company Secretary, LPA Group Plc, Light & Power House, Shire Hill, Saffron Walden, CB11 3AQ and on LPA’s website - www.lpa-group.com shortly thereafter.

The Group financial statements have been prepared under the historical cost convention and under the basis of going concern. The principal accounting policies adopted are consistent with those disclosed in the financial statements for the year ended 30 September 2020.

2. 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 engineered component distribution (which collectively design, manufacture and market industrial electrical and electronic products) - less centre costs, which operate across three market segments – Rail; Aerospace & Defence and Other. It is on this basis that the board of directors assess Group performance. The split is as follows:

	2021 £000	2020 £000
Electro-mechanical systems	7,761	9,195
Engineered component distribution	3,410	4,429
Lighting & Electronics systems	7,094	7,087
Operational Revenue	18,265	20,711

	2021 £000	2020 £000
Revenue recognised over time	788	390
Revenue recognised at a point in time	17,477	20,321
	18,265	20,711

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

	2021 %	2020 %
Rail	77%	77%
Aerospace and Defence	10%	12%
Other	13%	11%
	100%	100%

	2021 £000	2020 £000
United Kingdom	12,618	13,929
Rest of Europe	3,500	4,402
Rest of World	2,147	2,380
	18,265	20,711

Three individual customers (2020: two) represented more than 10% of Group revenue, combined totalling 38% (2020: 30%).

	2021 £000	2020 £000
Operational Profit	652	1,812
Corporate Costs	(926)	(1,029)
Underlying Operating (Loss)/Profit	(274)	783

Corporate Costs and Operational Profit are shown excluding charges levied to subsidiary entities by LPA Group Plc relating to management charges and where the property is held by LPA Group Plc, property rent which combined totalled £426,000 (2020: £594,000).

3. Operating (Loss)/Profit

The following items have been charged in arriving at Operating (loss)/profit.

A. Component costs in arriving at Operating (Loss)/Profit	2021 £000	2020 £000
Materials (to Added Value)	9,036	10,653
Production overhead & direct labour	5,522	5,364
Cost of sales	14,558	16,017
Selling & distribution costs	1,562	1,514
Administrative expenses	2,710	2,897
Other operating income	(217)	(333)

B. Expenses/(credits) by nature within Underlying Operating (Loss)/Profit	2021 £000	2020 £000
Amortisation of Intangible Assets	111	95
Depreciation of Tangible Assets	484	494
Depreciation of Right of Use Assets	273	241
Loss on Disposal of Assets	62	61
Operating Lease Rentals / Short Term Hire Charges		
– Plant, Equipment & Motor Vehicles	16	20
Foreign Exchange Loss/(Gain)	96	(50)
Other Operating Income:		
– Covid-19 Job Retention Scheme grants (CJRS)	(217)	(308)
– Other grants	-	(25)
Fees Payable to The Company's Auditor:		
- For the Audit of The Company's Annual Accounts	22	20
- The Audit of The Company's Subsidiaries Pursuant to Legislation	71	67

C. Within Exceptional Costs	2021 £000	2020 £000
Reorganisation costs	-	122
Dual running management costs	46	9
	46	131

Dual running costs of £46,000 (2020: £9,000) relate to an extended crossover between the appointment and retirement of Board Directors related to the board rejuvenation process commenced in 2018, to be concluded on 31 December 2021. Dual running and reorganisation costs are included within Employee costs and reflect the exceptional changes that have taken place by comparison to the Group's history. All board members who served at the 2018 AGM retired on, or before, 31 December 2021.

Reorganisation costs of £123,000 in 2020 related to a Group-wide cost base review. Ongoing and adhoc reorganisation costs through 2021 are seen as non-exceptional.

4. Taxation

A. Recognised in The Income Statement	2021 £000	2020 £000
Current Tax Expense		
UK Corporation Tax	(4)	(37)
Adjustment in Respect of Prior Years	(46)	(78)
	(50)	(115)
Deferred Taxation		
Net Origination and (Recognition) / Reversal of Temporary Differences	(232)	71
Net change as a result of rate increase	(71)	-
Total Corporation Tax (Credit)	(353)	(44)

B. Reconciliation of Effective Tax Rate	2021 £000	2020 £000
(Loss)/Profit Before Tax	(387)	551
Tax at The UK Corporation Tax Rate of 19% (2020: 19%)	(74)	105
Effects of:		
- Tax Rate Change	(71)	-
- Enhanced Deduction for Qualifying R&D Expenditure	(80)	(76)
- Prior Period Adjustments	(46)	(78)
- Prior Periods losses recognised	(55) (71)	- -
- Other Differences	(27)	5
Total Income Tax (Credit)	(353)	(44)

C. Deferred Tax Recognised in Other Comprehensive Income	2021 £000	2020 £000
Deferred Tax on Actuarial Gain/(Loss) on Pension Scheme	601	(28)

D. Current and Deferred Tax Recognised Directly in Equity	2021 £000	2020 £000
Tax (Credit)/Charge Arising on Share Options	(20)	5

5. (Loss)/Earnings Per Share

The calculation of earnings per share is based upon the loss for the year of £34,000 (2020: profit £595,000) weighted average number of ordinary shares in issue during the year, less investment in own shares, of 12.590m (2020: 12.358m).

	2021			2020		
	Earnings	Weighted Average No of Shares	(Loss) Per Share	Earnings	Weighted Average No of Shares	Earnings Per Share
	£000	Million	Pence	£000	Million	Pence
Basic (Loss)/Earnings Per Share	(34)	12.590	(0.27)	595	12.358	4.82
Effect of Share Options	-	-	-	-	0.442	(0.17)
Diluted Earnings Per Share	(34)	12.590	(0.27)	595	12.800	4.65

Diluted Earnings Per Share

Basic and diluted earnings per share are equal for the year ended to 30 September 2021, 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 30 September 2021 there were 565,000 outstanding share options (2020: 1,350,000), of which 155,000 were exercisable (2020: 825,000).

6. Going Concern

In assessing going concern, including impacts of Covid-19, Brexit, supply chain shortages and inflationary pressures seen latterly, the directors note that current economic conditions are continuing to create uncertainty. Such uncertainties have and continue to make forecasting extremely challenging, with these multiple factors causing delivery schedule delays.

In assessing the Group's going concern the directors also note that (i) despite reporting an operating loss in the current year and anticipating a challenging start to the 2022 year, the Group is expected to return to profitability in the near term; (ii) has in place adequate working capital facilities for its forecast needs and was cash generative through the 2021 financial year, with a positive EBITDA and strong cash management, benefiting from a policy of cash retention at this time; (iii) has a strong and record level order book with significant further opportunities in its market place; and (iv) has proven adaptable in past periods of adversity, as again proven through the 2021 challenges. Therefore, the directors believe that it is well placed to manage its business risks successfully.

The Group benefited from CJRS grants through 2021, utilising this support to retain jobs and skills which contributes to higher wage costs reported. Supply chain delays now widely seen, aligned with price pressures in the supply chain, covering commodities, utilities and wage inflation all pose risks to UK manufacturing businesses. Offsetting these, on-shoring opportunities and the supply chain delays and shortages themselves offer new opportunities to the Group to assist offset some of the project delays.

The directors recognise that the ongoing support of its bank is a key feature to the Group's success which provides for the funding and working capital facilities as outlined in note 17. Should there be additional significant delays in our project-based work then there is an increased risk of covenant breach. Whilst actions are available to management to mitigate any shortfall, we expect that if required the bank would remain supportive and a suitable agreement would be reached to provide the group with sufficient financing.

After making enquiries including but not limited to compiling updated forecasts; sensitivities; and expectations, reviewing liabilities and risks and following confirmation of ongoing support from the Group's bank, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

7. Annual General Meeting

The Annual General Meeting ("AGM") is to be held at 10:30 on Thursday 24 March 2022 at the offices of finnCap, 1 Bartholomew Close, London, EC1A 7BL. Special business includes four resolutions which relate to share capital:

1. an ordinary resolution to renew the authority of the directors to allot shares generally.
2. is a special resolution to give power to the directors to allot equity securities for cash without first offering them to existing shareholders.
3. is a special resolution to permit the Company to make market purchases of its own shares.
4. is an ordinary resolution to increase the Company's authorised share capital to £2,500,000 divided into 25,000,000 ordinary shares of 10 pence each.

Of the four resolutions, the first three are the same as those sought and approved at last year's annual general meeting, are part of the portfolio of powers commonly granted to directors to ensure flexibility, should appropriate circumstances arise, to either allot shares, or make purchases of the Company's own shares in the best interests of shareholders. Each authority will run through until the next annual general meeting.