

LPA GROUP PLC

Interim unaudited results for the six months ended 31 March 2022

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 2022.

KEY POINTS

	6 months to 31 March 2022 unaudited	6 months to 31 March 2021 unaudited
Order Book	£30.8m	£26.2m
Order Entry	£12.1m	£13.0m
Revenue	£8.6m	£9.3m
Underlying (Loss)/Profit*	£(0.6m)	£0.2m
(Loss)/Profit before Tax	£(0.6m)	£0.1m
(Loss)/Earnings Per Share	(2.84)p	1.67p
Net Debt at period end	£2.5m	£1.9m

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

Paul Curtis, CEO, commented:

“As anticipated our results for the first half are loss making as we continued to see customer driven delays across several of our major projects.

Our order book remains resilient, and we are beginning to achieve better clarity in schedules and future delivery requirements from our customers which will result in a stronger second half.

I have concluded a strategy and in-depth detailed business review and we are working hard to implement this to diversify our markets, develop products and strengthen our workforce to support our aspirations for future growth.”

Paul Curtis

CEO

27 June 2022

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About LPA

LPA Group plc (AIM: LPA) is a market leading designer, manufacturer and supplier of high reliability LED lighting, electronic and electro-mechanical systems, and a distributor of engineered components.

Focused on transport (rail and aviation), defence, infrastructure and industrial markets and supplying into hostile and challenging environments, LPA is known for engineering solutions to improve product reliability, reducing maintenance and life cycle costs.

The Group has three sites across the UK, selling to customers in the UK and overseas. Two of these are design and manufacturing sites: LPA Connection Systems - electro-mechanical systems for rail, aviation and industrial, and LPA Lighting Systems - LED lighting and electronic systems for rail and infrastructure. The third site is LPA Channel Electric – a value added distributor of engineered components for rail, aerospace and defence.

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With over 160 years of UK design and manufacture, and with origins in the first ever light installed in 'Electric Avenue', Brixton; innovation is core to LPA and to the products and services supplied to our customers worldwide.

For more information visit www.lpa-group.com.

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.

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CHAIRMAN'S STATEMENT

As I stated in my FY21 annual Chairman's Statement the continuing trend of customer delay in our project-based work puts a strain on our ability to fully recover our overhead and so it has continued in the first half of the year which has been tough. I also commented that we had a strong order book and that the future workload gave the management team a great deal of security from which to reshape the business plan and the management structure to look for wider opportunities in the electronic and electrical equipment market place. This also remains true. We rely on our customers "scheduling" to draw down on our products as part of their overall build and with over 65% of our sales this period being subject to scheduling, we continue to suffer from their build programme delays.

We are seeing a pickup in the second half for the aviation and rail industry projects, but supply chain issues will continue to frustrate our ability to get orders 'out of the door'. At the present time the macroeconomic factors (notably the impact of higher wages and inflation) are generally challenging but we believe that in our customer base we have a strong advantage in having local manufacturing facilities able to deliver quality products. We have won further work and we have not lost any of our major projects.

Sales in the first half were £8,625k (2021: £9,296k) with a consequent operating loss of £587k (2021: operating profit of £134k). This has resulted in a loss per share of 2.84p (2021: basic earnings per share of 1.67p). Gearing is 17.6% (2021: 14.8%), order entry £12.1m (2021: 13.0m) with a closing order book up 17.8% at a record £30.8m (2021: £26.2m). The Board considers it prudent to continue the pause in dividend payments, however this remains under constant review.

Our in-depth detailed business review is complete. We will rebalance the business between project work and routine products and diversify into different markets to reduce our dependency on rail. We have actively looked at business opportunities and will continue to do so in support of the strategy. We are well on our way with our investment in people and our manufacturing sites productivity initiatives which include additional certifications across these sites and facilities.

We have some great people in the Group, and we have plans to bring in more, particularly across our sales teams and to enhance our design capabilities. We are delighted to have recruited Andrea Hector as the new Managing Director for our distribution business and are actively recruiting a Managing Director for our electro-mechanical systems business.

As my predecessor stated 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' continues to demonstrate 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. We are actively looking for apprentices and to engage with the science departments of local schools and we have continued to organise charitable events to support local and national organisations. 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.

Robert B Horvath
Chairman
27 June 2022

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CHIEF EXECUTIVE'S REPORT

The last 12 months' trading environment has been unprecedented in recent history. Our delight in the success of winning a number of large scale and high-profile projects has been somewhat dampened by the global delays and rescheduling by our transportation customers. I have worked hard on the Group's strategy and detailed business review over the past six months and implementation is now underway.

Looking forward, in our drive for growth and to reduce our dependency on the Rail market, we previously reported on the launch of our new Plane Power connector range. I am happy to report that this is trading as expected and continues to be well received by our customer base. Following on from this we launched our new Plane Power Crocodile cable carrier system in the period and, again, I am pleased to report our first UK order and its selection for use at the new and prestigious Western Sydney airport being built in Australia. These wins demonstrate that the work being undertaken in product development and new distribution channels is the correct strategy and starting to show returns. Our engineering department continues to evaluate new initiatives that could further enhance our Plane Power offering and our business model is being restructured and resourced to ensure the continuous development of products to feed into our newly developed sales channels.

During the period we also started the process of obtaining both the IRIS and AS9100 quality approvals at our electro-mechanical systems site. It is envisaged that these will be obtained by the end of the calendar year and will reinforce our credentials for major rail customers at both home and abroad. They will also enable us to offer our leading engineering capability to the Aviation and Defence markets, where our distribution business enjoys an excellent customer base and reputation.

Our distribution business continues to pursue new franchise opportunities with a view to not only strengthening our existing markets but also to move into more industrial niches, such as the Energy sector. This is a key area of development for the coming years and, with our newly appointed MD in place for this site, we are confident in the drive and focus that this strategy will now receive and the resulting success.

Our lighting and electronic systems business has finished the heavy load of the design engineering stage of many of its major projects and, coupled with changes to working methods and resources, is now poised to better support our push for further expansion into new customers and products. The recent employment of a German-based sales resource in support of the DACH rail market is a key appointment in support of this strategy. This, coupled with further planned appointments and expansion of our global distribution network, benefiting from our talented engineering expertise, shall ensure realisation of the further growth aspirations of the business.

The development of the Group into an engineering leader covering multiple markets is a medium-term strategy but one for which we are well placed and resourced. The changes to working methods, systems and people have been intense over the last year but should lessen as we move forward. Our record order book is testament to our products and the people we have, supporting us in our development plans, be it organic or acquisition. We remain prudent but confident and excited in the future for the Group.

Paul Curtis

CEO

27 June 2022

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CONSOLIDATED INCOME STATEMENT

		6 months to 31 Mar 22 Unaudited £000	6 months to 31 Mar 21 Unaudited £000	Year to 30 Sept 21 Audited £000
Revenue	Note 4	8,625	9,296	18,265
Cost of Sales		(7,206)	(7,185)	(14,558)
Gross Profit		1,419	2,111	3,707
Distribution Costs		(714)	(758)	(1,562)
Administrative Expenses		(1,292)	(1,330)	(2,710)
Other Operating Income		-	111	217
Underlying Operating (Loss)/Profit		(568)	154	(274)
Share Based Payments		(8)	(11)	(28)
Exceptional Costs		(11)	(9)	(46)
Operating (Loss)/Profit		(587)	134	(348)
Finance Income		40	11	47
Finance Costs		(42)	(48)	(86)
(Loss)/Profit before Tax		(589)	97	(387)
Taxation		215	109	353
(Loss)/Profit for the Period		(374)	206	(34)
Attributable to:				
- Equity holders of the parent		(374)	206	(34)
(Loss)/Earnings per share	Note 5			
- Basic		(2.84)p	1.67p	(0.27)p
- Diluted		(2.84)p	1.62p	(0.27)p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	6 months to 31 Mar 22 Unaudited £000	6 months to 31 Mar 21 Unaudited £000	Year to 30 Sept 21 Audited £000
(Loss)/Profit for the Period	(374)	206	(34)
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss:</i>			
Actuarial Gain on Pension Scheme	512	399	1,849
Tax on Actuarial Gain	(129)	(86)	(601)
Other Comprehensive Income Net of Tax	383	313	1,248
Total Comprehensive Income for the Period	9	519	1,214

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CONSOLIDATED BALANCE SHEET

	As at 31 Mar 22 Unaudited £000	As at 31 Mar 21 Unaudited £000	As at 30 Sept 21 Audited £000
Non-Current Assets			
Intangible Assets	1,452	1,409	1,405
Tangible Assets	5,156	5,350	5,188
Right of Use Assets	1,259	1,318	1,245
Retirement Benefits	4,494	2,424	3,943
	<u>12,361</u>	<u>10,501</u>	<u>11,781</u>
Current Assets			
Inventories	4,780	4,069	4,702
Trade and Other Receivables	3,755	4,369	4,111
Current Tax Receivable	218	77	55
Cash and Cash Equivalents	501	1,285	1,358
	<u>9,254</u>	<u>9,800</u>	<u>10,226</u>
Total Assets	21,615	20,301	22,007
Current Liabilities			
Bank Loan	(189)	(189)	(191)
Lease Liabilities	(358)	(374)	(323)
Trade and Other Payables	(3,698)	(3,541)	(4,180)
	<u>(4,245)</u>	<u>(4,104)</u>	<u>(4,694)</u>
Non-Current Liabilities			
Bank Loan	(2,030)	(2,220)	(2,123)
Lease Liabilities	(394)	(449)	(354)
Deferred Tax Liabilities	(799)	(415)	(723)
	<u>(3,223)</u>	<u>(3,084)</u>	<u>(3,200)</u>
Total Liabilities	(7,468)	(7,188)	(7,894)
Net Assets	14,147	13,113	14,113
Equity			
Share Capital	1,348	1,276	1,345
Investment in Own Shares	(324)	(324)	(324)
Share Premium Account	943	730	929
Share-Based Payment Reserve	64	129	60
Merger Reserve	230	230	230
Retained Earnings	11,886	11,072	11,873
Equity Attributable to Shareholders of the Parent	14,147	13,113	14,113

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	6 months to 31 Mar 22 Unaudited £000	6 months to 31 Mar 21 Unaudited £000	Year to 30 Sept 21 Audited £000
Opening equity	14,113	12,551	12,551
(Loss)/Profit for the period	(374)	206	(34)
Actuarial gain on pension scheme (net of tax)	383	313	1,248
Total comprehensive income for the period	9	519	1,214
<i>Transactions with owners:</i>			
Proceeds from issue of shares	17	32	300
Share-based payments	8	11	28
Tax on share-based payments	-	-	20
Closing equity	14,147	13,113	14,113

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CONSOLIDATED CASH FLOW STATEMENT

	6 months to 31 Mar 22 Unaudited £000	6 months to 31 Mar 21 Unaudited £000	Year to 30 Sept 21 Audited £000
(Loss)/Profit Before Tax	(589)	97	(387)
Finance Costs	42	48	86
Finance Income	(40)	(11)	(47)
Operating (Loss)/Profit	(587)	134	(348)
<i>Adjustments for:</i>			
Amortisation of Intangible Assets	41	47	111
Depreciation of Tangible Assets	246	256	484
Depreciation of Right of Use Assets	114	138	273
(Gain) on disposal of Tangible Assets	-	(5)	-
Loss on disposal of Intangible Assets	-	-	53
Equity settled Share Based Payments	8	11	28
Operating cash flow before movements in working capital	(178)	581	601
<i>Movements in Working Capital:</i>			
(Increase) in Inventories	(78)	(101)	(734)
Decrease/(Increase) in Trade and Other Receivables	356	1,060	1,336
(Decrease)/Increase in Trade and Other Payables	(479)	(627)	(8)
Cash (outflow)/generated from operations	(379)	913	1,195
Income Taxes Received	-	-	77
Defined Benefit Pension Contributions less Settlements	-	(50)	(83)
Net cash (outflow)/inflow from operating activities	(379)	863	1,189
Purchase of Software	-	(16)	(16)
Purchase of Property, Plant & Equipment	(67)	(40)	(100)
Proceeds from Sale of Property, Plant & Equipment	-	5	-
Expenditure on Capitalised Development Costs	(89)	(52)	(167)
Net cash outflow in investing activities	(156)	(103)	(283)
Repayment of Bank Loan	(94)	(92)	(187)
Principal elements of Lease Liabilities	(203)	(212)	(420)
Interest Paid	(42)	(48)	(86)
Proceeds from Issue of Share Capital	17	32	300
Net cash outflow in financing activities	(322)	(320)	(393)
Net (decrease)/increase in Cash and Cash Equivalents	(857)	440	513
Cash and Cash Equivalents at start of the period	1,358	845	845
Cash and Cash Equivalents at end of the Period	501	1,285	1,358
Reconciliation of cash and cash equivalents			
Cash and Cash Equivalents in Current Assets	501	1,285	1,358

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NET DEBT

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

	Bank Loan	Lease Liabilities	Cash and Cash	Net Debt
	£000	£000	Equivalents	£000
	£000	£000	£000	£000
At 1 October 2021	2,313	677	(1,357)	1,633
New Lease Obligations & Modifications	-	278	-	278
Interest Costs	26	16	-	42
Repayment of Borrowings/Lease Liabilities	(120)	(219)	339	-
Other Cash Absorbed	-	-	517	517
At 31 March 2022	2,219	752	(501)	2,470

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 BASIS OF PREPARATION

These interim financial statements are for the six months ended 31 March 2022. 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 2021.

These interim financial statements have been prepared in accordance with the requirements of UK adopted International Accounting Standards. 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 2021. 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 2022.

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 2021.

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

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 2021 which details macro-economic impacts including those related to Covid-19 and supply chain disruption.

These economic uncertainties however continue to make forecasting more difficult. Significant rail project delays have continued in the period that could not have been foreseen, new disruptive factors including the Russian invasion of Ukraine creating heightened inflationary pressures, whilst the Group has no trade directly with either Country. The Directors have assessed these and sensitised forecasts accordingly.

In assessing going concern the Directors note that whilst current economic conditions continue to create uncertainty, with a particular focus on the supply chain and inflationary pressures, the Group: (i) is expected to return to profitability through the second half of its 2022 financial year and continue to trade profitably 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 over many years. Therefore, the Directors believe that it is well placed to manage its business risks successfully.

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. The continued pause on the Group's dividend policy and voluntary contributions to the defined benefit pension fund have both assisted ensure positive cash funds at 31 March 2022.

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 systems, engineered component distribution and lighting & electronic systems (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 22 Unaudited	6 months to 31 Mar 21 Unaudited	Year to 30 Sept 21 Audited
Electro-mechanical systems	2,972	4,520	7,761
Engineered Component Distribution	1,663	1,604	3,410
Lighting & Electronic systems	3,990	3,172	7,094
Operational Revenue	<u>8,625</u>	<u>9,296</u>	<u>18,265</u>

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

	6 months to 31 Mar 22 Unaudited	6 months to 31 Mar 21 Unaudited	Year to 30 Sept 21 Audited
Rail	70%	77%	77%
Aerospace & Defence	13%	7%	10%
Industrial & Other	17%	16%	13%
	<u>100%</u>	<u>100%</u>	<u>100%</u>
United Kingdom	70%	70%	69%
Rest of Europe	20%	18%	19%
Rest of the World	10%	12%	12%
	<u>100%</u>	<u>100%</u>	<u>100%</u>

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NOTE 5 (LOSS)/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, less investment in own shares.

Details are as follows:

	6 months to 31 Mar 22 Unaudited	6 months to 31 Mar 21 Unaudited	Year to 30 Sept 21 Audited
(Loss)/Profit for the period - £000	(374)	206	(34)
Weighted average number of ordinary shares in issue during the period (million)	13.161	13.378	12.590
Dilutive effect of share options (million)	-	0.392	-
Number of shares for diluted earnings per share (million)	13.161	13.770	12.590
Basic (loss)/earnings per share	(2.84)p	1.67p	(0.27)p
Diluted (loss)/earnings per share	(2.84)p	1.62p	(0.27)p

Basic and diluted earnings per share are based on the weighted average number of ordinary shares and share options in issue during the period. For the period ended 31 March 2022 and year ended 30 September 2021, the basic and diluted loss per share are equal 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.

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 27 June 2022. The financial information 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 2021 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. Shareholders are encouraged to access copies which are available on the Company's website (www.lpa-group.com). Interim Reports will no longer be published as the Company continues to focus on the reduction of waste and carbon footprint. A printout of the Interim Report will also be available by request from the Company's Registrar, or the Company's registered office, address as above or by email: investors@lpa-group.com.

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 equity research.

NOTE 7 COMPANY INFORMATION

Company contacts

Directors	Robert B Horvath Paul Curtis Chris Buckenham Andrew Jenner Gordon Wakeford	Independent Chairman Chief Executive Officer Chief Financial Officer Senior Independent Director Independent Director
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 & 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 Abacus House Castle Park, Castle Hill Cambridge CB3 0AN
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