LPA GROUP PLC

LPA Group plc ("LPA", the "Company" or the "Group"), the high reliability LED lighting, electronic and electro-mechanical system designer and manufacture, announces its Preliminary Results for the year to 30th September 2022.

Preliminary Results key points:

Financial

- Order Entry at £19.7m (2021: £23.2m)
- Order Book at £27.8m (2021: £27.4m)
- Revenue £19.3m (2021: £18.3m)
- Underlying Operating Loss* £0.23m (2021: (Loss) 0.27m)
- Profit before Tax amounted to £1.07m (2021: (Loss) 0.39m)
- Basic Earnings/(Loss) per share amounted to 8.99p (2021: (Loss) 0.17p)
- No dividends declared or paid in 2022 or 2021
- Gearing** reduced to 3.5% (2021: 11.9%)

*Operating Profit/(Loss) before Share Based Payments and Exceptional Costs

** Net Debt as a percentage of Total Equity

The year to 30th September 2022, included the following highlights and operational developments.

- Record year for our new LED tube product with significant orders from UK and worldwide customers. This is an important step as we approach the September 2023 ban across the EU on the sale of old technology fluorescent tubes.

- Excellent year for new Plane Power range of products with customers now including - Heathrow, Shanghai, Beijing, Copenhagen, Melbourne, Auckland, Stockholm and Schiphol airports.

- Appointment of first employee outside of the UK in support of growth plans for the DACH region. This is an essential resource in support of some of the biggest rolling stock customers in the world.

- Continued growth of distribution network to support growth plans for both our electronic / lighting, and electro-mechanical business divisions.

- Successful delivery of the Viaggio Nightjet / ÖBB project, which is the most technically advanced intelligent lighting system ever undertaken by the Group. This is a flagship platform for the customer with further follow-on orders expected.

Robert B Horvath – Chairman commented:

"The year to September 2022 was challenging however, we are reporting a profit before tax of £1.1m; albeit heavily influenced by exceptional items and a slower than expected first half. Encouragingly the second half was much stronger than the first half at the operating level although the business traditionally has a stronger second half performance, not least because December is a shorter trading month. Our order entry during the year was robust and I am pleased to report that our order book remains resilient with good opportunities for further growth currently in negotiation.

During the year there was a strong emphasis on rebuilding executive capability across the Group and specifically in the operating companies. We have recruited well for our electro-mechanical subsidiary and strengthened the senior leadership team. We have more to do to ensure that we can deliver our workload efficiently, but good progress has been made.

As I reported last year, we aimed to build up cash reserves recognising that as we start to grow again following the last two years of reduced turnover there will be pressure on working capital. The vacant land that we had inherited and had no plans to use was sold and realised £1.7m of cash which we are retaining in the business to create capacity and give us the agility to respond quickly to new business opportunities to enhance the product range.

We are very alive to global supply chain issues that we and our customers are experiencing which could delay our own ability to deliver finished product. Additionally, where we supply to new build projects, we are only a small part of our customer's overall project, and it is this that often causes re-scheduling. In the face of these headwinds we are concentrating on being more agile and to keep higher stock levels as 'just in time' is not a viable solution to our customers' often irregular demands and call offs. The rebalancing of the business by working closer with our customers in the aftercare market will support a more even production flow and we continue to actively chase down these revenue opportunities.
Our gearing fell to a modest 3.5% from 11.9% because of our strong cash position, and our net asset value grew even after a small reduction in the actuarial valuation of our (closed) defined benefit pension scheme. The trustees of the defined benefit scheme (of which I remain Chairman) sought to de-risk the scheme last year and we have been fortunate with the resultant impact and resilience of the Trust's investments given all that has happened in the financial markets in 2022. The pension remains in a healthy surplus.

We anticipate an overall return to operating profitability in FY 2023, with stronger recovery thereafter, and accordingly we expect to resume dividend payments for this financial year. The Board has confidence in the prospects for the Group, supported by our high quality customers, growing order book, visibility of new business and our overall strategy."

3rd February 2023

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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

It has been a busy year for us as we rebuild the individual business plans for the members of the Group that result directly from our strategic planning exercise. These plans cover markets, people, operations and facilities and will naturally morph as opportunity and markets dictate.

We have long recognised the need to broaden our offering as some of our operations have become too reliant on a few large customers. A lot of our future project work whilst still robust continues to suffer from re-scheduling by our customers and this was reflected in our ability to cover our overhead in the first part of the year. We managed the second half of the year in a more conservative way and are actively pursuing projects that have more immediate delivery times. In the second half we began to see the impact that the aftercare markets for our customers could have on building resilience into our overhead recovery and as a result, we returned to profitability. We are set up well going forward and have ended the year with a strong order book replacing most of what has been delivered this year and at the time of writing it has grown still further.

We have had a very good response to our customer and relationship management programmes and we have signed up a number of new distributor partners across the globe this year as well as seeing Channel expand its distribution products here in the UK. It was also very encouraging to see the end of pandemic restrictions and to attend Innotrans in Berlin this year. We had a successful event and it was heartening to gain the opportunity once again to be face to face and enjoy open conversations with so many customers that have been unable to travel.

The planning highlighted our need to recruit into a number of key posts and some high calibre people have been appointed to take the Group forward. The new Managing director for our electro-mechanical systems operations commenced in August 2022 and is now well in post. He and the team have recruited a new Technical Engineering director and already we are seeing the impact on their business plans. We have struggled to recruit an MD for our Channel business and must go back and re-think the scope of how this operation functions. Our new Group CFO, Stuart Stanyard, will join the Board in March 2023 and will in place before the AGM. We have recruited heavily into our Sales teams and into engineering competency generally and this should impact the second half of the current year and beyond. We have also been conscious that to recruit this talent pool we need to rebase our reward mechanisms to retain more moderate salaries and to increase the performance related element of our remuneration packages.

As a market leading designer and manufacturer of high reliability electronic, electro-mechanical components and systems, we pride ourselves on our capabilities. Operationally, the manufacturing facilities remain first class. We have upgraded some of our machinery and tooling and we will look to broaden our offering with a limited amount of Capex in the new year. We have investment to make in our enterprise resource planning ("ERP") which will only enhance our ability to manage productivity going forward. The incidence of turnover in our staff who operate our facilities has been manageable and throughout the last two years we have sought to bring in apprentices and young engineers.

To ensure that we had plenty of working capital to carry us through what is a difficult trading environment both in the UK and in our export markets we sold some vacant land realising a substantial £1.5m profit; the profit and cash are reflected in these accounts. We are continuing to look to buy and re-invent products from ours and other businesses that will enhance our offering particularly in the aftercare market and having a strong cash position will make us that much more agile to move quickly.

Shareholders and Investors

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. Therefore, the Chairman and the CEO will continue to meet key shareholders where possible in person and work closely with its Brokers and Advisers to ensure regular and open dialogue.

Importantly, we have stakeholders, in the wider sense, all over the world and we have struggled in the last two years 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. We have now recruited our first senior employee who resides in our DACH (Germany, Austria and Switzerland) market and we believe this investment will only strengthen our relationships further.

Dividends and Pension Fund

No dividends were declared in 2021 and no interim or final dividends have been declared in 2022. The Board believes in a progressive dividend policy and so will keep the policy under review, however, given the ongoing economic and market challenges, we believe it continues to remain appropriate in the shorter term to defer any resumption of the policy.

The LPA Industries Limited Defined Benefit Scheme was part of the Deloitte Pensions Master Plan throughout the entire year under review. This arrangement had included the transfer of the advisory functions, administration and the pensioner payroll to Deloitte. The total costs of this transition have been substantial as the Scheme has necessarily been subject to a level of scrutiny and audit to ensure that it can be prepared for an eventual exit to an insurance provider. The costs of running the scheme have been borne by the Company and this year amounted to £174,800 (2021: £283,128 including £100,000 of Company contribution). The rectification work is largely complete and subject to GMP equalisation ongoing discussion we anticipate substantially reduced costs going forward.

A full Actuarial valuation of the Scheme was carried out in March 2021 which indicated the Scheme was at a healthy 121% funding level. At 31 March 2022 an actuarial report indicated that this had risen to 127% of the actuarial funding level. The benefit of the change in investment strategy in January 2022, when the Trustees having undertaken a review in 2021 agreed to lock in the gains and de risk the scheme, has been beneficial. The key driver for the then improved funding position has been the higher than assumed returns on the Scheme's assets and the changes in financial conditions which have reduced the liabilities. It is natural for the Scheme's funding level to fluctuate over time reflecting changes in the financial markets and this was apparent during the last six months of the year under review especially sparked by the mini- budget on 23 September 2022. Over the year to 30 September 2022 the Scheme's assets, which are with Legal & General Investment Managers in LGIM funds, marginally outperformed the benchmark return at -24.8% versus -25%.

Chairman's statement (continued)

The IAS19 actuarial surplus recognised at 30 September 2022 was £2.5m (2021 restated: £2.6m). The Trustees, under advice, did not seek any voluntary employer contributions during the year from the Company (2021: £100,000). The IAS19 position shown in the accounts reflects the impact of rising interest rates on the present value of the Assets and the liability to pay pensions in the future.

Employees

Our people and our investment in them is key 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. Our recently appointed subsidiary directors are fully committed to these values and we will see the impact of this in the coming years.

The general health, and well-being of our employees personally, cannot be underestimated. We have had a number of retirements of long-standing staff during the pandemic; but we are not alone in this. Senior management time on people issues, managing our employee numbers and the cost base is now part of daily routine. Communication with our staff and progressive investment in their well-being will distinguish us and we hope to persuade more youngsters and apprentices to join an engineering group.

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 yet another challenging year.

Board and Management

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

Paul Curtis (CEO) heads up the Executive Team and we have retained some interim support following the departure of Chris Buckenham. We have secured a contract with our new Group Finance Director who will join before the AGM. Andrew Jenner, as Senior Independent Director, and Chair of the Audit Committee has been in post throughout the year under review as has Gordon Wakeford who is chairman of our Remuneration Committee.

We have started a broader communication programme including a comprehensive newsletter to our Employees, this was published shortly after the year end and will be updated every 6 months. The Board's belief in instilling our corporate values, including through induction and regular communication, remains a priority.

Chairman's statement (continued)

Outlook

The Executive team have a strong order book to work with, a solid balance sheet, positive cash flow and importantly a good plan. It will take a little longer to see the impact of such a significant change in the group's leadership and given the gestation period for our engineers to turn opportunity into quality engineered products we anticipate a strong second half to the current financial year and thereafter. The Company has a bright future built on our capabilities and great customer relationships.

Robert B Horvath
Chairman
2nd February 2023

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 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 electro-mechanical systems and components to the rail, aircraft ground support and niche industrial markets.	• Hybrid / battery control boxes and systems • Control panels & boxes • Enclosures, fabrications, laser cut, form & weld • Rail, aircraft, ship & industrial connectors • Shore supply systems • Transport turnkey engineering and manufacturing 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 units
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 high reliability markets	• Electronic control systems • Electronic monitoring systems • Fluorescent lamp Inverters • Complete rolling stock interior lighting systems • Rolling stock interior and exterior door status indication systems • Rolling stock seat electronics solutions
Email: enquiries@lpa-light.com		

Business Model and Strategy (continued)

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 and the business planning that we do each year.

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 the 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.

Our core values are promoted throughout the Group. These are set out below and published on our website www.lpa-group.com.

Business Model and Strategy (continued)

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

An increase in activity during H2 ensured a positive trading period but fell short of full recovery from the difficult trading experienced during H1, resulting in an underlying operating loss for the full year slightly ahead of prior year at £0.23m (2021: Loss £0.27m). During the period, the successful sale of a piece of unused land held by the Group, realised levels exceeding expectations and raised a net profit of £1.51m, resulting in a final PBT for the year of £1.07m (2021: Loss of £0.39m).

Even though there were several delayed project awards within the period, orders slightly edged revenues, resulting in the orderbook increasing marginally during the year and remaining at a solid £27.7m (2021: £27.3m).

Added Value (AV) for the year remained broadly in line with expectation at 49.1% (2021: 50.5%) but suffered from general inflationary pressure and increasing material costs across all sectors. This is an area being actively managed to ensure that future revenues continue to remain at AV expectations.

2022 Summary

- Order book increased to £27.7m (2021: £27.3m)
- Order entry at £19.7m (2021: £23.2m)
- Revenue at £19.3m (2021: £18.3m)
- Underlying Operating Loss of £0.23m (2021: Loss £0.27m)
- Profit before tax (including sale of land) at £1.07m (2021: Loss of £0.39m)
- Net cash inflow from operating activities £0.1m (2021: £1.2m).

Markets

Aviation (aircraft) build programmes have remained steady for the year with revenues resulting at expected levels. The Group involvement is predominantly on the A350 and A220 aircraft and, with both these aircraft programs intending to increase production rates, it is forecast that the business in this area will increase as we move through 2023 and beyond. Both these platforms enjoy strong orderbooks, covering multiple customers, and are scheduled to remain in production for many years.

With the rapid development of electric and other powertrain technology there are several opportunities developing for a new generation of flight vehicles. This is an area of much interest to the Group and one where we have been subsequently focusing our efforts. This is an industry in its infancy but is one where we are looking to be successful over the coming years as it comes of age.

Aviation (infrastructure) performed well in the year, with revenues increasing 96% and orders increasing 68%, when compared to 2021 levels. Export at 81% was a strong feature within the revenue number and demonstrates the importance of the improved sales channels that are now in place for this segment. The key objective of appointing distribution partners within all 1st tier targeted countries is nearly complete and efforts are now ongoing in expanding this further to include 2nd tier countries and beyond. This expansion and management of our distribution network is an essential strategic program and crucial to our vision of building a robust worldwide sales network of which further developed products can be promoted through.

During the year the Group also launched the new Plane Power cable carrying system. As with the Plane Power connectors, the product was received well by our customer base and initial orders for airports in the UK and Australia were received within the period.

Rail has seen some recovery during the period but is still experiencing some frustrations and delays with project new build schedules. This is however somewhat being offset by the expansion of our sales network and the drive towards an increased product offering. The aftercare market remains a key area for the Group and is one where we are now starting to see some of the previously stalled spending being released.

The expansion of our global sales network and the addition of a dedicated LPA sales resource in the DACH market is progressing well for our Lighting and Electronics business. This increased support brings better market intelligence and offers a greater level of service and support, which is being appreciated by both existing and potential customers. This expanded coverage is essential for our LED tube product which is receiving much interest as we approach the September 2023 ban across the EU on the sale of old technology fluorescent tubes. It is envisaged that this change in legislation will create several opportunities for this product over the current and coming years.

Work is also underway in the standardisation of our Rail connector range with a view of targeting the Rail aftermarket sector within countries other than the UK. As with our Lighting and Electronics business, this will again rely on the development and expansion of our sales channels in these regions. This is however fast becoming a core skill and competence within the Group and is a key development area receiving much focus.

Industrial market expansion is a somewhat new area for the Group and will look to target niches such as infrastructure, marine and energy. In support of this we have taken on new products at our distribution business and strengthened our sales team within our electro-mechanical business. These are the first steps into these markets but are steps that we believe to be essential for growth and the development of a diverse sales profile.

Operational Review

The transition of the business from a predominantly project driven model to one that has a balance of projects and standard products, serving multiple markets and countries, is firmly underway. This is however a medium-term strategy and, as such, it will take time before the benefits of this are truly realised.

In support of this vision, there has been much change within the business units in relation to both process and people. The complete refresh of our sales teams, in both our distribution business and electro-mechanical business, is now complete, and coming up to speed. Several other senior appointments across the Group have also been concluded, which although impacting overhead costs, they are essential in achieving the goals of growth that the business has.

Our electro-mechanical business is well on its way to achieving the aviation approval standard AS9100 and is now also targeting the IS14001 certification in support of our environmental credentials. Our distribution business will also start the journey to achieve IS14001 in the coming year, which will result in all Group companies being compliant of this important standard.

Outlook

The Group has endured difficult trading over the last few years due to dependence on a marketplace that was severely disrupted by several global situations. During this period however much work has been undertaken throughout the Group to ensure the foundations for growth and the de-risking of our customer dependence are in place. We expect to see progression as we move through the coming year and look forward to a more stable and robust business for the future.

Paul Curtis
Chief Executive Officer
2nd February 2023

Financial Review

Set out are the key drivers related to the business performance in the year and position at 30 September 2022, together with explanation of the financial Key Performance Indicators.

Trading Performance

Macro-economic factors

Although some improvement has been seen across our markets in relation to clarity of customer requirements, the 2022 year continued to see some frustration and delays to both order placement and delivery schedules. Whilst H1 was heavily impacted by these delays, H2 saw some improvement and an uplift in activity, resulting in a profitable period, highlighting that once over a certain level, a good level of return can be expected from the business.

Inflation was and continues to be a battle, with cost of energy, people and materials, all moving up beyond levels experienced prior. Efforts to mitigate these increases have been ongoing and where possible fed through to the market. Added Value remains broadly inline with expectations and is expected to remain at this level as we move forward.

Supply of material and components has also been problematic within the period. Electronic components, in particular, have seen the biggest disruption, with deliveries moving out to a 52 week lead-time in some cases. The result of this causing delays to shipments, considerable engineering time looking for alternatives and, in some cases, cost increases as premiums paid for stock availability from alternate suppliers.

As the business shapes itself for the future, employment has been a key feature of the year. Uncertainty in the market, coupled with a low unemployment rate, has made this somewhat difficult at times. However, the year has seen good progress on this, and with a few exceptions, the Group moves into the new year with a high percentage of this change completed and plans for others in place.

Headlines

- Order entry slightly exceeded sales at £19.7m (2021: £23.2m) resulting in a strong order book of £27.7m (2021: £27.3m), an increase of 1.8%;
- Revenue of £19.3m up 5.8% (2021: £18.3m) with electro-mechanical systems revenues down £1.2m and engineered component distribution down £0.1m, lighting and electronic systems up £2.4m;
- Added Value reduced by 1.4% at 49.1% (2021: 50.5%) through cost pressures and the need to source alternative suppliers; and
- Gross margins 22.8% (2021: 20.3%), was up 2.5% primarily because of product mix and some reduction in production overhead costs.

By comparison to 2021, H1 2022 revenues decreased by 7.2% at £8.6m (2021: £9.3m), delivering an underlying operating loss of £568,000 (2021: profit of £154,000). H2 revenues were anticipated to accelerate as customer production recovered from delayed projects. H2 delivered revenues of £10.7m (2021: £9.0m), representing an increase of 19.3% against H2 2021 sales. This resulted in an H2 underlying profit of £342,000 (2021: loss of £428,000).

Financial Review (continued)

Distribution costs and administrative expenses increased by 9.9% to £4.6m (2021: £4.3m). The main contributors to this were the wider economic cost pressures seen across the industry. Also, the UK Government Covid support was withdrawn during 2021 leading to a reduction in other operating income.

Group employment costs reduced by £100,000 to £6.21m (2021: £6.32m) inclusive of exceptional costs, as outlined below. Included are share based payments of £13,000 (2021: £28,000) relating to the award of share options through the Group's Long Term Incentive Plan, these calculated using the Black-Scholes model.

Other operating income of £7,000 (2021: £217,000) reduced due to support from CJRS grant receipts during 2021.

Exceptional Costs and Non-Underlying Items

Exceptional costs in the year totalled a gain of £1,323,000, (2021: loss of £46,000). Key items comprised:

(i) Sale of surplus land raising a net profit of £1,506,000 in 2022 (2021: £nil)

(ii) £10,000 dual running management costs (2021: £46,000). 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.

(iii) reorganisation costs in 2022 of £173,000 (2021: £nil) - associated with cost base reductions.

Finance Costs and Income

Within finance costs, the interest on borrowings increased to £88,000 (2021: £86,000). The weighted average interest rate increased by 0.5% from 2.7% to 3.2%. There was no utilisation of the Group's overdraft facility in the year. The UK base rate increased 7 times throughout the year, increasing through the year from 0.10% to 2.25%.

Profit before Tax, Taxation and Earnings Per Share

After net finance costs of £10,000 (2021: £39,000) a profit before tax of £1,074,000 was recorded (2021: loss £387,000). A tax credit of £111,000 (2021: £365,000) is recognised, reporting a profit after tax of £1,185,000 (2021: loss of £22,000). This resulted in a basic earnings per share of 8.99p (2021: loss per share 0.17p).

Tax reflects the UK corporation tax rate of 19.0% (2021: 19.0%). The tax credit recognised is largely the consequence of recognition of tax losses and tax credits on qualifying R&D expenditure.

Treasury

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

Financial Review (continued)

Balance Sheet

Shareholders' funds increased by £1.0m (7.0%) in the year to £14.8m (2021: £13.7m), including:

- profit for the year of £1.2m;

- a decrease in the defined benefit pension asset recognised of £0.1m (2021: increase of £1.3m); and
- an increase in ordinary share capital of £3,000 following exercise of share options and issue of 35,000 new shares with a share premium recognised of £14,000 (2021: share capital £79,000, share premium £221,000).

This has resulted in an increase to the net asset value per ordinary share to 109.4p (2021: 102.0p). Adjusted net asset value per share (calculated excluding goodwill and the pension asset) was 82.6p (2021: 74.4p).

- Gearing (net debt as a % of total equity) reduced to 3.5% (2021: 11.9%) assisted by the cash proceeds from the sale of land;
- net debt decreasing by 68% to £0.52m (2021: £1.63m);
- working capital, as defined as inventory, trade & other receivables less trade & other payables, increasing 9.6% to £5.08m (2021: £4.63m); and
- pension asset surplus recognised reducing by 3.6% to £2.47m (2021: £2.56m).

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 Group's investment in Excil Electronics Ltd, capitalised development costs and software purchases were £1,473,000 (2021: £1,405,000). 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 £163,000 (2021: £167,000). There were no Capitalised development assets written off in the year (2021: loss of £53,000).

The net book value of property, plant and equipment as at 30 September 2022, including Right of Use Assets, totalled £5,985,000 (2021: £6,433,000), of which property represented £3,913,000 (2021: £4,115,000), plant, equipment and motor vehicles £2,072,000 (2021: £2,318,000). Additions in the year increased following the low level in the previous year of capital investment, at £419,000 (2021: £215,000). Disposals in the year totalled £1,666,000 with a net book value of £170,000 including sale of surplus land and Right of Use lease terminations (2021: £368,000 with a net book value of £9,000). The depreciation charge reduced 7.7%. reflecting prior levels of investment at £699,000 (2021: £757,000).

Net trading assets (defined as inventories plus trade and other receivables, plus current tax and less trade and other payables) were 9.3% higher at £5,119,000 (2021: £4,688,000), predominantly through higher activity at the end of the year increasing the level of debtors.

Financial Review (continued)

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 30th September 2022 the amount outstanding was £2.1m (2021: £2.3m). Interest is payable at base rate plus 2.25%.

Cash Flow

Net cash inflow from operating activities was £77,000 (2021: £1,189,000) made up of a trading cash inflow of £395,000 (2021: £601,000); an increase in working capital of £612,000 (2021 decrease: £594,000); tax refunds of £159,000 (2021: £77,000) and voluntary defined benefit pension contributions of £Nil (2021: £83,000). Overall, there was a net increase in the Group's cash position of £841,000 (2021: £513,000), which included £17,000 receipts from the exercise of share options (2021: £300,000).

Capital expenditure outflows on property, plant and equipment reduced to £88,000 (2021: £100,000), excluding assets financed through lease arrangements. Capitalised development expenditure amounted to £163,000 (2021: £167,000), 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. The Group also benefitted from the sale of surplus land raising £1,666,000.

In the year new leasing arrangements led to right of use additions of £331,000 (2021: £115,000). Interest at 3.7% was charged on fixed rate borrowings (2021: 3.6%). Interest on the Group's overdraft facility is payable at base rate plus 2.0%. The facility was unutilised as at 30 September 2022 and 2021. The composite interest rate across both borrowings and lease liabilities was 3.1% (2021: 2.7%).

Capital loan repayments of £190,000 were made in the year (2021: £187,000). Outflows repaying the principal elements of lease liabilities were £390,000 (2021: £420,000). Interest payments on borrowings amounted to £88,000 (2021: £86,000).

The Group's dividend policy was paused in 2020 as a safeguard to secure cash reserves through the economic downturn and supply issues, this continuing through 2022 with no distributions.

Defined Benefit Pension Asset

The LPA Industries Limited Defined Benefit Scheme was part of the Deloitte Pensions Master Plan throughout the entire year under review. This arrangement had included the transfer of the advisory functions, administration and the pensioner payroll to Deloitte. The total costs of this transition have been substantial as the Scheme has necessarily been subject to a level of scrutiny and audit to ensure that it can be prepared for an eventual exit to an insurance provider. The costs of running the scheme have been borne by the Group and this year amounted to £174,800 (2021: £283,128 including £100,000 of Group contribution). The rectification work is largely complete and subject to GMP equalisation ongoing discussion, we anticipate substantially reduced costs going forward.

A full Actuarial valuation of the Scheme was carried out in March 2021 which indicated the Scheme was at a healthy 121% funding level. At 31 March 2022 an actuarial report indicated that this had risen to 127% of the actuarial funding level. The result of the change in investment strategy in January 2022, when the

Financial Review (continued)

Trustees having undertaken a review in 2021 agreed to lock in the gains and de risk the scheme, has been beneficial. The key driver for the then improved funding position has been the higher than assumed returns on the Scheme's assets and the changes in financial conditions which have reduced the liabilities. It is natural for the Scheme's funding level to fluctuate over time reflecting changes in the financial markets and this was apparent during the last six months of the year under review especially sparked by the mini-budget on 23 September 2022. Over the year to 30 September 2022 the Scheme's assets, which are with Legal & General Investment Managers in LGIM funds marginally outperformed the benchmark return at -24.8% versus -25%.

The IAS19 actuarial surplus recognised at 30 September 2022 was £2.5m (2021 restated: £2.6m). This is after restricting the asset recognised by a tax deduction of 35% which is applied to any refund from a UK pension scheme. This change in accounting for the surplus in the year has been recognised as a prior year adjustment.

The Trustees, under advice, did not seek any voluntary employer contributions during the year from the Group (2021: £100,000). The IAS 19 position reflects the impact of rising interest rates on the present value of the Assets and the liability to pay pensions in the future.

Paul Curtis
Chief Executive Officer
2nd February 2023

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	2022	2021
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	25	13
Near misses	• events that occurred which have not caused an Accident	21	15
Financial			
Orders to revenue	• orders for the year expressed as a multiple of revenue as a measure of prospective growth	1.02	1.27
Order entry	• order intake confirmed	£19.7m	£23.2m
Order book	• the measure of opening order book, plus orde less revenue	£27.7m	£27.3m
Revenue growth	• increase/(decrease) year-on-year as a percentage of prior year	5.8%	(11.8%)
Added value	• the margin generated on revenue after deduction of material costs but before other costs of sale and conversion	49.1%	50.5%
Gross margin	• as a percentage of revenue	22.8%	20.3%
Profitability	• underlying operating (loss) as a return on trading activities to revenue	(1.2%)	(1.5%)
Cash generation	• net increase in cash and cash equivalents before financing activities	£1.5m	£0.9m
Gearing	• the measure of net debt being borrowings and lease liabilities less cash balances, to net assets	3.5%	11.9%

This year's comparative of accidents reflects increased level of activities at the end of covid restrictions and a greater emphasis on the reporting within the factories.

Consolidated Income Statement

For the year ended 30 September 2022

	Note	2022 £000	Restated 2021 £000
Continuing operations			
Revenue	2	19,325	18,265
Cost of Sales		(14,925)	(14,558)
Gross Profit		4,400	3,707
Distribution Costs		(1,781)	(1,562)
Administrative Expenses		(2,865)	(2,664)
Administrative Expenses-Exceptional Items	3	1,323	(46)
Other Operating Income	3	7	217
Underlying Operating (Loss)		(226)	(274)
Share Based Payments	3	(13)	(28)
Exceptional Items	3	1,323	(46)
Operating Profit/(Loss)	3	1,084	(348)
Finance Income		78	47
Finance Costs		(88)	(86)
Profit/(Loss)Before Tax		1,074	(387)
Taxation	4	111	365
Profit/(Loss)for the Year		1,185	(22)
Attributable to:			
- Equity Holders of the Parent		1,185	(22)
Earnings/(Loss) per Share			
Basic		8.99p	(0.17)p
Diluted		8.99p	(0.17)p

Consolidated Statement of Comprehensive Income

For the year ended 30 September 2022

	2022 £000	Restated 2021 £000
Profit/(Loss) for the Year	1,185	(22)
Other Comprehensive Income		
Items that will not be reclassified to profit or loss:		
Actuarial (loss)/gain on pension scheme	(219)	1,849
Restriction of pension assets	49	(693)
Other Comprehensive Income	(170)	1,156
Total Comprehensive Income for the Year	1,015	1,134
Attributable to:		
- Equity Holders of the Parent	1,015	1,134

Consolidated Balance Sheet

At 30 September 2022

Co No: 00686429	2022	Restated 2021	Restated 2020
	£000	£000	£000
Non-Current Assets			
Intangible Assets	1,473	1,405	1,386
Tangible Assets	4,774	5,188	5,546
Right of Use Assets	1,211	1,245	1,438
Retirement Benefits	2,471	2,563	1,277
Deferred Tax Assets	229	263	-
	10,158	10,664	9,647
Current Assets			
Inventories	4,567	4,702	3,968
Trade and Other Receivables	5,095	4,111	5,447
Current Tax Receivable	41	55	30
Cash and Cash Equivalents	2,199	1,358	845
	11,902	10,226	10,290
Total Assets	22,060	20,890	19,937
Current Liabilities			
Bank Loan	(190)	(191)	(188)
Lease Liabilities	(356)	(323)	(406)
Trade and Other Payables	(4,584)	(4,180)	(4,193)
	(5,130)	(4,694)	(4,787)
Non-Current Liabilities			
Bank Loan	(1,934)	(2,123)	(2,313)
Lease Liabilities	(240)	(354)	(584)
Deferred Tax Liabilities	-	-	(16)
	(2,174)	(2,477)	(2,913)
Total Liabilities	(7,304)	(7,171)	(7,700)
Net Assets	14,756	13,719	12,237
Equity			
Share Capital	1,348	1,345	1,266
Investment in Own Shares	(324)	(324)	(324)
Share Premium Account	943	929	708
Share Based Payment Reserve	49	60	118
Merger Reserve	230	230	230
Retained Earnings	12,510	11,479	10,239
Equity Attributable to Shareholders of The Parent	14,756	13,719	12,237

Consolidated Statement of Changes in Equity

For the year ended 30 September 2022

2022	**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 2021*	1,345	(324)	929	60	230	11,479	13,719
Profit for the Year	-	-	-	-	-	1,185	1,185
Other Comprehensive Income	-	-	-	-	-	(170)	(170)
Total Comprehensive Income	-	-	-	-	-	1,015	1,015
Proceeds from issue of shares	3	-	14	-	-	-	17
Share based payments	-	-	-	13	-	-	13
Tax on share-based payments	-	-	-	-	-	(8)	(8)
Transfer on exercise of share options	-	-	-	(24)	-	24	-
Transactions with Owners	3	-	14	(11)	-	16	22
At 30 September 2022	1,348	(324)	943	49	230	12,510	14,756

* restated – see note 1

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	10,239	12,237
(Loss) for the Year*	-	-	-	-	-	(22)	(22)
Other Comprehensive Income*	-	-	-	-	-	1,156	1,156
Total Comprehensive Income*	-	-	-	-	-	1,134	1,134
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	11,479	13,719

Consolidated Cash Flow Statement

For the year ended 30 September 2022

	2022 £000	2021 £000
Profit/(Loss) Before Tax	1,074	(387)
Finance Costs	88	86
Finance Income	(78)	(47)
Operating Profit/(Loss)	1,084	(348)
Adjustments for:		
Amortisation of Intangible Assets	95	111
Depreciation of Tangible Assets	497	484
Depreciation of Right of Use Assets	202	273
Profit on sale of Land/Plant and Equipment	(1,496)	-
Loss on disposal of Intangible Assets	-	53
Equity Settled Share Based Payments	13	28
Operating cash flow before movements in working capital	395	601
Movements in Working Capital:		
Decrease/(Increase) in Inventories	135	(734)
(Increase)/Decrease in Trade and Other Receivables	(984)	1,336
Increase/(Decrease) in Trade and Other Payables	372	(8)
Cash generated from operations	(82)	1,195
Income Taxes Received	159	77
Defined Benefit Pension Contributions less settlements	-	(83)
Net cash inflow from operating activities	77	1,189
Purchase of Software	-	(16)
Purchase of Property, Plant & Equipment	(88)	(100)
Proceeds from Sale of Property, Plant and Equipment	1,666	-
Expenditure on Capitalised Development Costs	(163)	(167)
Net cash inflow/(outflow) from investing activities	1,415	(283)
Repayment of Bank Loan	(190)	(187)
Principal elements of Lease Liabilities	(390)	(420)
Interest Paid	(88)	(86)
Proceeds from Issue of Share Capital	17	300
Net cash outflow from financing activities	(651)	(393)
Net increase in Cash and Cash Equivalents	841	513
Cash and Cash Equivalents at start of the year	1,358	845
Cash and Cash Equivalents at end of the year	2,199	1,358
Reconciliation of cash and cash equivalents		
Cash and Cash Equivalents in Current Assets	2,199	1,358

Consolidated Cash Flow Statement (continued)

For the year ended 30 September 2022

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 2021	2,314	677	(1,358)	1,633
New Lease Obligations	-	309	-	309
Interest Costs	64	24	-	88
Repayment of Borrowings/Lease Liabilities	(254)	(414)	668	-
Other Cash (Generated)	-	-	(1,509)	(1,509)
At 30 September 2022	2,124	596	(2,199)	521

	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	-	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	2,314	677	(1,358)	1,633

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 2022 and 2021 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 UK-adopted International Accounting Standards. The statutory accounts for the year ended 30 September 2021 have been delivered to the Registrar of Companies. The statutory accounts for the year ended 30 September 2022 have been audited and approved but have not yet been filed. The Group's audited financial statements for the year ended 30 September 2022 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 2 February 2023.

The 2022 accounts, together with notice of the Annual General Meeting, are expected to be posted to shareholders on 27 February 2023 and will be available from the LPA website (www.lpa-group.com) from 15th February 2023. They will also be available from the Group Finance Director, LPA Group Plc, Light & Power House, Shire Hill, Saffron Walden, CB11 3AQ.

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 2021.

The prior year accounts have been restated to restrict the pension scheme asset by 35% tax which is netted off the amounts that would be refunded. Given no further taxes will be payable by the Group, the deferred tax provision held in relation to the pension scheme has also been reversed. There is no change in the profit before tax reported for the year ended 30 September 2022 as a result of this change however the net assets have reduced by £380,000.

2 Operating Segments

All of the Group's operations and activities are based in, and its assets located in, the United Kingdom. The CODM does not review segmental assets and liabilities by segment and therefore no reconciliations are disclosed. 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 corporate 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:

	2022 £000	2021 £000
Electro-mechanical systems	6,533	7,761
Engineered component distribution	3,342	3,410
Lighting & Electronics systems	9,450	7,094
Operational Revenue	19,325	18,265

	2022 £000	2021 £000
Revenue recognised over time	97	788
Revenue recognised at a point in time	19,228	17,477
	19,325	18,265

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

	2022	2021
Rail	72%	77%
Aerospace and Defence	13%	10%
Other	15%	13%
	100%	100%

	2022 £000	2021 £000
United Kingdom	12,649	12,618
Rest of Europe	4,607	3,500
Rest of World	2,069	2,147
	19,325	18,265

One individual customer (2021: three) represented more than 10% of Group revenue, combined totalling 23% (2021: 38%).

2 Operating segments (continued)

	2022 £000	2021 £000
Operational Profit	768	652
Corporate Costs	(994)	(926)
Underlying Operating (Loss)	(226)	(274)

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 £594,000 (2021: £426,000).

3 Operating Profit/(Loss)

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

A. Component costs in arriving at Operating Profit/(Loss)	2022 £000	2021 £000
Materials (to Added Value)	9,831	9,036
Production Overhead & Direct Labour	5,094	5,522
Cost of Sales	14,925	14,558
Selling & Distribution Costs	1,781	1,562
Administrative Expenses	2,865	2,664
Administration Expenses – Exceptional Items	(1,323)	(46)
Other Operating Income	(7)	(217)

B. Expenses/(credits) by nature within Underlying Operating Loss	2022 £000	2021 £000
Amortisation of Intangible Assets	95	111
Depreciation of Tangible Assets	497	484
Depreciation of Right of Use Assets	202	273
Loss on Disposal of Assets	10	53
Lease Rentals / Short Term Hire Charges		
– Plant, Equipment & Motor Vehicles	22	16
Foreign Exchange (Gain)/Loss	(62)	96
Other Operating Income:		
– Covid-19 Job Retention Scheme grants (CJRS)	(7)	(217)
Fees Payable to The Company's Auditor:		
- For the Audit of The Company's Annual Accounts	49	22
- The Audit of The Company's Subsidiaries Pursuant to Legislation	84	71

C. Within Exceptional Costs	2022 £000	2021 £000
Sale of land	(1,506)	-
Reorganisation costs / staff changes	173	-
Dual running management costs	10	46
	(1,323)	46

Sale of land relates to the disposal of a piece of surplus land that was valued on the books at £160,000 and realised a net gain of £1,506,000 during the year (2021: £nil).

Reorganisation costs / staff changes of £173,000 in 2022 relate to a Group wide cost base review and loss of office payment. (2021: £nil).

Dual running costs of £10,000 (2021: £46,000) relate to an extended crossover between the appointment and retirement of Board Directors related to the board rejuvenation process commenced in 2018, and concluded on 31 December 2021.

4 Taxation

A. Recognised in The Income Statement	2022 £000	Restated 2021 £000
Current Tax Expense		
UK Corporation Tax	(65)	(4)
Adjustment in Respect of Prior Years	(80)	(46)
	(145)	(50)
Deferred Taxation		
Net Origination and (Recognition) / Reversal of Temporary Differences	34	(244)
Net Change as a Result of Rate Increase	-	(71)
Total Corporation Tax (Credit)	(111)	(365)

B. Reconciliation of Effective Tax Rate	2022 £000	2021 £000
Profit/(loss) Before Tax	1,074	(387)
Tax at The UK Corporation Tax Rate of 19% (2021: 19%)	204	(74)
Effects of:		
- Tax Rate Change	-	(71)
- Enhanced Deduction for Qualifying R&D Expenditure	(102)	(80)
- Prior Period Adjustments	(80)	(46)
- Prior Period Losses Recognised	(71)	(55)
- Other Differences	(62)	(39)
Total Income Tax Credit	(111)	(365)

C. Current and Deferred Tax Recognised Directly in Equity	2022 £000	2021 £000
Tax Charge/(Credit) Arising on Share Options	8	(20)

5 Earnings/(Loss) Per Share

The calculation of earnings per share is based upon the profit for the year of £1,185,000 (2021 restated: loss £22,000) and the weighted average number of ordinary shares in issue during the year of 13.472m (2021: 12.89m) less investment in own shares of 0.3m (2021: 0.3m), of 13.172m (2021: 12.59m).

	2022			2021		
	Earnings	Weighted Average No of Shares	Earnings Per Share	(Loss) - restated	Weighted Average No of Shares	Loss Per Share - restated
	£000	Million	Pence	£000	Million	Pence
Basic Earnings/(Loss) Per Share	1,185	13.172	8.99	(22)	12.590	(0.17)
Effect of Share Options	-	0.007	-	-	-	-
Diluted Earnings/(Loss) Per Share	1,185	13.179	8.99	(22)	12.590	(0.17)

Diluted earnings per share has been calculated for the year ended 30 September 2022 as the Group reported a profit (2021: the loss was considered anti-dilutive and was ignored for the calculation). Basic earnings per share for the year ended 30 September 2021 has been restated (see note 1). The impact of the restatement has reduced loss per share by 0.10 pence.

6 Going Concern

In assessing going concern, including impacts of 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 underlying operating loss in the current year and anticipating a challenging start to the 2023 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 2022 financial year, with a positive EBITDA and strong cash management, benefiting from the sale of the surplus land; (iii) has a strong 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 2022 challenges. Therefore, the directors believe that it is well placed to manage its business risks successfully.

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. We maintain good relationships with our bank and our current facility is in place until March 2024 before which discussions should lead to renewal as the bank remains supportive of our business model.

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 is to be held at 12:00 noon on Thursday 23 March 2023 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 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.