

LPA GROUP PLC

Half-Yearly Report for the six months to 31 March 2014

LPA Group PLC ("LPA" or "the Group"), the LED lighting and electro-mechanical system manufacturer and distributor, announces its results for the six months to 31 March 2014, and a number of significant new orders.

KEY POINTS

- Revenue: £7.97m (2013: £8.65m)
- Profit before tax: £186,000 (2013 restated: £176,000)
- Diluted earnings per share: 1.32p (2013 restated: 1.25p)
- Interim dividend: 0.70p (2013: 0.60p)
- 27.7% increase in order entry in the first half
- LED lighting letter of intent from French Railways, previously advised at AGM, confirmed as an order worth £1.4m
- Electro-mechanical ethernet backbone technology exciting great interest
- Transport+ wins £0.4m orders possibly signalling end to hiatus caused by delayed franchising
- Group well placed to benefit from buoyant UK rail sector and in export markets
- Shire Hill refurbishment almost complete, move planned for July, rationalisation to follow

Michael Rusch, Chairman, comments:

"In my statement at the Annual General Meeting I commented that we had received a letter of intent for the supply of £1.2m of LED based lighting for a double deck high speed train for French Railways. I am pleased to report that the order has now been received at a higher value of £1.4m.

"In addition we have been awarded a contract for £0.3m to supply additional 'classic' lighting for an extension to a project in Hong Kong.

"Significantly during the last two months Transport+ has secured two contracts totalling £0.4m, which may signal the end of the refurbishment order hiatus caused by the delay in refranchising.

"We have yet to book approximately £7.0m of the Intercity Express Programme and around £2.5m in respect of two Aerospace programmes for which we have been selected.

"We expect to close the year with an order book at record high levels.

"After the quiet start of which I previously advised, we are playing 'catch up', but despite lower output in the opening period we have managed to show slightly improved profits and earnings per share providing a sound base for the rest of this year and next. The longer term is beginning to look strong.

"The interim dividend has been increased by 0.1p to 0.7p.

"The refurbishment of our facility at Shire Hill, to be known as 'Light and Power House', is almost complete and we expect to move during July and provide vacant possession of Tudor Works by the end of August, triggering payment of the balance of the basic consideration. Depending on the success of the housing development there may be additional sums due in the future.

"Thereafter we will move on to completing the reorganisation of our electro-mechanical business and commencing the extension of our lighting facility in Yorkshire.

"We look forward to an increasingly bright future."

26 June 2014

ENQUIRIES:

LPA Group plc

Peter Pollock, Chief Executive
Steve Brett, Finance Director

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CHAIRMAN'S STATEMENT

Sales revenue fell by 7.9% to £7.97m (2013: £8.65m), profit before tax increased 5.7% to £186,000 (2013 restated: £176,000) and diluted earnings per share rose 5.6% to 1.32p (2013 restated: 1.25p). Working Capital remains well within our normal trading range and net debt, despite significant capital expenditure on the new Shire Hill facility, amounted to £1.38m (2013: £2.27m). Further significant capital expenditure remains to be incurred, but this will be offset by the £1.3m of deferred consideration due on vacating the Tudor Works site. We continue to operate well within our banking facilities. We propose to increase the interim dividend by 16.7% to 0.7p (2013: 0.6p) which will be paid on 19 September 2014 to shareholders registered at the close of business on 29 August 2014.

Order entry in the first half increased 27.7% to £9.36m (2013: £7.33m) and since the start of the financial year the order book has increased by 21.5% to £7.86m (September 2013: £6.47m). None of these figures include approximately £7.0m due on the Intercity Express Programme and around £2.5m in respect of two aerospace programmes for which we have also been selected. Since the end of the half year routine orders have started to pick up and the Group has recorded a number of significant contract awards including: £1.4m in respect of LED lighting for a double deck high speed train for French Railways (being confirmation of the previously announced letter of intent at £1.2m); two Transport+ contracts totalling £0.4m, possibly signalling the end of the orders hiatus caused by the refranchising process difficulties; and a contract for £0.3m to supply additional 'classic' lighting for an extension to a project in Hong Kong.

Network Rail has embarked upon a £38bn investment programme over the next five years; Crossrail has commenced its station and tunnel fit out phase and has ordered 600 carriages to be built in Derby; the Train Operating Companies envisage upgrade or life extension of up to 1,400 carriages over the next five years; and Transport for London plan to acquire 2,780 new carriages for London Underground together with station and tunnel upgrades. Given this background we expect the UK rail market to be extremely buoyant over the next five years. We remain active in exports markets, with many projects in the offing.

Our LED lighting business continues to progress with rail vehicle and infrastructure projects at home and abroad and we are also developing non-rail infrastructure opportunities. Our electro-mechanical business' high speed ethernet backbone technology is generating both interest and orders and the planned rationalisation should further improve efficiency. Ethernet backbone technology will be of particular relevance to the implementation of the future European Train Control System, which will be rolled out across all existing rail vehicles over the next ten years. Transport+ is beginning to recover from the hiatus caused by the delayed refranchising process and our component distribution business has begun to recover lost ground as aerospace, defence and rail programmes in which it is involved begin to progress.

The refurbishment of Light and Power House, our new facility at Shire Hill in Saffron Walden, is almost complete. We expect to relocate our Saffron Walden businesses during July and to vacate Tudor Works during August, which will trigger payment of the £1.3m balance of the initial consideration. We have an overage clause which allows us to benefit from any better than expected result from the redevelopment of the site for housing. Thereafter we have further rationalisation of our electro-mechanical operations to complete as well as a 50% extension to our LED lighting facility in Normanton, West Yorkshire.

We have made significant progress in the development of the business so far this year and expect this trend to continue in the second half and accelerate during 2015 and thereafter.

MICHAEL RUSCH
Chairman
26 June 2014

LPA GROUP PLC

Interim Unaudited Group Results for the Six Months ended 31 March 2014

CONSOLIDATED INCOME STATEMENT

| | 6 months to 31 March 2014 Unaudited £000's | Restated 6 months to 31 March 2013 Unaudited £000's | Restated Year to 30 Sept 2013 Audited £000's |
|--|---|---|--|
| Revenue | 7,970 | 8,645 | 17,630 |
| Operating profit | 195 | 203 | 609 |
| Gain on property disposal | - | - | 2,062 |
| Reorganisation costs | - | - | (809) |
| Goodwill impairment | - | - | (85) |
| Finance costs | (31) | (47) | (103) |
| Finance income | 22 | 20 | 43 |
| Profit before tax | 186 | 176 | 1,717 |
| Taxation | (19) | (19) | 57 |
| Profit for the period | 167 | 157 | 1,774 |
| Attributable to: | | | |
| - Equity holders of the parent | 167 | 157 | 1,774 |
| Earnings per share (see note 2) | | | |
| - Basic | 1.42p | 1.33p | 15.05p |
| - Diluted | 1.32p | 1.25p | 14.17p |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | 6 months to 31 March 2014 Unaudited £000's | Restated 6 months to 31 March 2013 Unaudited £000's | Restated Year to 30 Sept 2013 Audited £000's |
|--|---|---|--|
| Profit for the period | 167 | 157 | 1,774 |
| Other comprehensive (expense) / income | | | |
| <i>Items that may be reclassified subsequently to profit or loss</i> | - | - | - |
| Cash flow hedges - transferred to profit for the period | - | 14 | 14 |
| Tax on cash flow hedges | - | (3) | (3) |
| <i>Items that will not be reclassified to profit or loss</i> | | | |
| Actuarial loss on pension scheme | (6) | (188) | (135) |
| Tax on actuarial loss | (8) | 30 | 40 |
| Other comprehensive expense net of tax | (14) | (147) | (84) |
| Total comprehensive income for the period | 153 | 10 | 1,690 |
| Attributable to: | | | |
| - Equity holders of the parent | 153 | 10 | 1,690 |

LPA GROUP PLC

Interim Unaudited Group Results for the Six Months ended 31 March 2014

CONSOLIDATED BALANCE SHEET

| | As at 31 March 2014 Unaudited £000's | As at 31 March 2013 Unaudited £000's | As at 30 Sept 2013 Audited £000's |
|--|---|---|--|
| Non-current assets | | | |
| Intangible assets | 1,245 | 1,321 | 1,236 |
| Property, plant and equipment | 3,040 | 3,270 | 2,669 |
| Retirement benefits | 1,026 | 834 | 960 |
| | <u>5,311</u> | <u>5,425</u> | <u>4,865</u> |
| Current assets | | | |
| Inventories | 2,303 | 2,303 | 2,172 |
| Trade and other receivables | 5,139 | 3,498 | 5,095 |
| Current tax receivable | - | - | 43 |
| Cash and cash equivalents | 751 | 7 | 940 |
| | <u>8,193</u> | <u>5,808</u> | <u>8,250</u> |
| Total assets | <u>13,504</u> | <u>11,233</u> | <u>13,115</u> |
| Current liabilities | | | |
| Bank overdraft | - | (698) | - |
| Bank loans and other borrowings | (233) | (109) | (103) |
| Provisions | (244) | - | (243) |
| Current tax payable | - | (105) | - |
| Trade and other payables | (3,242) | (2,992) | (3,425) |
| | <u>(3,719)</u> | <u>(3,904)</u> | <u>(3,771)</u> |
| Non-current liabilities | | | |
| Bank loans and other borrowings | (1,902) | (1,466) | (1,449) |
| Provisions | (303) | (5) | (425) |
| Deferred tax liabilities | (236) | (221) | (212) |
| Other payables | (22) | (23) | (22) |
| | <u>(2,463)</u> | <u>(1,715)</u> | <u>(2,108)</u> |
| Total liabilities | <u>(6,182)</u> | <u>(5,619)</u> | <u>(5,879)</u> |
| Net assets | <u>7,322</u> | <u>5,614</u> | <u>7,236</u> |
| Equity | | | |
| Share capital | 1,183 | 1,179 | 1,180 |
| Share premium account | 457 | 448 | 449 |
| Un-issued shares reserve | 185 | 168 | 178 |
| Revaluation reserve | - | 306 | - |
| Merger reserve | 230 | 230 | 230 |
| Retained earnings | 5,267 | 3,283 | 5,199 |
| Equity attributable to shareholders of the parent | <u>7,322</u> | <u>5,614</u> | <u>7,236</u> |

LPA GROUP PLC

Interim Unaudited Group Results for the Six Months ended 31 March 2014

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | 6 months to 31 March 2014 Unaudited £000's | 6 months to 31 March 2013 Unaudited £000's | Year to 30 Sept 2013 Audited £000's |
|-------------------------------------|---|---|--|
| Opening equity | 7,236 | 5,644 | 5,644 |
| Total comprehensive income | 153 | 10 | 1,690 |
| Transactions with owners: | | | |
| Dividends | (89) | (71) | (142) |
| Proceeds from issue of shares | 11 | 20 | 22 |
| Equity-settled share-based payments | 11 | 11 | 22 |
| Closing equity | <u>7,322</u> | <u>5,614</u> | <u>7,236</u> |

LPA GROUP PLC

Interim Unaudited Group Results for the Six Months ended 31 March 2014

CONSOLIDATED CASH FLOW STATEMENT

| | 6 months to 31 March 2014 Unaudited £000's | Restated 6 months to 31 March 2013 Unaudited £000's | Restated Year to 30 Sept 2013 Audited £000's |
|---|---|---|--|
| Profit for the period | 167 | 157 | 1,774 |
| Finance costs | 31 | 47 | 103 |
| Finance income | (22) | (20) | (43) |
| Income tax expense | 19 | 19 | (57) |
| Operating profit | 195 | 203 | 1,777 |
| <i>Adjustments for:</i> | | | |
| Depreciation | 147 | 142 | 289 |
| Impairment of property, plant and equipment | - | - | 146 |
| Amortisation of intangible assets | 2 | 13 | 54 |
| Impairment of goodwill | - | - | 85 |
| Gain on sale of property, plant and equipment | (1) | - | (2,065) |
| Non-cash charge for equity-settled share-based payments | 11 | 11 | 22 |
| | 354 | 369 | 308 |
| <i>Movements in working capital:</i> | | | |
| Change in inventories | (131) | 142 | 273 |
| Change in trade and other receivables | (44) | 320 | 23 |
| Change in trade and other payables | (183) | (197) | 216 |
| Change in provisions | (121) | - | 663 |
| Cash generated from operations | (125) | 634 | 1,483 |
| Income tax received | 40 | - | (71) |
| Retirement benefits | (50) | (50) | (100) |
| Net cash from operating activities | (135) | 584 | 1,312 |
| | | | |
| Purchase of property, plant and equipment | (527) | (194) | (355) |
| Proceeds from sale of property, plant and equipment | 10 | - | 1,253 |
| Capitalised development expenditure | (11) | (17) | (58) |
| Net cash from investing activities | (528) | (211) | 840 |
| | | | |
| Drawdown of bank loans | 600 | - | - |
| Repayment of bank loans | - | (73) | (73) |
| Repayment of obligations under finance leases | (17) | (20) | (43) |
| Interest paid | (31) | (47) | (103) |
| Proceeds from issue of share capital | 11 | 20 | 22 |
| Dividends paid | (89) | (71) | (142) |
| Net cash from financing activities | 474 | (191) | (339) |
| | | | |
| Net (decrease) / increase in cash and cash equivalents | (189) | 182 | 1,813 |
| Cash and cash equivalents at start of the period | 940 | (873) | (873) |
| Cash and cash equivalents at end of the period | 751 | (691) | 940 |
| | | | |
| | As at 31 March 2014 Unaudited £000's | As at 31 March 2013 Unaudited £000's | As at 30 Sept 2013 Audited £000's |
| Reconciliation of cash and cash equivalents | | | |
| Cash and cash equivalents in current assets | 751 | 7 | 940 |
| Bank overdraft in current liabilities | - | (698) | - |
| Cash and cash equivalents at end of the period | 751 | (691) | 940 |

NOTES

1 - BASIS OF PREPARATION

These interim consolidated financial statements are for the six months ended 31 March 2014. They do not include all of 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 2013.

They have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and applicable law (IFRS) and in accordance with the provisions of the Companies Act 2006 applicable to companies applying IFRS. These financial statements have been prepared under the historical cost convention with the exception of certain items which are measured at fair value.

These consolidated interim financial statements have been prepared in accordance with the accounting policies adopted in the last annual financial statements for the year to 30 September 2013 except that IAS19 Employee Benefits (Revised 2011) has been adopted for the first time. 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 ended 30 September 2014.

Change in accounting policy

Comparative figures as at 31 March 2013 and 30 September 2013 have been restated for the adoption of IAS19 Employee Benefits (Revised 2011).

The principal impact on the Group is that the return on pension scheme assets recognised in the income statement is now based on the discount rate applied to the pension liabilities as opposed to a weighted average of the expected long term rates of return applicable to each asset class. As the discount rate applied to liabilities is lower than the expected long term rate of return the affect has been to reduce the pension scheme net finance credit by £36,000 for the six months to 31 March 2013 and by £70,000 for the year to 30 September 2013 with corresponding reductions in tax charge of £6,000 and £20,000 respectively.

Equal and opposite adjustments to those included in the income statement have been recognised in other comprehensive income and as such there is no change to figures reported in the balance sheet.

2 - EARNINGS PER SHARE

The calculations of earnings per share are based upon the profit after tax attributable to ordinary equity shareholders and the weighted average number of ordinary shares in issue during the period. Details are as follows:

| | 6 months to 31 March 2014 Unaudited | Restated 6 months to 31 March 2013 Unaudited | Restated Year to 30 Sept 2013 Audited |
|---|---|---|--|
| Profit for the period - £000's | 167 | 157 | 1,774 |
| Weighted average number of ordinary shares in issue during the period | 11.802m | 11.785m | 11.789m |
| Dilutive effect of share options | 0.805m | 0.777m | 0.729m |
| Number of shares for diluted earnings per share | 12.607m | 12.562m | 12.518m |
| Basic earnings per share | 1.42p | 1.33p | 15.05p |
| Diluted earnings per share | 1.32p | 1.25p | 14.17p |

3 - ANALYSIS OF NET DEBT

| | Bank loan £000's | Finance lease obligations £000's | Cash and cash equivalents £000's | Net debt £000's |
|-------------------------|---------------------|--|--|--------------------|
| At 1 October 2013 | 1,400 | 152 | (940) | 612 |
| Cash absorbed | - | - | 772 | 772 |
| Term loan draw down | 600 | - | (600) | - |
| Repayment of borrowings | - | (17) | 17 | - |
| At 31 March 2014 | 2,000 | 135 | (751) | 1,384 |

4 - INFORMATION

LPA Group plc is the Group's ultimate parent company. It is incorporated in England and Wales and domiciled in Great Britain. The address of LPA Group plc's registered office, which is also its principal place of business, is Tudor Works, Debden Road, Saffron Walden, Essex, CB11 4AN. 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 consolidated interim financial statements have been approved for issue by the Board of Directors on 26 June 2014.

The financial information for the year ended 30 September 2013 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 2013 have been filed with the Registrar of Companies. The auditor's report on those financial statements was unqualified and did not contain statements under Section 498(2) or Section 498(3) of the Companies Act 2006.

Summarised copies of this Interim Report are being sent to shareholders. Copies are also available from the Company's registered office at the above address and will be made available on the Company's website (www.lpa-group.com).