

# LPA GROUP PLC

LPA Group plc (“LPA” or the “Group”), the high reliability LED lighting and electro-mechanical system manufacturer and distributor, announces its Preliminary Results for the year ended 30 September 2019 and the largest order book since April 2017.

## Preliminary Results key points:

### KEY POINTS

- Order book up 53.3% to £21.3m (2018: 13.8m)
- Order entry up 33.5% to £27.0m (2018: £20.2m)
- Sales amounted to £19.53m (2018: £27.98m)
- Operating profit before exceptional items amounted to £0.2m (2018: £2.24m)
- Exceptional and non-underlying cost £0.4m including GMP equalisation of £0.33m (2018: £0.18m)
- Loss before tax amounted to £0.24m (2018: profit £2.02m)
- Basic earnings per share amounted to -0.43p (2018: 14.34p)
- Final dividend maintained at 1.80p, total for the year 2.90p (2018: 1.80p / 2.90p)
- Gearing amounted to 19.6% (2018: 15.5%)
- Continued investments in automation, productivity and efficiencies

### **Peter Pollock – Chairman commented:**

*“As previously reported the 2019 financial year proved exceptionally challenging as project delays across the rail market were encountered in both UK and export markets. Despite a downturn in revenue of £8.5m, a modest operating profit of £0.2m was achieved, exceeding expectations. The recommended dividend for the year is unchanged.*

*Orders entered during the year achieved a new record at £27m and are beginning to be reflected in output during the current financial year.*

*The surge in orders has continued during the first quarter of the current financial year, as evidenced by recent announcements, which include first of a kind rail and tram rolling stock platforms providing future opportunities and further technology advances. The Order Book, at the end of the first quarter, is larger than at any time since April 2017.*

*We anticipate strong progress during the year and beyond. We look forward to the future with increasing confidence.”*

27 January 2020

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Tim Redfern / Tim Harper (ECM & Sales)		

# Chairman's Statement

## Overview

In my Interim Statement in June 2019 and in the subsequent Trading Update announced on 4<sup>th</sup> September 2019, I referred to delays in deliveries of major projects which would affect the outcome for the year ended 30<sup>th</sup> September, and new contract wins which would bolster output in the new financial year. This has proved to be the case. As expected, Sales and Profits for the year to September 2019 fell well short of that achieved in 2018, but record order entry was achieved, reinforcing our confidence in the future.

Sales for the year decreased 30.2% to £19.5m (2018: increase 24.5% to £28.0m) and operating profit before exceptional and non-underlying items declined 91% to £0.2m (2018: £2.2m). The Loss before tax, after exceptional costs of £0.40m (2018: £0.18), amounted to £0.24m (2018 profit: £2.0m). Basic earnings per share for the year were a loss of 0.43p (2018: earnings 14.34p). Gearing amounted to 19.6% (2018: 15.5%).

Order entry increased 33.5% to £27.0m (2018: £20.2m) resulting in the order book at the end of the year rising 53.3% to £21.3m (2018: £13.8m). The strong order entry performance has continued in the first quarter with a further £6.4m booked, and the orders pipeline and the prospects funnel remain encouraging.

## Dividends

Despite the poor performance during the year your board remain sufficiently confident, subject to shareholder approval at the forthcoming annual general meeting to be held at the offices of LPA Lighting Systems at 12 noon on Wednesday 18<sup>th</sup> March 2020, to recommend the payment of an unchanged final dividend of 1.80p (2018: 1.80p), making a total for the year of 2.90p (2018: 2.90p). The dividend, if approved, will be paid on 27<sup>th</sup> March 2020 to shareholders registered at the close of business on 28<sup>th</sup> February 2020.

Shareholders are reminded that this final dividend is the last to be supported by cheque remittances. As set out in the document published and circulated, dated 5<sup>th</sup> July 2019, "The Digital Future", a copy of which is available at [www.lpa-group.com](http://www.lpa-group.com), future remittances and tax confirmations will only be available electronically.

## Corporate Governance

The Group adopted the Quoted Companies Alliance Corporate Governance Code from 28 September 2018, having closely followed the previous guidance. This places responsibility for oversight, adoption and communication of the Group's Corporate Governance Model with the Chairman.

The Board considers that the Group's Annual Report is a Document of Record and therefore eminently suited to be the repository of the Group's statements on compliance with the Code. These will be reviewed at least six-monthly and updated as necessary and are set out within the Annual Report.

Further the Board considers it helpful to have a statement on the Group's North Star or Guiding Light. This forms part of our Corporate Governance and is set out within the Annual Report. The Annual Report and other information is available on the Group's website [www.lpa-group.com](http://www.lpa-group.com).

During the year the Group has continued to foster a culture which is consistent with the Group's objectives, strategy and business model, and which recognises the principal risks and uncertainties facing the Group, which are contained in the strategic report within the Annual report.

## **Board and Management**

Board members' curriculum vitae and relevant experience are set out on page 30 of the Annual Report.

Following the forthcoming Annual General Meeting on 18<sup>th</sup> March it is anticipated that Paul Curtis will be appointed Chief Executive Officer (CEO) with effect from 1<sup>st</sup> April 2020, having successfully completed a period as Chief Operating Officer (COO).

Chris Buckenham remains Chief Financial Officer (CFO) and Company Secretary.

Len Porter remains Senior Non-Executive director and Chair of the Audit and Remuneration Committees.

Michael Rusch, Group President and Non-Executive Director expects to retire in June 2020 on reaching his 75<sup>th</sup> birthday, following over 50 years of invaluable service to the Group, including as Director, Managing Director, Chairman and President of the Group. We are most appreciative of his wise counsel and commitment to the Group.

Having taken on an additional executive role as Chairman of LPA Industries Pension Trustees Ltd with effect from April 2019, I will remain Executive Chairman for the forthcoming year and through to my retirement in September 2021.

We are actively recruiting and expect to appoint a further Non-executive director ahead of Michael's retirement in the middle of the year. Subsequently we shall be recruiting a further Non-Executive to provide a panel of candidates from which my successor as Chairman in September 2021 may be selected.

Our trading activities continue to be managed independently through local Executive Teams. Michael Raynor remains General Manager of LPA Channel Electric and John Hesketh, Managing Director of LPA Lighting Systems. During the year Paul Curtis, following the departure of the MD of LPA Connection Systems, assumed those additional responsibilities while a successor was recruited. A candidate has been identified who is expected to commence employment by the end of March 2020.

## **Employees**

We believe people are the most important asset of any business. During the year we experienced significant challenges through project delays and temporary downturns, followed by surges in demand, which created significant challenges for management. We continue to benefit from our capital investment programme and enhanced capabilities, which we believe our customer base continues to recognise as exceptional in UK manufacturing in general. We continue to upskill our workforce as we seek to maintain and increase added value per employee. We maintain flexibility through a number of staff on temporary contracts. We have no zero-hour contracts. The underlying cost base is tightly managed. I should like to thank all of our employees for their hard work and diligence through the past, most challenging, year.

## **Outlook**

The start of the current financial year was challenging, but, as the quarter progressed the pace of activity has accelerated. As previously reported, our order book has recovered strongly, and our order pipeline and our funnel of opportunities are encouraging at home and abroad.

We expect good progress throughout the rest of the year and beyond. We are pleased that uncertainty over Brexit has reduced. We have a strong long-term order book, a strong balance sheet, a skilled workforce and valuable experience in importing and exporting. We expect challenges, but we look forward to the future with confidence.

**Peter Pollock**

Chairman

27 January 2020

# Chief Operating Officer's Review

## Trading Results

Project delays impacted the 2019 financial year leading to a reduced sales level at £19.5m (2018: £28.0m) and a reduced operating profit of £0.2m (2018: £2.2m). During the period order intake increased 33.5% to £27.0m (2018: £20.2m), which exceeds the previous highs achieved of £26.8m in 2015 and £26.1m in 2017. Significant project wins on several new rolling stock platforms in the rail industry were fundamental to this and, as such, we enter the new financial year with a strong orderbook and many opportunities still to pursue.

The project delays previously communicated have all but worked their way through and, as new projects come on stream, we have seen activity increasing through the first quarter and expect this to continue and accelerate throughout the rest of the year.

## 2019 Summary

- Order entry up 33.5% at £27.0m (2018: £20.2m)
- Sales down 30.2% at £19.5m (2018: £28.0m)
- Operating Profit, before exceptional and non-underlying items, down 91% to £0.2m (2018: £2.2m)

Added value for the year increased to 49.3% (2018: 48.6%). A continuous drive to automate and gain efficiencies across all areas of the business are key to maintaining these levels and essential in mitigating the impacts of a competitive marketplace. These efforts will continue throughout 2020 to ensure the Group's competitiveness going forward.

Despite flexing the cost base, the Group maintained its capabilities to deliver the growing order book and future opportunities.

## Markets

Rail, Aviation & Defence and niche industrial markets remain strong for the Group and will continue to be the focus for the coming year. These markets require quality products and service, which aligns with the LPA mantra of long-life reliability that features in the design philosophy across all our products.

Rail continues to be the Group's main segment representing 69% of sales for the financial year; aerospace and defence; 16%; other 15%. Solid progress has been made in the international marketplace with two significant export lighting rollingstock 'platform' orders, one of which being for a new European Tram, a first for LPA. These are significant wins with the potential to bring further business beyond that already announced and strengthens LPA's position as a world leader in LED technology.

The UK Rail market remains strong with full order books for some train builders and growing orderbooks for others providing activity for the coming year and beyond. Rail refurbishment and maintenance demands have suffered adjustment and consolidation but still provide opportunities for the Group and should continue to do so for the coming years. Rail investment increases worldwide, and with LPA's growing reputation for quality and innovation, this remains a key market.

Aviation & Defence continues to be a growth market for the world and remains a key focus area for the Group. We are launching Plane Power, our new range of aircraft Ground Support Equipment, during 2020 with an increased effort to grow global market share. The Group supplies components for aircraft such as A350 and C Series and is set to benefit from these for several years to come.

Other markets, where product quality is important, are a key focus going forward with efforts being made to broaden product ranges enabling increased success in these areas.

## **Design and development**

During 2020 we will launch our new range of Plane Power connectors aimed at the aircraft ground power supply market, world leading smart lighting and, various other product developments and enhancements. The Group is focused on smart technology which it is including as options on all its products, where practical, as they are developed. Smart technology is of increasing importance to our customers and a key area of focus for product development, which is essential in maintaining our position as a world leader in the markets we serve.

The recently announced framework agreement with Siemens Vienna will deliver one of the most modern and complex train smart lighting systems in the world. This is testament to the growing confidence shown by customers choosing LPA.

The Group continues to be a leader in mobile device charging on trains and 2020 will see further product developments in this area, as consumer demands becomes ever more technologically focused.

## **Operations**

During the year the Group adjusted resources and structures to accommodate the variable project workload and to increase efficiency and effectiveness.

Our lighting facility achieved ISO14001 compliance, which is a growing requirement for the international marketplace. Plans for our other facilities to achieve this standard are also underway. The Group retains its IRIS, AS9120 and ISO9001 certifications, which are key features of our operations.

There has been an increased effort in relation to data security as cyber threats become more sophisticated and more common. All businesses in the Group have strengthened systems, controls and procedures during the year, achieving Cyber Essentials certification and improved Business Continuity Plans.

There has been an enhanced focus on Health & Safety across the Group ensuring that the environment we provide for our workforce and visitors is safe and welcoming.

## **2019 operational highlights**

- Integration of sheet metal manufacturing (Haswell Engineers) operating systems into LPA Connection Systems
- New Laser Cutting System installed at LPA Connection Systems increasing efficiency and capability
- Lean lift storage systems installed at LPA Connection Systems creating approximately 700 m<sup>2</sup> of additional assembly space.
- New automatic Printed Circuit Board test equipment installed at LPA Lighting Systems improving efficiencies and quality of inspection
- Further work on improving flow of manufacturing cells
- 5S (lean processes) implemented at Electro-mechanical, already in place at LPA Lighting Systems

## **Outlook**

The strong order entry for the year gives an excellent foundation for the future. The marketplace is stable and continues to provide opportunities for the Group. The drive for efficiency, product development, and worldwide customer awareness of LPA is continuous.

We look forward to the future with increasing confidence.

**Paul Curtis**

Chief Operating Officer

27 January 2020

## Financial Review

### Trading Performance

Revenue in the current year reduced by £8.4m (30.2%) to £19.53m (2018: £27.98m) with delayed rail project activity being the main factor, as previously announced. Gross margins fell 3.1% to 22.3% (2018: 25.4%), reflecting the higher proportion of fixed costs borne by the Group.

Gross profit amounted to £4.36m (2018: £7.12m). Added Value of 49.3% was achieved (2018: 48.6%), a Group KPI. Other operating expenses reduced by £0.71m (14.7%) to £4.16m (2018: £4.87m) – represented by decreased sales and distribution costs of £0.34m and reduced administration and overheads of £0.37m. Key administration cost changes comprised pension administration and governance of £0.10m (2018: £0.17m); grant credit of £0.09m (2018: nil); and employment costs of £1.50m (2018: £1.70m) inclusive of bonus awards of £8,000 (2018: £116,000) and share option related credit of £47,000 (2018: £17,000).

An operating profit before exceptional and non-underlying items of £0.20m (2018: £2.24m) was achieved, down £2.04m (-91.0%). After exceptional and non-underlying items, detailed below, a loss of £202k was incurred (2018: profit £2.07m).

In the first half of the year sales of £10.10m (2018: £13.93m), down 27.6%, produced an operating profit before exceptional and non-underlying items of £0.17m (2018: £1.12m), down 84.4% on the corresponding period last year. The second half delivered sales of £9.44m (2018: £14.05m) resulting in an operating profit before exceptional and non-underlying items of £0.03m (2018: £1.12m).

### Exceptional and Non-Underlying Items

Net exceptional costs in the period totalled £0.40m (2018: costs £0.18m). Key items comprised:

- (i) reorganisation costs of £70,000 (2018: £96,000) - associated with ongoing cost base reductions at the Group's Electro-Mechanical site;
- (ii) £333,000 (2018: Nil) Guaranteed Minimum Pensions (GMP) equalisation recognition in line with the High Court ruling in October 2018, requiring all UK companies to remove inequalities between men and women in scheme benefits that arose under GMP. This is a historical cost which has been recognised in the current financial year as a change in basis, whilst going forward all movements will be recognised through the Consolidated Statement of Comprehensive Income alongside all other movements in the Defined Benefit Pension Scheme.

2018 also included (2019: Nil):

- (iii) extra centre costs arising from Board succession planning including duplicated finance function costs - £74,000
- (iv) professional and recruitment fees associated with the Board succession and establishment of the Group's Employee Benefit Trust and corporate advice - £5,000;

### Finance Costs and Income

Within finance costs the interest on borrowings increased by 23.7% to £0.10m (2018: £0.08m). The weighted average interest rate increased from 2.7% to 2.9%, key drivers being:

- the flow through of two 2018 UK base rate rises
- refinancing of the loan borrowing at a higher margin of 0.3% and increased levels of borrowing. The term loan average rate increased with the base rate rises included by 0.45%.

Finance income, which comprises the net interest income on the pension asset, was £64,000, an increase of 83% (2018: £35,000).

## Loss / Profit before Tax, Taxation and Earnings Per Share

Loss before tax was £0.24m (2018 Profit: £2.02m) resulting in a tax recovery of £0.19m (2018 charge: £0.25m). The effective tax rate in the year was -78.0% (2018: 12.5%), with the UK corporation tax rate of 19.0% (2018: 19.0%). The effective tax rate is largely the consequence of tax loss utilisation of 4.6% (2018: 1.2%); qualifying R&D expenditure of 32.9% (2018: 2.8%); prior year R&D expenditure claim increases of 20.7%; share option prior period recognition 8.2% (2018: nil); and defined benefit pension contributions 8.0% (2018: 0.9%). The effective tax rate on profit before tax, exceptional and non-underlying items was -92.0% (2018: 11.3%).

The loss for the year was £0.05m (2018 profit: £1.77m) representing basic earnings per share of -0.43p (2018: 14.34p).

## Balance Sheet

Shareholders' funds decreased by £0.39m (-3.1%) in the year to £12.32m (2018: £12.71m) giving a net asset value per ordinary share of 97.4p (2018: 102.7p). The tangible net asset value per share (calculated excluding intangibles and pension asset, net of deferred tax) was 72.0p (2018: 78.3p). Net debt increased £0.45m to £2.42m (2018: £1.97m) with gearing (net debt as a % of total equity) increasing to 19.6% (2018: 15.5%).

Shareholders' funds include Investment in Own Shares at £0.33m including share premium (2018: £0.21m), representing ordinary shares held in the Company by the LPA Group Plc Employee Benefit Trust (EBT).

Intangible assets, which comprise goodwill, capitalised development costs and software purchases, were £1.36m (2018: £1.20m). Software previously capitalised as Tangible assets have been reclassified in the year as Intangible assets in accordance with IAS38. The corresponding depreciation transferred to amortisation, with no effect on the trading results or reserves. Software additions in the year were £0.02m. Goodwill relates to the Group's investment in Excil Electronics and was unchanged at £1.15m. Capitalised development costs, associated with the development of a new range of ground power connectors for the aviation sector, Plane Power, and electronic and lighting product developments were £0.12m (2018: £0.03m).

Property, plant and equipment at 30 September was £7.01m (2018: £7.22m), of which property made up £4.25m (2018: £4.34m) and plant and equipment £2.76m (2018: £2.87m). Additions in the year were £0.54m (2018: £1.02m). The depreciation charge increased 6.5% at £0.70m (2018: £0.65m).

The IAS19 actuarial surplus recognised at 30 September 2019 on the Group's closed defined benefit pension arrangement was £2.25m (2018: £2.41m). Changes over the course of the year comprised an income statement credit of £0.064m related to interest (2018: £0.035m) and within exceptional and non-underlying items, GMP cost recognition of £0.333m (2018: Nil). Employer contributions received of £0.10m (2018: £0.10m) plus an actuarial gain of £0.01m (2018: £0.96m) recognised in the statement of comprehensive income, benefits paid from the scheme totalled £0.51m (2018: £0.48m). The actuarial gain resulted from changes to demographic assumptions in line with market indices (primarily caused through overall life expectancy assumptions and GMP equalisation being included) and changes in financial assumptions (primarily reflecting the lower discount rate applicable at September 2019, 1.8% as opposed to 2.8%), a reduction in both RPI and CPI inflation measures of 0.1% to 3.15% and 2.45% respectively, providing a return on plan assets of £1.9m (2018: £0.06m), against which an experience loss of £0.005m is recognised (2018: £0.25m gain).

Net trading assets (defined as inventories plus trade and other receivables, less trade and other payables and current tax) were 3.2% higher at £4.42m (2018: £4.29m).

## Cash Flow

Net cash from operating activities was £0.66m (2018: £2.45m) made up of a trading cash inflow of £0.87m (2018: £2.72m) a reduction in working capital of £0.10m (2018 increase: £0.14m), tax payments of £0.21m (2018: £0.03m) and defined benefit pension contributions of £0.10m (2018: £0.10m).

Capital expenditure outflows reduced to £0.4m (2018: £0.5m). Capitalised development expenditure amounted to £0.12m (2018: £0.03m), including expenditure at LPA Connection Systems to develop a new range of aircraft ground power support products and at LPA Lighting Systems, further product developments focussed on Smart Lighting and associated technologies.

Loan repayments of £2.2m were made (2018: £0.20m) which included the repayment of term loan and refinance ahead of the facility five-year term expiry in 2021. Draw down on a new term loan, also with a five year term and bullet repayment provided a cash inflow of £2.6m (net £0.5m refinance inflow). Hire Purchase repayments were £0.2m (2018: £0.1m). Interest payments on borrowings amounted to £0.03m (2018: £0.02m). Dividend payments increased 5.5% in the year to £0.36m (2018: £0.34m).

During the year, £0.08m (2018: £0.25m) was loaned to the Group's Employee Benefit Trust to facilitate the acquisition of LPA Group plc shares. The transactions associated with the Employee Benefit Trust are consolidated within these accounts. £0.11m (2018: £nil) was received from the exercise of share options. Overall there was a net decrease in the cash position of £0.07m (2018: increase of £1.05m).

## Net Debt

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

	Bank Loans	Hire Purchase Obligations	Cash and Cash Equivalents	Net Debt
	£000	£000	£000	£000
At 1 October 2018	2,170	757	(956)	1,971
New Hire Purchase Obligations	-	168	-	168
Drawdown of Bank Loan	2,626	-	(2,626)	-
Interest & Arrangement Fee	31	-	-	31
Repayment of Borrowings	(2,242)	(201)	2,443	-
Cash Absorbed	-	-	250	250
At 30 September 2019	2,585	724	(889)	2,420

The Group's main bank finance, a £2.63m bank loan drawn down in 2019 is repayable over 5 years, including a bullet repayment in March 2024 (calculated on 15 year repayment terms). The loan was utilised to refinance the previous loan, drawdown in 2017 and repayable in 2021. As at September 2019 the amount outstanding was £2.58m (2018: £2.17m); the loan is to be repaid through 19 quarterly instalments of £0.06m from July 2019, with the residual balance of £1.794m repayable in March 2024. Interest is payable at base rate plus 2.25%.

A forecast breach of the bank loan covenant as at 30 September 2019 was identified and discussed with the Bank ahead of the year end. The Bank have expressed their intention to continue support for the Group and subsequently their intention to issue a covenant waiver, at the point of covenant measurement. The covenant is measured following publication of the annual accounts based on the financial position of the Group at 30 September 2019 and its financial results for the year then ended. These post balance sheet events, under IAS10, are deemed to be non-adjusting. As such, the bank loan has been presented as all falling due within one year.

In the year £0.17m of plant and equipment additions were financed through new hire purchase finance (2018: £0.52m). Interest on the £1.50m overdraft facility is payable at base rate plus 2.0%. Headroom within the facility at 30 September was £1.50m (2018: £1.50m).

## **Treasury**

The Group's treasury policy remains unchanged in the year: further details on the Group's borrowings, financial instruments, and its approach to financial risk management are provided in the Annual Report.

**Chris Buckenham**  
Chief Financial Officer  
27 January 2020

# Consolidated Income Statement

For the year ended 30 September 2019

	Note	2019 £000	2018 £000
<b>Revenue</b>		19,533	27,979
Cost of Sales		(15,174)	(20,862)
<b>Gross Profit</b>		4,359	7,117
Distribution Costs		(1,588)	(1,931)
Administrative Expenses - before exceptional and non-underlying items		(2,570)	(2,942)
<b>Operating Profit before Exceptional and Non-Underlying Items</b>		201	2,244
Exceptional and non-underlying items		(403)	(175)
<b>Operating (Loss) Profit</b>		(202)	2,069
Finance Costs		(99)	(80)
Finance Income		64	35
<b>(Loss) / Profit Before Tax</b>		(237)	2,024
Taxation		185	(253)
<b>(Loss) / Profit for the Year</b>		(52)	1,771
Attributable to:			
- Equity Holders of the Parent		(52)	1,771
<b>Earnings per Share</b>	1		
Basic		(0.43p)	14.34p
Diluted		(0.43p)	13.45p

All activities are continuing.

## Consolidated Statement of Comprehensive Income

For the year ended 30 September 2019

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
<b>(Loss) / profit for the Year</b>	<u>(52)</u>	<u>1,771</u>
<b>Other Comprehensive Income / (Expense)</b>		
<i>Items that will not be reclassified to profit or loss</i>		
Actuarial gain on pension scheme	10	962
Deferred tax on actuarial gains and losses	(7)	(178)
<b>Other Comprehensive Income Net of Tax</b>	<u>3</u>	<u>784</u>
<b>Total Comprehensive Income for the Year</b>	<u>(49)</u>	<u>2,555</u>
Attributable to:		
- Equity Holders of the Parent	<u>(49)</u>	<u>2,555</u>

# Consolidated Balance Sheet

At 30 September 2019

Co No: 686429

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
<b>Non-Current Assets</b>		
Intangible Assets	1,359	1,200
Property, Plant and Equipment	7,006	7,216
Retirement Benefits	2,250	2,409
	<u>10,615</u>	<u>10,825</u>
<b>Current Assets</b>		
Inventories	3,824	3,881
Trade and Other Receivables	4,437	5,540
Current Tax Receivable	59	-
Cash and Cash Equivalents	889	956
	<u>9,209</u>	<u>10,377</u>
<b>Total Assets</b>	<u>19,824</u>	<u>21,202</u>
<b>Current Liabilities</b>		
Bank Loans and Other Borrowings	(2,805)	(322)
Current Tax Payable	-	(266)
Trade and Other Payables	(3,839)	(4,868)
	<u>(6,644)</u>	<u>(5,456)</u>
<b>Non-Current Liabilities</b>		
Bank Loans and Other Borrowings	(504)	(2,605)
Deferred Tax Liabilities	(352)	(430)
	<u>(856)</u>	<u>(3,035)</u>
<b>Total Liabilities</b>	<u>(7,500)</u>	<u>(8,491)</u>
<b>Net Assets</b>	<u>12,324</u>	<u>12,711</u>
<b>Equity</b>		
Share Capital	1,266	1,238
Investment in Own Shares	(324)	(214)
Share Premium Account	708	628
Un-Issued Shares Reserve	82	122
Merger Reserve	230	230
Retained Earnings	10,362	10,707
	<u>12,324</u>	<u>12,711</u>
<b>Equity Attributable to Shareholders of The Parent</b>	<u>12,324</u>	<u>12,711</u>

## Consolidated Cash Flow Statement

For the year ended 30 September 2019

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
(Loss) / Profit Before Tax	(237)	2,024
Finance Costs	99	80
Finance Income	(64)	(35)
Operating (Loss) / Profit	(202)	2,069
<i>Adjustments for:</i>		
Depreciation	693	652
Amortisation of Intangible Assets	48	12
Gain on Sale of Property, Plant and Equipment	(2)	(10)
Past service cost liability recognition (GMP)	333	-
	870	2,723
<i>Movements in Working Capital and Provisions:</i>		
Change in Inventories	57	536
Change in Trade and Other Receivables	1,102	(486)
Change in Trade and Other Payables	(1,059)	(190)
<b>Cash Generated from Operations</b>	970	2,583
Income Taxes Paid	(210)	(35)
Retirement Benefits (DB Pension Contributions)	(100)	(100)
<b>Net Cash from Operating Activities</b>	660	2,448
Purchase of Property, Plant & Equipment and Software	(399)	(496)
Proceeds from Sale of Property, Plant and Equipment	3	10
Capitalised Development Expenditure	(124)	(27)
Purchase of own shares	(110)	(214)
<b>Net Cash Used in Investing Activities</b>	(630)	(727)
Drawdown of Bank Loans	2,626	-
Repayment of Bank Loans	(2,242)	(196)
Repayment of Obligations Under Finance Leases	(201)	(109)
Interest Paid	(31)	(24)
Proceeds from Issue of Share Capital	108	-
Dividends Paid	(357)	(339)
<b>Net Cash Used In Financing Activities</b>	(97)	(668)
Net (Decrease) / Increase in Cash and Cash Equivalents	(67)	1,053
Cash and Cash Equivalents at Start of the Year	956	(97)
<b>Cash and Cash Equivalents At End Of The Year</b>	889	956
<b>Reconciliation of Cash and Cash Equivalents</b>		
Cash and Cash Equivalents in Current Assets	889	956
Cash and Cash Equivalents at End of the Year	889	956

## Notes

### 1 – EARNINGS PER SHARE

The calculation of earnings per share is based upon the loss for the year of £0.05m (2018: profit £1.77m) and the weighted average number of ordinary shares in issue during the year, less investment in own shares, of 12.238m (2018: 12.350m).

	2019			2018		
	Earnings	Weighted Average No of Shares	Earnings Per Share	Earnings	Weighted Average No of Shares	Earnings Per Share
	£000	Million	Pence	£000	Million	Pence
Basic Earnings Per Share	(52)	12.238	(0.43)	1,771	12.350	14.34
Effect of Share Options	-	-	-	-	0.813	(0.89)
Diluted Earnings Per Share	(52)	12.238	(0.43)	1,771	13.163	13.45

#### Diluted Earnings Per Share

Basic and diluted earnings per share are equal for the year ended to 30 September 2019, since where a loss is incurred the effect of outstanding share options and warrants is considered anti-dilutive and is ignored for the purpose of the loss per share calculation. As at 30 September 2019 there were 975,000 outstanding share options (2018: 1,256,500), of which 825,000 were exercisable (2018: 1,106,500)

### 2 - INFORMATION

The preceding information does not constitute the Company's statutory accounts for the years ended 30 September 2019 or 30 September 2018 but is derived from those accounts. The 2019 accounts are expected to be posted to shareholders on 18 February 2020 and will be available from the Company Secretary, LPA Group Plc, Light & Power House, Shire Hill, Saffron Walden, CB11 3AQ and on LPA's website ([www.lpa-group.com](http://www.lpa-group.com)), shortly thereafter. Statutory accounts for 2018 have been delivered to the Registrar of Companies, and those for 2019 will be delivered following the annual general meeting. The auditors have reported on these accounts and their reports were unmodified and did not contain statements under the Companies Act.

The Chairman's Statement, the Chief Operating Officer's Review, and the Financial Review included in this preliminary announcement form part of the Strategic Report included in the 2019 accounts. The Strategic Report and other content of this preliminary announcement have been prepared solely for the shareholders of the Company as a body. To the extent permitted by law the Company, its directors, officers and employees disclaim liability to any other persons in respect of the information contained in this preliminary announcement. Sections may include statements containing risks and uncertainties facing the Group, and other forward-looking statements, which by their nature involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. The Company undertakes no obligation to update any forward-looking statements.

### 3 - ANNUAL GENERAL MEETING

The annual general meeting of the Company is to be held at 12 noon on Wednesday 18 March 2020 at the offices of LPA Lighting Systems, Ripley House, Normanton, West Yorkshire, WF6 1QT.

#### The Digital Future - shareholder communications and electronic dividends

Shareholders are encouraged to familiarise themselves with this document dated 5 July 2019 which comes into effect at the 2020 AGM. Copies are available at <https://www.lpa-group.com/investor-information/regulatory-news-announcements/>.