

Interim Unaudited Group Results for the six months ended 31 March 2023

LPA Group plc (“LPA” or the “Group”), the high reliability LED lighting, electronic and electro-mechanical system designer and manufacturer, announces its results for the six months to 31 March 2023.

KEY POINTS

	6 months to 31 March 2023 Unaudited	6 months to 31 March 2022 Unaudited	Year to 30 Sept 2022 Audited
Order Book	£34.9m	£30.8m	£27.8m
Order Entry	£16.2m	£12.1m	£19.7m
Revenue	£9.1m	£8.6m	£19.3m
(Loss) / Profit Before Tax	£(0.6m)	£(0.6m)	£1.1m
Basic (Loss) / Earnings Per Share	(3.38)p	(2.84)p	8.99p
Loss Before Tax and Exceptional Items	£(0.6m)	£(0.6m)	£(0.2m)
Adjusted Loss Per Share (excluding exceptional items)	(3.38)p	(2.77)p	(1.05)p
Net Debt at period end	£1.0m	£2.5m	£0.5m

Paul Curtis, CEO, commented:

“I’m pleased to report that we have made good strategic progress, a good acquisition and a record order book with an exceptional order entry year to 31 March 2023.

We look ahead with confidence as we continue to deliver progress on our strategy. We expect to return to profitability in line with market expectations for FY23.”

Paul Curtis

CEO

22 June 2023

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About LPA

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

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

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

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

For more information visit www.lpa-group.com

Regulatory Information

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

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CHAIRMAN'S STATEMENT

The half year has broadly been in line with what we expected for the period under review. We believe that the recent initiatives we have put in place to drive the bottom line will take a few months to start bearing results, consequently we anticipate a return to full year profitability during FY 2023. I am delighted to say that there is light at the end of the tunnel, and we look forward to seeing growth in FY 2024.

As I mentioned at our AGM, and in the Annual Report, we are seeing the impact of the new executives we have recruited into the business as well as the emphasis on targeting more products for the aftercare markets. The workload and activity level in both Connection Systems and Channel have picked up markedly. Our Lighting business, which has a number of longer-term contracts, continued to frustrate with slippage in delivery schedules for New Train sets; albeit less markedly than a year ago. We were pleased to announce a further £2m lighting order for ÖBB last month which will support our Lighting business next year and beyond.

Last year we stated our intention to rebalance the business between project work and routine products. The acquisition of the 'Inter-car jumper' product line from Amphenol that we announced in March 2023 is part of our strategy and will support production volumes at Connections Systems for the next three years and beyond. We will continue to seek other opportunities to add intellectual property to the Group to fill capacity in our factories and become more productive.

We have rightly been cautious with our cash enabling us to remain flexible and to quickly respond to potential opportunities. We sold surplus land last year which will help us pay for the acquisition from Amphenol and to support an expanding working capital growth which inevitably will be required with the anticipated step up in activity levels over the next 18 months. Our net debt is down to £1m (31 March 2022: £2.5m) providing us with good headroom in our existing bank facilities and allowing us to continue our strategy of acquiring and developing further product lines. Our normal bank facilities are renewable early next year and we will begin those discussions later this summer.

As I commented at the time of the AGM, and there is no reason to change this statement, the Board anticipates a return to dividend payment for FY2023.

We continue to look closely at our Environment, Social and Governance ("ESG") policies. Our 'Guiding Light Principle', published on our website and in our Annual Report, sets out our commitments as does our adoption of the QCA Corporate Governance Code. We continue to strive for continuous improvement in all areas as we work to become a more sustainable business and we have gained further recognition of this through our enhanced certification at Connection Systems.

The second half of the year has begun well and turnover across the Group is beginning to rise in line with expectations. Macroeconomic factors (notably the impact of higher wages and inflation) are generally challenging and interest rates may yet rise still further which will no doubt stifle confidence, but our order book is strong. We believe we have competitive advantage in our local manufacturing facilities and can deliver quality product both in the UK and across Europe. We have put in place hedging strategies to safeguard our profitability vis a vis Euro denominated order book activity most notably in our Lighting business. The Board remains confident in the long-term prospects for LPA Group.

Robert B Horvath
Chairman
22 June 2023

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CHIEF EXECUTIVE'S REPORT

We are pleased to report a strong order intake in H1 2023 resulting in a record order book of £34.9m. As expected, trading in the first half of the year started slowly, as we continued to experience delays to some of our rail projects. It is however encouraging to see an uptick as we move forward, and we expect to see a less volatile trading profile as we progress through the remainder of the current year and into the next.

Revenues during the half were up 5.8% at £9.1m when compared to the equivalent period last year (H1 2022: £8.6m). Inflationary pressures on energy and materials, plus the investment in people to support our longer-term strategy, offset these gains resulting in a loss before tax for the period of £0.6m (H1 2022: loss before tax of £0.6m). Where possible these inflationary pressures have been passed on and the added value across the Group remains at target levels.

The acquisition of the Amphenol range of Inter-car jumpers has now been fully integrated within our Connection Systems business, with deliveries ongoing and the quality of products being well received by our customers. In addition to the opportunity this brings us for the supply of additional products to some 3,000 Rail cars over the coming decade, the acquisition has also enhanced our product offering, therefore enabling more technical options when proposing product solutions to new projects. The acquisition of product ranges such as this are perfect for our well-invested factories and the Group remains vigilant in seeking out other opportunities of this nature.

During the period our Connection Systems facility obtained the prestigious EN/AS9100 certification, which now qualifies the site for the manufacture of goods for both the Aviation and Defence industries. This certification is testament to the systems now in place and means that all Group sites are now running enhanced quality systems in support of their business.

Alongside this, Connection Systems also achieved ISO14001 certification in the period and, with our Channel division also on their ISO14001 journey, all sites will soon be fully compliant to this important environmental standard.

Expanding the Group's sales channels around the world has been a key focus for the last 18 months. This has, in particular, benefited our Aircraft Ground Support product range, which continues to trade strongly and deliver on the strategy and goals set. This sector will continue to benefit from an enhanced focus on sales channels and product development, with the aim of becoming a more significant part of the Connection Systems business and, therefore, lessening the reliance on rail projects as we move forward over the coming years.

Our distribution business has seen a considerable increase in order intake over the period and has now returned to levels of pre-pandemic status. The new MD is now firmly onboard, bringing with him a wealth of knowledge and experience, and is progressing well with a full strategy review of the business. This division currently benefits from a healthy business split between the Aviation / Defence and Rail sectors. However, moving forward, more emphasis on Aviation / Defence and new markets will be the key focus, with a view to delivering growth and a diverse spread of revenues across different market sectors.

Current trading and outlook

The second half of the year has started well with a number of contracts secured and in the pipeline. As we move through the second half and into next year, we look forward to benefiting from increasing and more stable revenue streams. With key positions across the Group now mostly filled, strong order book levels and a commitment to our strategic goals, we are confident in the Group's ability to deliver further progress through the remainder of the year and beyond.

Paul Curtis
CEO
22 June 2023

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CONSOLIDATED INCOME STATEMENT

		6 months to 31 Mar 23 Unaudited £000	6 months to 31 Mar 22 Unaudited £000	Year to 30 Sept 22 Audited £000
Revenue	5	9,131	8,625	19,325
Cost of Sales		(7,373)	(7,206)	(14,925)
Gross Profit		1,758	1,419	4,400
Distribution Costs		(932)	(714)	(1,781)
Administrative Expenses		(1,451)	(1,292)	(2,865)
Administrative Expenses – Exceptional Items		-	-	1,323
Other Operating Income		-	-	7
Underlying Operating (Loss)/Profit		(614)	(568)	(226)
Share Based Payments		(11)	(8)	(13)
Exceptional Items		-	(11)	1,323
Operating (Loss)/Profit		(625)	(587)	1,084
Finance Income		100	40	78
Finance Costs		(68)	(42)	(88)
(Loss)/Profit before Tax		(593)	(589)	1,074
Taxation		148	215	111
(Loss)/Profit for the Period		(445)	(374)	1,185
Attributable to:				
- Equity holders of the parent		(445)	(374)	1,185
(Loss)/Earnings per share	6			
- Basic		(3.38)p	(2.84)p	8.99p
- Diluted		(3.38)p	(2.84)p	8.99p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		6 months to 31 Mar 23 Unaudited £000	Restated 6 months to 31 Mar 22 Unaudited £000	Year to 30 Sept 22 Audited £000
(Loss)/Profit for the Period		(445)	(374)	1,185
Other comprehensive income				
<i>Items that will not be reclassified to profit or loss:</i>				
Actuarial Gain / (Loss) on Pension Scheme		184	512	(219)
Restriction of pension asset		(99)	(194)	49
Other Comprehensive Income		85	318	(170)
Total Comprehensive Income for the Period		(360)	(56)	1,015

The restatement is explained in Note 1.

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CONSOLIDATED BALANCE SHEET

	As at 31 Mar 23 Unaudited £000	Restated As at 31 Mar 22 Unaudited £000	As at 30 Sept 22 Audited £000
Non-Current Assets			
Intangible Assets	1,955	1,452	1,473
Tangible Assets	4,784	5,156	4,774
Right of Use Assets	1,131	1,259	1,211
Retirement Benefits	2,656	2,921	2,471
Deferred Tax Assets	377	315	229
	10,903	11,103	10,158
Current Assets			
Inventories	4,748	4,780	4,567
Trade and Other Receivables	4,380	3,755	5,095
Current Tax Receivable	41	218	41
Cash and Cash Equivalents	1,520	501	2,199
	10,689	9,254	11,902
Total Assets	21,592	20,357	22,060
Current Liabilities			
Bank Loan	(2,032)	(189)	(190)
Lease Liabilities	(293)	(358)	(356)
Trade and Other Payables	(4,624)	(3,698)	(4,584)
	(6,949)	(4,245)	(5,130)
Non-Current Liabilities			
Bank Loan	-	(2,030)	(1,934)
Lease Liabilities	(236)	(394)	(240)
	(236)	(2,424)	(2,174)
Total Liabilities	(7,185)	(6,669)	(7,304)
Net Assets	14,407	13,688	14,756
Equity			
Share Capital	1,348	1,348	1,348
Investment in Own Shares	(324)	(324)	(324)
Share Premium Account	943	943	943
Share-Based Payment Reserve	60	64	49
Merger Reserve	230	230	230
Retained Earnings	12,150	11,427	12,510
Equity Attributable to Shareholders of the Parent	14,407	13,688	14,756

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	6 months to 31 Mar 23 Unaudited £000	Restated 6 months to 31 Mar 22 Unaudited £000	Year to 30 Sept 22 Audited £000
Opening equity	14,756	13,719	13,719
(Loss)/Profit for the period	(445)	(374)	1,185
Other Comprehensive income	85	318	(170)
Total comprehensive income for the period	(360)	(56)	1,015
<i>Transactions with owners:</i>			
Proceeds from issue of shares	-	17	17
Share-based payments	11	8	13
Tax on share-based payments	-	-	(8)
Closing equity	14,407	13,688	14,756

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CONSOLIDATED CASH FLOW STATEMENT

	6 months to 31 Mar 23 Unaudited £000	6 months to 31 Mar 22 Unaudited £000	Year to 30 Sept 22 Audited £000
(Loss)/Profit Before Tax	(593)	(589)	1,074
Finance Costs	68	42	88
Finance Income	(100)	(40)	(78)
Operating (Loss)/Profit	(625)	(587)	1,084
<i>Adjustments for:</i>			
Amortisation of Intangible Assets	65	41	95
Depreciation of Tangible Assets	219	246	497
Depreciation of Right of Use Assets	120	114	202
(Gain) on disposal of Tangible Assets	-	-	(1,496)
Equity settled Share Based Payments	11	8	13
Operating cash flow before movements in working capital	(210)	(178)	395
<i>Movements in Working Capital:</i>			
(Increase) / Decrease in Inventories	(181)	(78)	135
Decrease/(Increase) in Trade and Other Receivables	715	356	(984)
(Decrease)/Increase in Trade and Other Payables	(458)	(479)	372
Cash (outflow) generated from operations	(134)	(379)	(82)
Income Taxes Received	-	-	159
Net cash (outflow)/inflow from operating activities	(134)	(379)	77
Purchase of Property, Plant & Equipment	(141)	(67)	(88)
Proceeds from Sale of Property, Plant & Equipment	-	-	1,666
Expenditure on Capitalised Development Costs	(71)	(89)	(163)
Net cash (outflow) / inflow in investing activities	(212)	(156)	1,415
Repayment of Bank Loan	(92)	(94)	(190)
Principal elements of Lease Liabilities	(182)	(203)	(390)
Interest Paid	(59)	(42)	(88)
Proceeds from Issue of Share Capital	-	17	17
Net cash outflow in financing activities	(333)	(322)	(651)
Net (decrease)/increase in Cash and Cash Equivalents	(679)	(857)	841
Cash and Cash Equivalents at start of the period	2,199	1,358	1,358
Cash and Cash Equivalents at end of the Period	1,520	501	2,199
Reconciliation of cash and cash equivalents			
Cash and Cash Equivalents in Current Assets	1,520	501	2,199

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NET DEBT

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

	Bank Loan	Lease Liabilities	Cash and Cash	Net Debt
	£000	£000	Equivalents	£000
	£000	£000	£000	£000
At 1 October 2022	2,124	596	(2,199)	521
New Lease Obligations & Modifications	-	115	-	115
Interest Costs	50	9	-	59
Repayment of Borrowings/Lease Liabilities	(142)	(191)	-	(333)
Other Cash Absorbed	-	-	679	679
At 31 March 2023	2,032	529	(1,520)	1,041

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 BASIS OF PREPARATION

These interim financial statements are for the six months ended 31 March 2023. They do not include all the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 September 2022.

These interim financial statements have been prepared in accordance with the requirements of UK-adopted International Accounting Standards. These financial statements have been prepared under the historical cost convention with the exception of certain items which are measured at fair value.

These interim financial statements have been prepared in accordance with the accounting policies adopted in the last annual financial statements for the year to 30 September 2022. The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these interim financial statements and are expected to be followed throughout the year ending 30 September 2023.

Under UK tax legislation a tax deduction of 35% is applied to a refund from a UK pension scheme, before it is passed to the employer. The consolidated income statement and balance sheet for the 6 months ended 31 March 2022 have been restated to restrict the pension scheme assets by the 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of judgements and estimates

In preparing these interim financial statements management is required to make judgements on the application of the Group's accounting policies and make estimates about the future. Actual results may differ from these assumptions. The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the consolidated financial statements for the year ended 30 September 2022.

New standards and interpretation adopted by the Group

There has been no impact of new standards and interpretations adopted in the period.

NOTE 3 ACQUISITION OF PRODUCT LINE

As announced on 27 March 2023, LPA made the conditional purchase of a product line from Amphenol Limited for £500,000. This has been treated as an intangible asset in the interim accounts and a fair exercise will be carried out in the second half of the year. The consideration of £500,000 will be split into two payments of £250,000 payable in H2 2023 and £250,000 payable in H1 2024.

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NOTE 4 GOING CONCERN

The Group's business activities and the factors likely to affect its future performance together with the Group's treasury policy, its approach to the management of financial risk, and its exposure to liquidity and credit risks are outlined fully in the Annual Report & Accounts 2022 which details macro-economic impacts including those related to inflation and supply chain disruption.

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

In assessing going concern the Directors note that whilst current economic conditions continue to create uncertainty, with a particular focus on the supply chain and inflationary pressures, the Group: (i) is expected to return to profitability through the second half of its 2023 financial year and continue to trade profitably in the near term; (ii) has in place adequate working capital facilities for its forecast needs; (iii) has a strong current order book with significant further opportunities in its market place; and (iv) has proven adaptable in past periods of adversity over many years. Therefore, the Directors believe that it is well placed to manage its business risks successfully.

Having assessed all aspects of the business and the likely effectiveness of mitigating actions that the Directors would consider undertaking or have undertaken, the going concern basis has been adopted in preparing these interim financial statements.

In reaching this conclusion, the Directors, after making enquiries, inclusive but not limited to updated forecasts and expectations, liabilities and risks and ongoing support from the Group's bank, have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

NOTE 5 OPERATING SEGMENTS

All the Group's operations and activities are based in, and its assets located in, the United Kingdom. For management purposes the Group comprises three product groups (in accordance with IFRS 8) - electro-mechanical systems, engineered component distribution and lighting & electronic systems (which collectively design, manufacture and market industrial electrical and electronic products) - less centre costs, which operate across three market segments – Rail; Aerospace & Defence, Industrial & Other. It is on this basis that the Board of Directors assess Group performance. The split is as follows:

	6 months to 31 Mar 23 Unaudited	6 months to 31 Mar 22 Unaudited	Year to 30 Sept 22 Audited
Electro-Mechanical Systems	3,204	2,972	6,533
Engineered Component Distribution	1,655	1,663	3,342
Lighting & Electronic systems	4,272	3,990	9,450
Operational Revenue	<u>9,131</u>	<u>8,625</u>	<u>19,325</u>

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

	6 months to 31 Mar 23 Unaudited	6 months to 31 Mar 22 Unaudited	Year to 30 Sept 22 Audited
Rail	73%	70%	72%
Aerospace & Defence	21%	13%	13%
Industrial & Other	6%	17%	15%
	<u>100%</u>	<u>100%</u>	<u>100%</u>
United Kingdom	55%	70%	65%
Rest of Europe	29%	20%	24%
Rest of the World	16%	10%	11%
	<u>100%</u>	<u>100%</u>	<u>100%</u>

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NOTE 6 (LOSS) / EARNINGS PER SHARE

The calculations of earnings per share are based upon the (loss)/profit after tax attributable to ordinary equity shareholders and the weighted average number of ordinary shares in issue during the period, less investment in own shares.

Details are as follows:

	6 months to 31 Mar 23 Unaudited	6 months to 31 Mar 22 Unaudited	Year to 30 Sept 22 Audited
(Loss)/Profit for the period - £000	(445)	(374)	1,185
Weighted average number of ordinary shares in issue during the period (million)	13.183	13.161	13,172
Dilutive effect of share options (million)	-	-	0.007
Number of shares for diluted earnings per share (million)	<u>13,183</u>	<u>13.161</u>	<u>13,179</u>
Basic (loss)/earnings per share	(3.38)p	(2.84)p	8.99p
Diluted (loss)/earnings per share	(3.38)p	(2.84)p	8.99p

Basic and diluted earnings per share are based on the weighted average number of ordinary shares and share options in issue during the period. For the period ended 31 March 2022 and 31 March 2023, the basic and diluted loss per share are equal since where a loss is incurred the effect of outstanding share options and warrants is considered anti-dilutive and is ignored for the purpose of the loss per share calculation.

Basic Adjusted Earnings per share

Adjusted earnings per share is a key financial performance measure which discloses the underlying financial performance of the group by excluding exceptional items. Adjusted basic earnings per share is determined as the (loss)/profit attributable to the equity holders of LPA Group Plc excluding the impact of exceptional items divided by the weighted average number of ordinary shares in issue during the year.

	6 months to 31 Mar 23 Unaudited	6 months to 31 Mar 22 Unaudited	Year to 30 Sept 22 Audited
(Loss) / Profit attributable to equity holders of LPA Group Plc - £000	(445)	(374)	1,185
Add back exceptional items - £000	-	11	(1,323)
Tax on exceptional items - £000	-	(2)	-
(Loss) attributable to equity holders of LPA Group Plc before exceptional items - £000	<u>(445)</u>	<u>(365)</u>	<u>(138)</u>
Weighted average number of ordinary shares in issue during the period (million)	13.183	13.161	13.172
Adjusted Loss per share	(3.38)p	(2.77)p	(1.05)p

NOTE 7 INFORMATION

LPA Group Plc is the Group's ultimate parent company. It is incorporated in England and Wales and domiciled in the UK, Company Number 686429. The address of LPA Group Plc's registered office, which is also its principal place of business, is Light & Power House, Shire Hill, Saffron Walden, CB11 3AQ, UK. LPA Group Plc's shares are quoted on the AIM market of the London Stock Exchange.

LPA Group Plc's consolidated interim financial statements are presented in Pounds Sterling (£000), which is also the functional currency of the parent company. These interim financial statements have been approved for issue by the Board of Directors on 22 June 2023. The financial information set out in this interim report does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The Group's statutory financial statements for the year ended 30 September 2022 have been filed with the Registrar of Companies. The auditor's report on those financial statements was unmodified and did not contain statements under Section 498(2) or Section 498(3) of the Companies Act 2006.

Copies of this Interim Report are being sent to shareholders who have requested to receive a hard copy. Shareholders are encouraged to access copies which are available on the Company's website (www.lpa-group.com). Interim Reports will no longer be published as the Company continues to focus on the reduction of waste and carbon footprint. A printout of the Interim Report will also be available by request from the Company's Registrar, or the Company's registered office, address as above or by email: investors@lpa-group.com.

Shareholders are encouraged to visit our website where useful links and assistance have been provided including our Registrars to assist utilisation of digital channels and receipt of future dividends and our Brokers who provide equity research.